

TOWN OF PORT HEDLAND
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and Forming Part of the Financial Report	9
Independent Audit Report	66
Supplementary Ratio Information	68

Principal place of business:
Civic Centre
McGregor St
Port Hedland WA 6721


**TOWN OF PORT HEDLAND
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Town being the annual financial report and supporting notes and other information for the financial year ended 30 June 2017 are in my opinion properly drawn up to present fairly the financial position of the Town at 30th June 2017 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 as authorisation of issue on the 21st day of November 2017



David Pentz
Chief Executive Officer

TOWN OF PORT HEDLAND
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 Actual \$ '000	2017 Budget \$ '000	2016 Actual \$ '000
Revenue				
Rates	22	23,991	23,685	25,195
Operating grants, subsidies and contributions	29	4,291	8,459	3,028
Fees and charges	28	10,359	12,329	10,366
Interest earnings	2(a)	7,303	7,391	4,257
Other revenue		1,821	1,986	6,642
		<u>47,765</u>	<u>53,850</u>	<u>49,488</u>
Expenses				
Employee costs		(20,262)	(21,839)	(22,945)
Materials and contracts		(13,120)	(29,935)	(15,043)
Utility charges		(2,921)	(2,515)	(2,611)
Depreciation on non-current assets	2(a)	(12,031)	(13,839)	(12,739)
Interest expenses	2(a)	(1,260)	(1,260)	(1,379)
Insurance expenses		(1,048)	(1,044)	(1,074)
Other expenditure		(2,000)	(2,830)	(204)
		<u>(52,642)</u>	<u>(73,262)</u>	<u>(55,995)</u>
		(4,877)	(19,412)	(6,507)
Non-operating grants, subsidies and contributions	29	4,270	5,147	5,627
Profit on asset disposals	20	26	210	479
(Loss) on asset disposals	20	(41)	-	(1,370)
(Loss) on revaluation - investment property		(3,918)	-	(7,330)
(Loss) on revaluation of furniture and equipment		-	-	(206)
		<u>(4,540)</u>	<u>(14,055)</u>	<u>(9,307)</u>
Discontinued Operations				
Profit on sale of discontinued operations		-	-	33,223
Net profit from discontinued operations		-	-	2,611
Net Result		<u><u>(4,540)</u></u>	<u><u>(14,055)</u></u>	<u><u>26,527</u></u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	21,526	3,845	(36,527)
		-	-	-
Total other comprehensive income		<u>21,526</u>	<u>3,845</u>	<u>(36,527)</u>
Total comprehensive income		<u><u>16,986</u></u>	<u><u>(10,210)</u></u>	<u><u>(10,000)</u></u>

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

TOWN OF PORT HEDLAND
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 Actual \$ '000	2017 Budget \$ '000	2016 Actual \$ '000
Revenue				
Governance		2	-	12
General purpose funding		35,106	33,955	30,385
Law, order, public safety		210	190	270
Health		364	476	100
Education and welfare		191	177	908
Housing		216	532	231
Community amenities		7,484	10,264	10,271
Recreation and culture		2,251	2,534	1,675
Transport		197	4,035	213
Economic services		943	1,151	4,946
Other property and services		801	536	477
		<u>47,765</u>	<u>53,850</u>	<u>49,488</u>
Expenses				
Governance		(2,786)	(2,796)	(2,343)
General purpose funding		(256)	(341)	(726)
Law, order, public safety		(2,220)	(2,806)	(1,988)
Health		(1,059)	(1,289)	(928)
Education and welfare		(2,816)	(3,400)	(3,764)
Housing		(219)	(248)	(1,212)
Community amenities		(7,602)	(8,298)	(8,898)
Recreation and culture		(20,375)	(21,505)	(19,412)
Transport		(11,342)	(28,099)	(9,836)
Economic services		(1,819)	(1,680)	(2,161)
Other property and services		(888)	(1,540)	(3,348)
		<u>(51,382)</u>	<u>(72,002)</u>	<u>(54,616)</u>
Finance costs				
Law, order, public safety		(7)	(7)	(9)
Health		-	(63)	-
Education and welfare		(63)	(139)	(70)
Housing		(196)	(282)	(301)
Community amenities		(9)	(9)	(14)
Recreation and culture		(897)	(760)	(985)
Economic services		(88)	-	-
		<u>(1,260)</u>	<u>(1,260)</u>	<u>(1,379)</u>
		<u>(4,877)</u>	<u>(19,412)</u>	<u>(6,507)</u>
Non-operating grants, subsidies and contributions	29	4,270	5,147	5,627
Profit on disposal of assets	20	26	210	479
(Loss) on disposal of assets	20	(41)	-	(1,370)
(Loss) on revaluation - investment property	34	(3,918)	-	(7,330)
(Loss) on revaluation of furniture and equipment		-	-	(206)
Profit on sale of discontinued operations		-	-	33,223
Net profit from discontinued operations		-	-	2,611
Net result		<u>(4,540)</u>	<u>(14,055)</u>	<u>26,527</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	21,526	3,845	(36,527)
Total other comprehensive income		<u>21,526</u>	<u>3,845</u>	<u>(36,527)</u>
Total comprehensive income		<u>16,986</u>	<u>(10,210)</u>	<u>(10,000)</u>

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

**TOWN OF PORT HEDLAND
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2017**

	NOTE	2017 \$ '000	2016 \$ '000
CURRENT ASSETS			
Cash and cash equivalents	3	243,042	244,265
Trade and other receivables	4	7,460	8,013
Inventories	5	1,270	1,670
TOTAL CURRENT ASSETS		<u>251,772</u>	<u>253,948</u>
NON-CURRENT ASSETS			
Other receivables	4	2,456	2,601
Inventories	5	8,499	8,499
Property, plant and equipment	6	119,989	109,059
Infrastructure	7	259,614	250,546
Investment Property	34	42,290	46,208
TOTAL NON-CURRENT ASSETS		<u>432,848</u>	<u>416,913</u>
TOTAL ASSETS		<u>684,620</u>	<u>670,861</u>
CURRENT LIABILITIES			
Trade and other payables	8	7,501	7,343
Current portion of long term borrowings	9	1,242	1,171
Provisions	10	16,996	18,209
TOTAL CURRENT LIABILITIES		<u>25,739</u>	<u>26,723</u>
NON-CURRENT LIABILITIES			
Trade and other payables	8	44,076	45,001
Long term borrowings	9	21,400	22,650
Provisions	10	143	211
TOTAL NON-CURRENT LIABILITIES		<u>65,619</u>	<u>67,862</u>
TOTAL LIABILITIES		<u>91,358</u>	<u>94,585</u>
NET ASSETS		<u>593,262</u>	<u>576,276</u>
EQUITY			
Retained surplus		190,875	195,271
Reserves - cash backed	11	239,454	239,598
Revaluation surplus	12	162,933	141,407
TOTAL EQUITY		<u>593,262</u>	<u>576,276</u>

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

**TOWN OF PORT HEDLAND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	RETAINED SURPLUS \$ '000	RESERVES CASH BACKED \$ '000	REVALUATION SURPLUS \$ '000	TOTAL EQUITY \$ '000
Balance as at 1 July 2015		301,574	79,486	205,216	586,276
Comprehensive income					
Net result		26,527	-	-	26,527
Transfer due to Discontinued Operations		27,282	-	(27,282)	-
Changes on revaluation of assets	12	-	-	(36,527)	(36,527)
Total comprehensive income		53,809	-	(63,809)	(10,000)
Transfers from/(to) reserves		(160,112)	160,112	-	-
Balance as at 30 June 2016		195,271	239,598	141,407	576,276
Comprehensive income					
Net result		(4,540)	-	-	(4,540)
Changes on revaluation of assets	12	-	-	21,526	21,526
Total comprehensive income		(4,540)	-	21,526	16,986
Transfers from/(to) reserves		144	(144)	-	-
Balance as at 30 June 2017		190,875	239,454	162,933	593,262

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

**TOWN OF PORT HEDLAND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 Actual \$ '000	2017 Budget \$ '000	2016 Actual \$ '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		22,398	23,684	24,551
Operating grants, subsidies and contributions		7,002	9,460	3,028
Fees and charges		10,359	12,329	16,700
Interest earnings		7,303	7,391	4,721
Goods and services tax		2,954	-	1,358
Other revenue		1,821	1,986	3,260
		<u>51,837</u>	<u>54,850</u>	<u>53,618</u>
Payments				
Employee costs		(21,930)	(22,765)	(22,674)
Materials and contracts		(13,086)	(28,935)	(17,450)
Utility charges		(2,921)	(2,515)	(2,611)
Interest expenses		(1,274)	(1,260)	(1,395)
Insurance expenses		(1,048)	(1,044)	(1,074)
Goods and services tax		(3,473)	-	(1,358)
Other expenditure		(2,000)	(2,829)	(204)
		<u>(45,732)</u>	<u>(59,348)</u>	<u>(46,766)</u>
	13(b)	6,105	(4,498)	6,852
Cash provided from discontinued Operations		-	-	51,280
Net cash provided by (used in) operating activities		<u>6,105</u>	<u>(4,498)</u>	<u>58,132</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts:				
Proceeds from Land held for resale		-	-	640
Non-operating grants, subsidies and contributions		4,270	5,147	3,164
Proceeds from sale of fixed assets	20	335	870	27
Proceeds from investments		-	-	30,000
Proceeds on sale of discontinued operations		-	-	166,869
Payments:				
Payments for purchase of Property, Plant and Equipment		(1,976)	(7,737)	(2,465)
Payments for construction of Infrastructure		(8,877)	(13,692)	(5,863)
Payment for Work in Progress		-	-	(3,622)
Proceeds from disposal of investments		-	-	(36,223)
Payments for Purchase of Investments		-	-	(181,147)
Net cash provided by (used in) investment activities		<u>(6,248)</u>	<u>(15,412)</u>	<u>(28,620)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures	21	(1,179)	(1,179)	(2,238)
Proceeds from self supporting loans	21	99	98	92
Proceeds from new debentures		-	-	341
Net cash provided by (used in) financing activities		<u>(1,080)</u>	<u>(1,081)</u>	<u>(1,805)</u>
Net increase (decrease) in cash held		(1,223)	(20,991)	11,985
Cash at beginning of year		244,265	244,352	232,280
Cash and cash equivalents at the end of the year	13(a)	<u>243,042</u>	<u>223,361</u>	<u>244,265</u>

**TOWN OF PORT HEDLAND
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2017**

NOTE	2017 Actual \$ '000	2017 Budget \$ '000	2016 Actual \$ '000
Net current assets at start of financial year - surplus/(deficit)	5,649	3,765	5,066
	<u>5,649</u>	<u>3,765</u>	<u>5,066</u>
Revenue from operating activities (excluding rates)			
Governance	2	-	12
General purpose funding	11,115	10,271	5190
Law, order, public safety	210	190	270
Health	364	476	100
Education and welfare	191	177	908
Housing	216	532	231
Community amenities	7,484	10,264	10,271
Recreation and culture	2,251	2,534	1,675
Transport	223	4,035	213
Economic services	943	1,361	5,425
Other property and services	801	534	477
	<u>23,800</u>	<u>30,374</u>	<u>24,772</u>
Expenditure from operating activities			
Governance	(2,786)	(2,796)	(2,343)
General purpose funding	(256)	(341)	(726)
Law, order, public safety	(2,227)	(2,813)	(1,997)
Health	(1,059)	(1,353)	(928)
Education and welfare	(2,879)	(3,539)	(3,834)
Housing	(415)	(531)	(1,513)
Community amenities	(7,611)	(8,307)	(8,912)
Recreation and culture	(21,272)	(22,265)	(21,112)
Transport	(15,301)	(28,099)	(10,491)
Economic services	(1,907)	(1,680)	(2,161)
Other property and services	(888)	(1,538)	(10,678)
	<u>(56,601)</u>	<u>(73,262)</u>	<u>(64,695)</u>
Operating activities excluded from budget			
(Profit) on disposal of assets	20	(26)	(479)
Loss on disposal of assets	20	41	1,370
Movement in prepayments - non-current	5	32	-
Movement in land held for resale		264	-
Movement in employee benefit provisions		(865)	44
Depreciation and amortisation on assets	2(a)	12,031	12,739
Loss on revaluation of Investment Property		3,918	7,330
Recognition of the portion of Lease Premium Prepaid		(925)	(283)
Loss on revaluation of Furniture and Equipment		-	(206)
Profit on sale of Discontinued Operations		-	33,223
Net profit from Discontinued Operations		-	2,611
Amount attributable to operating activities		<u>(12,682)</u>	<u>21,492</u>
INVESTING ACTIVITIES			
Non-operating grants, subsidies and contributions		4,270	5,147
Proceeds from disposal of assets	20	335	870
Purchase of property, plant and equipment	6(b)	(1,976)	(7,737)
Purchase and construction of infrastructure	7(b)	(8,877)	(13,692)
Payments for cost to sell discontinued operations		0	(5,737)
Amount attributable to investing activities		<u>(6,248)</u>	<u>(15,412)</u>
FINANCING ACTIVITIES			
Repayment of debentures	21(a)	(1,179)	(1,179)
Proceeds from new debentures	21(a)	-	341
Proceeds from self supporting loans		99	98
Proceeds from disposal of assets		-	167,536
Profit on sale of Discontinued Operations		-	(33,223)
Loss on revaluation of Furniture and Equipment		-	206
Contributed asset		-	(2,463)
Transfer (to) / from Restricted Receivables		-	(2,568)
Transfers to reserves (restricted assets)	11	(8,176)	(169,547)
Transfers from reserves (restricted assets)	11	8,320	9,435
Amount attributable to financing activities		<u>(936)</u>	<u>(32,429)</u>
Surplus(deficiency) before general rates		<u>(19,866)</u>	<u>(19,546)</u>
Total amount raised from general rates	22	<u>23,991</u>	<u>25,195</u>
Net current assets at June 30 c/fwd. - surplus/(deficit)	23	<u><u>4,125</u></u>	<u><u>5,649</u></u>

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

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Material accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, 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 management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

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

THE LOCAL GOVERNMENT REPORTING ENTITY

All Funds through which the Town 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. A separate statement of those monies appears at Note 19 to these financial statements.

(a) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

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

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Trade and Other Receivables

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

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

(d) Inventories

General

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

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

Land held for sale

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

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point.

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

(e) Fixed Assets

Each class of fixed assets within either property, plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Mandatory requirement to revalue non-current assets

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.

During the year ended 30 June 2013, the Town commenced the process of adopting Fair Value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at Fair Value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the Town revalues its asset classes in accordance with this mandatory timetable.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

Land under control

In accordance with Local Government (Financial Management) Regulation 16(a)(ii), the Town was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or Regional significance.

Upon initial recognition, these assets were recorded at cost in accordance with AASB 116. They were then classified as Land and revalued along with other land in accordance with the other policies detailed in this Note.

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework detailed above.

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. The cost of non-current assets constructed by the Town includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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 management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

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 recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

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 Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

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

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

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

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Major depreciation periods used for each class of depreciable asset are:

Buildings	30 to 60 years
Furniture and equipment	4 to 20 years
Plant and equipment	5 to 15 years
Sealed roads and streets	
formation	Not Depreciated
pavement	50 years
seal	
- bituminous seals	12 years
- asphalt surfaces	20 years
Gravel roads	
formation	Not Depreciated
pavement	5 years
Formed roads (unsealed)	
formation	Not Depreciated
pavement	
Footpaths - slab	30 to 40 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years

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

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 in the period in which they arise.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fair Value of Assets and Liabilities

When performing a revaluation, the Town uses a mix of both independent and management valuations using the following as a guide:

Fair Value is the price that the Town would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Town selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Town are consistent with one or more of the following valuation approaches:

Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fair Value of Assets and Liabilities (Continued)

Income approach

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach

Valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Town gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued in accordance with the regulatory framework.

(g) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

- (a) the amount in which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments and any reduction for impairment; and
- (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.

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

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Classification and subsequent measurement (continued)

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

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. Assets in this category are classified as current assets.

(ii) Loans and receivables

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

Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Town has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Held-to-maturity investments are included in current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

(iv) Available-for-sale financial assets

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

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets, where they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as non-current.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Impairment

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which will have an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Town no longer has any significant continual involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(h) Impairment of Assets

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

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

(i) Trade and Other Payables

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

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Employee Benefits

Short-term employee benefits

Provision is made for the Town's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Town's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Town's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Town's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Town does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(k) Borrowing Costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

(l) Provisions

Provisions are recognised when the Town has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

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

(m) Leases

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

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

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

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

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

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Investment in Associates

An associate is an entity over which the Town has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Town's share of net assets of the associate. In addition, the Town's share of the profit or loss of the associate is included in the Town's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Town's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Town and the associate are eliminated to the extent of the Town's interest in the associate.

When the Town's share of losses in an associate equals or exceeds its interest in the associate, the Town discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Town will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(o) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 1(n) for a description of the equity method of accounting.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Town's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 16.

(p) Rates, Grants, Donations and Other Contributions

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

Control of non operating grants arises when the Town can benefit from funds transferred to it and deny or regulate the access of others to those benefits. Therefore control arises when the Town can use funds granted or transferred to purchase goods and services or retain the funds for future purchases.

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

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

(q) Superannuation

The Town contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Town contributes are defined contribution plans.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) 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 Town's operational cycle. In the case of liabilities where the Town 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 sale where it is held as non-current based on the Town's intentions to release for sale.

(s) Rounding Off Figures

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

(t) Comparative Figures

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

When the Town applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(u) Budget Comparative Figures

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

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Town.

Management's assessment of the new and amended pronouncements that are relevant to the Town, applicable to future reporting periods and which have not yet been adopted are set out as follows:

	Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i)	AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Town, it is not anticipated the Standard will have any material effect.
(ii)	AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effect of this Standard will depend upon the nature of future transactions the Town has with those third parties it has dealings with. It may or may not be significant.
(iii)	AASB 16 Leases	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted. Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Town, the impact is not expected to be significant.

Notes:

⁽¹⁾ Applicable to reporting periods commencing on or after the given date.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services. <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Town's operations.</p>

Notes:

⁽¹⁾ Applicable to reporting periods commencing on or after the given date.

(w) Adoption of New and Revised Accounting Standards

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

Whilst many reflected consequential changes associate with the amendment of existing standards, the only new standard with material application is as follows:

<p>(i) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</p> <p>[AASB 10, 124 & 1049]</p>	<p>The objective of this Standard was to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.</p> <p>The Standard has had a significant disclosure impact on the financial report of the Town as both Elected Members and Senior Management are deemed to be Key Management Personnel and resultant disclosures in accordance to AASB 124 have been necessary.</p>
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TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES	2017	2016
	\$ '000	\$ '000
(a) Net Result		
The Net result includes:		
(i) Charging as an expense:		
Significant expense		
Bad & Doubtful Debts	40	59
Loss from Fair Value Adjustment	4,180	7,330
Other Expenditure	<u>-</u>	<u>204</u>
Auditors remuneration		
- Audit of the Annual Financial Report	45	52
- Other Services - Disbursements and Grant Acquittals	44	48
Depreciation		
Buildings - non-specialised	1,601	1,720
Buildings - specialised	1,506	1,618
Furniture and equipment	419	312
Plant and equipment	1,170	2,024
Infrastructure - Roads	3,673	3,958
Infrastructure - Drainage	312	308
Infrastructure - Footpaths	750	765
Infrastructure - Parks and Ovals	2,476	1,916
Infrastructure - Other infrastructure	76	75
Infrastructure - Bus Shelters	10	10
Infrastructure - Depot	38	33
	<u>12,031</u>	<u>12,739</u>
Interest expenses (finance costs)		
Interest Discontinued Operations	-	1,674
Debentures (refer Note 21(a))	1,260	(295)
	<u>1,260</u>	<u>1,379</u>
Rental charges		
- Operating leases	89	155
	<u>89</u>	<u>155</u>
(ii) Crediting as revenue:		
Significant revenue		
Rental Income - Other Council Properties	312	4,245
Other revenue		
Reimbursements and recoveries	1,376	738
Other	1	2,397
	<u>1,377</u>	<u>3,135</u>
	2017	2017
	Actual	Budget
	\$	\$
Interest earnings		2016
- Loans receivable - clubs/institutions	55	-
- Reserve funds	5,918	3,776
- Other funds	968	96
- Rates Instalment Interest Charge	86	111
- Other interest revenue (refer note 27)	276	274
	<u>7,303</u>	<u>4,257</u>

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

In order to discharge its responsibilities to the community, the Town 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 Hedland's 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

Town operations as disclosed in these financial statements 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.

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 Waste Reserves, loan financing and reserve transfers.

LAW, ORDER, PUBLIC SAFETY

Objective:

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

Activities:

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

HEALTH

Objective:

To provide an operational framework for environmental and community health.

Activities:

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

EDUCATION AND 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.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Objective:

To provide services required by the community.

Activities:

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

RECREATION AND CULTURE

Objective:

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

Activities:

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

TRANSPORT

Objective:

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

Activities:

Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities, and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.

ECONOMIC SERVICES

Objective:

To help promote the shire and its economic wellbeing.

Activities:

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

OTHER PROPERTY AND SERVICES

Objective:

To monitor and control council's overheads operating accounts.

Activities:

Private works operation, plant repair and operation costs, engineering operation costs, public works overheads and building maintenance overheads.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Opening	Received	Expended	Closing	Received	Expended	Closing
	Balance ⁽¹⁾ 1/07/15 \$ '000	2015/16 \$ '000	2015/16 \$ '000	Balance ⁽¹⁾ 30/06/16 \$ '000	2016/17 \$ '000	2016/17 \$ '000	Balance 30/06/17 \$ '000
Governance							
Keep Australia Beautiful - Clean Beaches Award 2016	-	-	-	-	2	(2)	-
General purpose funding							
Dept of Local Government & Communities - General Purpose Grant	-	549	(549)	-	1,165	(1,165)	-
Law, order, public safety							
Department of Health- Dog Health Programme - 09/10	2	-	(2)	-	-	-	-
Department of Fire & Emergency Services - State Emergency Service 1516	-	62	(62)	-	-	-	-
Department of Fire & Emergency Services - State Emergency Service 1617	-	11	-	11	64	(75)	-
Department of Fire & Emergency Services - Fire Mitigation	-	3	(3)	-	-	-	-
WA Police - State Graffiti Fund	-	20	-	20	-	(20)	-
WA Police - CCTV Strategy Fund	-	-	-	-	312	(312)	-
Health							
Environment Health - Pilbara Regions Aboriginal Health Workshop	4	-	(4)	-	-	-	-
Department of Health - Mosquito Control	12	6	(18)	-	4	(1)	3
Main Roads WA - Roadside Litter Clean-up Campaign	-	20	(1)	19	-	-	19
Education and welfare							
Atlas - North West Festival 2015 Sponsor	-	18	(18)	-	4	(4)	-
BHP - North West Festival 2016	-	300	(300)	-	-	-	-
Discovery Parks - North West Festival 2016	-	-	-	-	10	(10)	-
Lottery west - North West Festival 2015	-	20	(20)	-	-	-	-
Maca Mining - North West Festival 2016 Sponsor	-	23	(23)	-	-	-	-
McAleese - North West Festival 2016 Sponsor	-	-	-	-	22	(22)	-
Fortescue Metals Group - North West Festival 2016 Sponsor	-	-	-	-	25	(25)	-
Goodline - North West Festival 2016 Sponsor	-	-	-	-	10	(10)	-
Lottery west - North West Festival 2016 Sponsor	-	-	-	-	15	(15)	-
Pardoo Beef Corporation - North West Festival 2016 Sponsor	-	-	-	-	10	(10)	-
Pilbara Minerals - North West Festival 2016 Sponsor	-	-	-	-	5	(5)	-
Pilbara Ports Authority - North West Festival 2016 Sponsor	-	-	-	-	20	(20)	-
Port hedland International Airport - North West Festival 2016 Sponsor	-	-	-	-	37	(37)	-
Qube Pty Ltd - North West Festival 2016 Sponsor	-	-	-	-	22	(22)	-
Roy Hill - North West Festival 2016 Sponsor	-	60	(60)	-	-	-	-
Western Australian Tourism Commission - North West Festival 2016 Sponsor	-	-	-	-	20	(20)	-
Western Australian Tourism Commission - North West Festival 2015	-	25	(25)	-	-	-	-
Fortescue Metals Group - North West Festival 2015	-	25	(25)	-	-	-	-
Department of Local Government and Communities - North West Skate Fest	-	5	(5)	-	-	-	-
Department of Local Government and Communities - Awesome Art Seed	-	4	-	4	-	(4)	-

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions (Continued)

Grant/Contribution	Opening	Received ⁽²⁾	Expended ⁽³⁾	Closing	Received ⁽²⁾	Expended ⁽³⁾	Closing
	Balance ⁽¹⁾ 1/07/15 \$ '000	2015/16 \$ '000	2015/16 \$ '000	Balance ⁽¹⁾ 30/06/16 \$ '000	2016/17 \$ '000	2016/17 \$ '000	Balance 30/06/17 \$ '000
Department of Local Government and Communities - Youth Traineeship	-	-	-	-	20	(15)	5
Disability Services Commission - Movie Night for Disability Awareness Week	-	1	(1)	-	-	-	-
Horizon Power - Lights & Decoration Competition Sponsor	-	3	(3)	-	3	(2)	1
Horizon Power - Community Award 2016	-	-	-	-	2	(2)	-
Recfishwest - Fishing Clinics 2016	-	2	-	2	-	-	2
Australian Terminal Operations - Spinifex Spree 2016	-	5	(5)	-	-	-	-
BHP - Australia Day Celebrations 2016	-	17	(17)	-	-	-	-
Fortescue Metals Group - Australia Day Celebrations 2017	-	-	-	-	2	(2)	-
Fortescue Metals Group - Welcome to Hedland 2016	-	3	(3)	-	-	-	-
Goodline - Paws Walk	-	-	-	-	1	(1)	-
Horizon Power - Spinifex Spree 2016	-	-	-	-	5	(5)	-
IBN - Welocme to Hedland 2016 Sponsor	-	5	(5)	-	-	-	-
ITOCHU - Community Award 2016	-	-	-	-	3	(3)	-
Lottery west - Spinifex Spree 2015	-	20	(20)	-	-	-	-
Lottery west - Spinifex Spree 2016	-	-	-	-	20	(20)	-
Pirtek - Spinifex Spree 2016 Sponsor	-	2	(2)	-	-	-	-
Pilbara Ports Authority - Australia Day Celebrations 2016	-	30	(30)	-	-	-	-
Pilbara Ports Authority - Australia Day Celebrations 2017	-	-	-	-	25	(25)	-
Pilbara Ports Authority = Spinifex Spree 2016	-	-	-	-	10	(10)	-
Port Hedland RSL - Community Award 2016	-	-	-	-	2	(2)	-
Rio Tinto - Community Award 2016	-	-	-	-	2	(2)	-
Rio Tinto - Spinifex Spree 2016 Sponsor	-	3	(3)	-	-	-	-
Roy Hill - Community Award 2016	-	-	-	-	2	(2)	-
Roy Hill - Australa Day Celebrations 2017	-	-	-	-	3	(3)	-
Tox Free Australia Pty Ltd	-	-	-	-	1	(1)	-
YMCA - Community Award 2016	-	-	-	-	2	(2)	-
Housing							
Catamore Court (recognition of contributed asset)		2,463	(2,463)	-	-	-	-
Community amenities							
Country Local Government Funding Round 12/13	64	-	(33)	31	-	(31)	-
Pilbara Development Commission - Wayfinding Signage	9	-	-	9	-	-	9
Department of Planning - Coastwest Project - Sutherland Street	-	-	-	-	36	(36)	-
Department of Planning - South Hedland Tip Relocation	-	211	(211)	-	-	-	-
Department of Planning - Housing Infill Densification Study	-	36	(36)	-	-	-	-
Department of Planning - West End and Port Hedland Town Centre Plan	-	38	(38)	-	-	-	-
Department of Planning - South Hedland East Plan	-	319	(319)	-	-	-	-
Department of Health - Public Open Space at Lot 13	-	268	(268)	-	-	-	-
Department of Infrastructure & Regional Development - Marapikurrinya Park Shade Sails	-	-	-	-	20	(20)	-
Lotterywest - Marapikurrinya Park Rebuild	-	-	-	-	195	(195)	-
WALGA - Transportable Change Room Facility	-	-	-	-	46	-	46

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions (Continued)

Grant/Contribution	Opening	Received ⁽²⁾	Expended ⁽³⁾	Closing	Received ⁽²⁾	Expended ⁽³⁾	Closing
	Balance ⁽¹⁾ 1/07/15 \$ '000	2015/16 \$ '000	2015/16 \$ '000	Balance ⁽¹⁾ 30/06/16 \$ '000	2016/17 \$ '000	2016/17 \$ '000	Balance 30/06/17 \$ '000
Recreation and culture							
Charter Hall - Deadly Skate Youth Diversion	-	-	-	-	5	(5)	-
Coles Supermarket - National Reconciliation Week	-	-	-	-	5	(5)	-
Department of Premier & Cabinet - National Reconciliation Week	-	-	-	-	5	(5)	-
Department of Sport & Recreation - SLAM 2016-2018	-	40	-	40	-	(18)	22
Department of Sport & Recreation - Gratwick Aquatic Centre	-	32	(32)	-	-	-	-
Department of Sport & Recreation - South Hedland Aquatic Centre	-	32	(32)	-	-	-	-
Department of Sport & Recreation- Club Development Officer	-	60	(60)	-	60	(60)	-
Department of Sport & Recreation- Gratwick Aquatic Centre	-	-	-	-	32	(32)	-
Department of Sport & Recreation- South Hedland Aquatic Centre	-	-	-	-	32	(32)	-
Department of Sport & Recreation- Kidsport 2016/17	-	-	-	-	10	(10)	-
Fortesuce Metals Group - National Reconciliation Week	-	-	-	-	5	(5)	-
Monadelphous - National Reconciliation Week	-	-	-	-	15	(15)	-
Mothers Day Classic Foundation	-	-	-	-	3	(3)	-
Port Hedland Netball Association - Faye Gladstone Netball Courts	-	87	(87)	-	-	-	-
Childrens Book Council of Australia - Book Week	-	4	(4)	-	4	(4)	-
Healthway - Have a Try Roadshow 2017	-	-	-	-	3	(3)	-
Horizon Power - Book Week 2017	-	-	-	-	3	(3)	-
Horizon Power - Teddy Bear Picnic	-	-	-	-	1	(1)	-
East Pilbara Shire - Regional Library Model	-	5	(5)	-	-	-	-
State Library of Western Australia - Regional Library Model	-	20	(20)	-	9	(9)	-
Department of Culture and the Arts - Matt Dann Theatre Upgrade	-	266	-	266	-	(266)	-
Fortescue Metals Group - Wanangkurra Stadium	-	375	(375)	-	625	(625)	-
YMCA - Spin Bike Replacement	-	10	(10)	-	-	-	-
Government of WA - NPP - Foreshore Master Plan	17	-	(17)	-	-	-	-
Atlas Iron - Trails Master Plan	8	-	-	8	-	-	8
Royalties for Regions - South Hedland Library & Community Centre	278	-	(19)	259	-	(28)	231
Community Contribution - Bicycle Plan	32	-	-	32	-	-	32
Department of Sport & Recreation - CSRFF Grant Master Planning	25	-	(25)	-	-	-	-
Garnduwa Amboorny Wirnan - The SLAM	8	-	(5)	3	-	(3)	-
Department of Corrective Services - The SLAM	-	3	(3)	-	-	-	-
Atlas Iron - "Through our Eyes" - Oral history of Aboriginal People of Port Hedland	4	-	-	4	-	(4)	-
Recfishwest Community Grant Scheme	2	-	(2)	-	-	-	-
Fortesuce Metals Group - The SLAM Basketball Program	4	-	(4)	-	-	-	-
Pilbara Development Commision - Youth Space - Art Activation	20	-	(20)	-	-	-	-
BHP - Faye Gladstone Netball Courts	-	-	-	-	1,103	(235)	868
Port Hedland Netball Association - Faye Gladstone Netball Courts	-	-	-	-	68	-	68
Kidsport Grant	3	-	(3)	-	-	-	-
Contributions - Foreshore Rehabilitation	17	-	(17)	-	-	-	-
Atlas Iron - Partnership Funds - Mural & Multicultural Banner	3	-	(3)	-	-	-	-

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions (Continued)

Grant/Contribution	Opening	Received ⁽²⁾	Expended ⁽³⁾	Closing	Received ⁽²⁾	Expended ⁽³⁾	Closing
	Balance ⁽¹⁾ 1/07/15 \$ '000	2015/16 \$ '000	2015/16 \$ '000	Balance ⁽¹⁾ 30/06/16 \$ '000	2016/17 \$ '000	2016/17 \$ '000	Balance 30/06/17 \$ '000
Transport							
Department of Local Government & Communities - Local Road Grant	-	321	(321)	-	673	(673)	-
Landcorp - Footpath Construction	-	306	(306)	-	-	-	-
Department of Local Government & Communities - Yandeyarra Road	-	50	(13)	37	50	(87)	-
Main Roads WA - Pinga Street Upgrade	-	1,122	(1,122)	-	1,318	(1,318)	-
Main Roads WA - Murdoch Drive / Captains Way	-	13	(13)	-	-	-	-
Main Roads WA - Direct Grant	-	146	(146)	-	161	(161)	-
Main Roads WA - Street Lighting	-	28	(28)	-	27	(27)	-
Main Roads WA - Powell and Wallwork Roads	-	15	(15)	-	0	-	-
Main Roads WA - Yandeyarra Road Remote Access	-	-	-	-	50	(50)	-
Main Roads WA - Yandeyarra Road Project	-	-	-	-	180	(180)	-
DIRD - Roads to Recovery	-	940	(940)	-	831	(831)	-
Regional Roads Group	161	-	(161)	-	-	-	-
WALGA Road Safety Initiatives	-	1	-	1	-	(1)	-
Department of Transport - Finucane Island Boat Ramp Improvement Plan	-	-	-	-	74	(74)	-
Economic services							
City of Karratha - Retail/ Franchise Attraction Strategy	-	20	-	20	-	(20)	-
Pilbara Development Commission - Retail/Franchise Attraction Strategy	-	50	(4)	46	-	(4)	42
Shire of Ashburton - Retail/ Franchise Attraction Strategy	-	10	-	10	-	(10)	-
Shire of East Pilbara - Retail/ Franchise Attraction Strategy	-	20	-	20	-	(20)	-
Aspen Parks - North West Economic Summit 2015	-	6	(6)	-	-	-	-
BHP - North West Economic Summit 2015	-	8	(8)	-	-	-	-
Charter Hall - North West Economic Summit 2015	-	8	(8)	-	-	-	-
ESS Support Services - North West Economic Summit 2015	-	3	(3)	-	-	-	-
Hedland First National Real Estate - North West Economic Summit 2015	-	4	(4)	-	-	-	-
Horizon Power - North West Economic Summit 2015	-	5	(5)	-	-	-	-
Market Creations - North West Economic Summit 2015	-	13	(13)	-	-	-	-
Port Hedland Chamber of Commerce - North West Economic Summit 2015	-	18	(18)	-	-	-	-
Regional Development Australia Pilbara - North West Economic Summit 2015	-	3	(3)	-	-	-	-
Roy Hill - North West Economic Summit 2015	-	8	(8)	-	-	-	-
City of Karratha - Tourism Signage	-	-	-	-	26	-	26
Pilbara Development Commission - Tourism Signage	-	27	-	27	-	-	27
Other property and services							
BHP Kingsford Smith Business Park Landscaping	480	-	(274)	207	-	(152)	55
LGIS Member Initiative	150	-	(150)	-	-	-	-
Total	1,303	8,656	(8,884)	1,076	7,525	(7,137)	1,464

Notes:

- (1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting 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 AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	Note	2017 \$ '000	2016 \$ '000
3. CASH AND CASH EQUIVALENTS			
Cash on Hand - Municipal: Unrestricted		3,588	4,667
Cash at Bank - Reserves (Restricted)		239,454	239,598
Total Cash and Cash Equivalents		<u>243,042</u>	<u>244,265</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Reserve	11	876	876
Asset management - Infrastructure	11	2,600	2,171
Plant	11	2,147	1,840
Airport	11	15,075	15,872
Unfinished Works and Committed Works Reserve	11	762	1,657
Developer contribution - Car Parking	11	270	270
Waste Management	11	10,540	11,956
Spoilbank	11	37,713	38,372
Asset Management - Community Facilities	11	247	20
GP Housing	11	184	184
Developer Contributions Public Open Spaces	11	259	1,520
Staff Housing	11	645	760
Unspent Grants, Loans and Contributions	11	1,464	1,076
Strategic Reserve	11	587	587
Port Hedland International Airport Lease Proceeds	11	165,849	162,437
Insurance Reserve	11	124	-
Cyclone Emergency Support Reserve	11	103	-
Historical / Heritage Reserve	11	9	-
		<u>239,454</u>	<u>239,598</u>

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017 \$ '000	2016 \$ '000
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates outstanding	2,676	1,083
Sundry debtors	3,249	6,387
GST receivable	519	-
Loans receivable - clubs/institutions	104	90
Prepayment	578	203
Accrued Income	1,322	1,357
Provision doubtful debts	(988)	(1,107)
	7,460	8,013
Non-current		
Rates outstanding - pensioners	17	17
Loans receivable - clubs/institutions	922	1,035
Prepaid Expenses	1,517	1,549
	2,456	2,601
Information with respect the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:		
Rates outstanding	2,676	1,083
Includes:		
Past due and not impaired	2,676	1,083
Impaired	-	-
Sundry debtors	3,249	6,387
Includes:		
Past due and not impaired	1,266	3,808
Impaired	-	-
5. INVENTORIES		
Current		
Depot	800	934
Matt Dann	-	3
JD Hardie	3	2
Cost of acquisition	340	619
Development costs	127	112
	1,270	1,670
Non-current		
Cost of acquisition	1,075	1,075
Development costs	7,424	7,424
	8,499	8,499

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017 \$ '000	2016 \$ '000
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land		
- Independent valuation 2017	7,530	-
- Independent valuation 2014	-	15,167
- Accumulated Impairment	-	(5,467)
	7,530	9,700
Land - vested in and under the control of Council at:		
- Independent valuation 2017	4,337	-
- Independent valuation 2014	-	9,022
- Accumulated Impairment	-	(3,252)
	4,337	5,770
	11,867	15,470
Buildings - non-specialised at:		
- Independent valuation 2017	49,968	-
- Independent valuation 2014	-	42,881
- Additions after valuation - cost	-	1,458
- Accumulated Impairment	-	(5,389)
- Less: accumulated depreciation	(4,303)	(3,320)
	45,665	35,630
Buildings - specialised at:		
- Independent valuation 2017	51,395	-
- Independent valuation 2014	-	46,568
- Additions after valuation - cost	-	1,440
- Accumulated Impairment	-	-
- Less: accumulated depreciation	(1,010)	(3,278)
	50,385	44,730
	96,050	80,360
Total land and buildings	107,917	95,830
Furniture and equipment at:		
- Management valuation 2016	2,525	2,525
- Additions after valuation - cost	481	-
- Less: accumulated depreciation	(418)	-
	2,588	2,525
Plant and equipment at:		
- Management valuation 2016	8,531	8,906
- Additions after valuation - cost	288	-
- Less: accumulated depreciation	(1,145)	-
	7,674	8,906
Work in Progress at:		
- at cost 2017	1,810	-
- at cost 2016	-	1,798
	1,810	1,798
	119,989	109,059

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires property, plant and equipment to be shown at fair value.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$ '000	Additions \$ '000	(Disposals) \$ '000	Revaluation Increments/ (Decrements) Transferred to Revaluation \$ '000	Revaluation (Losses)/ Reversals Through to Profit or Loss \$ '000	Impairment (Losses)/ Reversals \$ '000	Depreciation (Expense) \$ '000	Transfers \$ '000	Carrying Amount at the End of Year \$ '000
Land	9,700	-	-	(2,170)	-	-	-	-	7,530
Land - vested in and under the control of Council	5,770	-	-	(1,433)	-	-	-	-	4,337
Total land	15,470	-	-	(3,603)	-	-	-	-	11,867
Buildings - non-specialised	35,630	507	-	11,122	-	-	(1,601)	7	45,665
Buildings - specialised	44,730	86	-	14,007	-	-	(1,506)	(6,932)	50,385
Total buildings	80,360	593	-	25,129	-	-	(3,107)	(6,925)	96,050
Total land and buildings	95,830	593	-	21,526	-	-	(3,107)	(6,925)	107,917
Furniture and equipment	2,525	492	(2)	-	-	-	(419)	(8)	2,588
Plant and equipment	8,906	286	(348)	-	-	-	(1,170)	-	7,674
Work in Progress	1,798	605	-	-	-	-	-	(593)	1,810
Total property, plant and equipment	109,059	1,976	(350)	21,526	-	-	(4,696)	(7,526)	119,989

Easements
Local Government (Financial Management) Regulation 16(b) requires Council to recognise easements as assets of the Council. Easements will be recognised from 2017/18 by using the cost and indefinite useful life. The Town consider the value of easements to be immaterial

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land					
Land	Level 2	Market approach	Fair Value - Market	June 2017	Observable Market Evidence
Land - vested in and under the control of Council	Level 2	Market approach	Fair Value	June 2017	Observable Market Evidence
Buildings - non-specialised	Level 2	Market approach	Fair Value - Market	June 2017	Observable Market Evidence
Buildings - specialised	Level 3	Cost Approach	Fair Value - Market	June 2017	Non-observables market evidence and valuation relies on significant assumptions
Furniture and equipment	Level 2	Market approach	Fair Value - Market	June 2016	Observable Market Evidence
Plant and equipment					
- Management valuation 2016	Level 2	Market approach	Fair Value - Market	June 2016	Observable Market Evidence

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$ '000	\$ '000
7 (a). INFRASTRUCTURE		
Infrastructure - Roads		
- Management valuation 2015	188,496	188,496
- Additions after valuation - cost	5,633	2,480
Less: accumulated depreciation	<u>(35,610)</u>	<u>(31,942)</u>
	158,519	159,034
Infrastructure - Drainage		
- Management valuation 2015	29,900	29,900
- Additions after valuation - cost	1,457	538
Less: accumulated depreciation	<u>(7,297)</u>	<u>(6,985)</u>
	24,060	23,453
Infrastructure - Footpaths		
- Management valuation 2015	27,925	27,925
- Additions after valuation - cost	785	191
Less: accumulated depreciation	<u>(9,917)</u>	<u>(9,196)</u>
	18,793	18,920
Infrastructure - Parks and Ovals		
- Management valuation 2015	49,783	49,783
- Additions after valuation - cost	11,576	6,200
Less: accumulated depreciation	<u>(16,878)</u>	<u>(13,542)</u>
	44,481	42,441
Infrastructure - Other infrastructure		
- Management valuation 2015	1,232	1,232
- Additions after valuation - cost	12,281	335
Less: accumulated depreciation	<u>(4,326)</u>	<u>(686)</u>
	9,187	881
Infrastructure - Bus Shelters		
- Management valuation 2015	152	152
Less: accumulated depreciation	<u>(60)</u>	<u>(50)</u>
	92	102
Infrastructure - Depot		
- Management valuation 2015	1,016	1,016
- Additions after valuation - cost	382	316
Less: accumulated depreciation	<u>(248)</u>	<u>(210)</u>
	1,150	1,122
Infrastructure - Work in Progress		
- at cost	<u>3,332</u>	<u>4,593</u>
	3,332	4,593
	<u>259,614</u>	<u>250,546</u>

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

7. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Infrastructure - Roads	159,034	574	-	-	-	-	(3,673)	2,584	158,519
Infrastructure - Drainage	23,453	33	-	-	-	-	(312)	886	24,060
Infrastructure - Footpaths	18,920	53	-	-	-	-	(750)	570	18,793
Infrastructure - Parks and Ovals	42,441	2,400	-	-	-	-	(2,476)	2,116	44,481
Infrastructure - Other infrastructure	881	877	-	-	-	-	(76)	7,505	9,187
Infrastructure - Bus Shelters	102	-	-	-	-	-	(10)	-	92
Infrastructure - Depot	1,122	66	-	-	-	-	(38)	-	1,150
Infrastructure - Work in Progress	4,593	4,874	-	-	-	-	-	(6,135)	3,332
Total infrastructure	250,546	8,877	-	-	-	-	(7,335)	7,526	259,614

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Infrastructure - Roads	Level 3	Cost	Fair Value	June 2015	Non-observables market evidence and valuation relies on significant assumptions
Infrastructure - Drainage	Level 3	Cost	Fair Value	June 2015	Non-observables market evidence and valuation relies on significant assumptions
Infrastructure - Footpaths	Level 3	Cost	Fair Value	June 2015	Non-observables market evidence and valuation relies on significant assumptions
Infrastructure - Parks and Ovals	Level 3	Cost	Fair Value	June 2015	Non-observables market evidence and valuation relies on significant assumptions
Infrastructure - Other infrastructure	Level 3	Cost	Fair Value	June 2015	Non-observables market evidence and valuation relies on significant assumptions
Infrastructure - Bus Shelters	Level 3	Cost	Fair Value	June 2015	Non-observables market evidence and valuation relies on significant assumptions
Infrastructure - Depot	Level 3	Cost	Fair Value	June 2015	Non-observables market evidence and valuation relies on significant assumptions

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied , they have the potential to

Local Government (Financial Management) Regulation 16(b)- Accounting for land under local government' s control requires Council to now recognise easements as assets of the Council. Currently the Town doesn't have any land classified as an easement in it's assets register but all easements need to be recognised as assets in accordance with new changes. They are initially recognised at cost and have an indefinite useful life. Please note that indefinite useful life has no impact to depreciation

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$ '000	\$ '000
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	4,346	5,031
Accrued interest on debentures	288	302
Accrued salaries and wages	470	857
Income in Advance	504	229
Lease premium prepaid - Income in Advance	924	924
Retention	27	-
Accrued Expenditure	942	-
	7,501	7,343
Non-current		
Lease Premium Prepaid	44,076	45,001
	44,076	45,001

9. LONG-TERM BORROWINGS

Current		
Secured by floating charge		
Debentures	1,242	1,171
	1,242	1,171
Non-current		
Secured by floating charge		
Debentures	21,400	22,650
	21,400	22,650

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

	Provision for Annual Leave \$ '000	Provision for Sick Leave \$ '000	Provision for Long Service Leave \$ '000	Total \$ '000
Opening balance at 1 July 2016				
Current provisions	1,508	268	561	2,337
Non-current provisions	-	-	211	211
	1,508	268	772	2,548
Additional provision	196	-	(265)	(69)
Amounts used	(548)	(112)	245	(415)
Balance at 30 June 2017	1,156	156	752	2,064
Comprises				
Current	1,156	156	609	1,921
Non-current	-	-	143	143
	1,156	156	752	2,064

Provision for Airport Projects

	\$ '000
Opening balance at 1 July 2016	
Current provisions	15,872
Amounts used	(797)
Balance at 30 June 2017	15,075

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

11 RESERVES - CASH BACKED

	Actual 2017 Opening Balance	Actual 2017 Transfer to	Actual 2017 Transfer (from)	Actual 2017 Closing Balance	Budget 2017 Opening Balance	Budget 2017 Transfer to	Budget 2017 Transfer (from)	Budget 2017 Closing Balance	Actual 2016 Opening Balance	Actual 2016 Transfer to	Actual 2016 Transfer (from)	Actual 2016 Closing Balance
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Leave Reserve	876	-	-	876	876	-	-	876	876	-	-	876
Asset management - Infrastructure Plant	2,171	1,074	(645)	2,600	2,170	1,074	(2,373)	871	524	2,912	(1,265)	2,171
Airport	1,840	567	(260)	2,147	1,840	800	(284)	2,356	837	1,003	-	1,840
Unfinished Works and Committed Works Reserv	15,872	334	(1,131)	15,075	15,872	3,518	(15,872)	3,518	20,874	-	(5,002)	15,872
Developer contribution - Car Parking	1,657	-	(895)	762	1,656	-	(1,656)	-	2,282	513	(1,138)	1,657
Waste Management	270	-	-	270	270	-	-	270	270	-	-	270
Spoilbank	11,956	-	(1,416)	10,540	11,957	1,573	(2,488)	11,042	10,704	1,252	-	11,956
Asset Management - Community Facilities	38,372	-	(659)	37,713	38,372	-	(2,000)	36,372	38,990	-	(618)	38,372
GP Housing	20	291	(64)	247	20	797	(320)	497	10	10	-	20
Developer Contributions Public Open Spaces	184	-	-	184	185	-	-	185	184	-	-	184
Staff Housing	1,520	-	(1,261)	259	1,521	-	(1,322)	199	1,374	268	(122)	1,520
Unspent Grants, Loans and Contributions	760	-	(115)	645	760	-	(100)	660	730	30	-	760
Strategic Reserve	1,076	1,133	(745)	1,464	1,075	-	(1,052)	23	1,304	524	(752)	1,076
Port Hedland International Airport Lease Proceec	587	-	-	587	587	445	-	1,032	-	595	(8)	587
Insurance Reserve	162,437	4,541	(1,129)	165,849	162,437	4,548	(4,523)	162,462	-	162,437	-	162,437
Cyclone Emergency Support Reserve	-	124	-	124	-	-	-	-	-	-	-	-
Historical / Heritage Reserve	-	103	-	103	-	103	(103)	-	-	-	-	-
BHP Reserve	-	9	-	9	-	9	-	9	-	-	-	-
	-	-	-	-	-	-	-	-	527	3	(530)	-
	239,598	8,176	(8,320)	239,454	239,598	12,867	(32,093)	220,372	79,486	169,547	(9,435)	239,598

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 to this financial

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

11 RESERVES - CASH BACKED

In accordance with council resolutions in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of Reserve	Anticipated date of use	Purpose of the reserve
Leave Reserve	As required	- to ensure the adequate funds are available to finance employee leave entitlements such as annual leave, long service leave, sick leave and redundancies.
Asset management - Infrastructure Plant	As required	- to fund the ongoing maintenance, refurbishment, renewal, replacement and development of Council owned assets within the Town of Port Hedland.
Airport	As required	- to fund the Plant Replacement Programme.
Unfinished Works and Committed Works Reserve	As required	- to fund the future Port Hedland International Airport Capital Works commitments.
Developer contribution - Car Parking	As required	- to transfer unspent Municipal funded expenditure on specific projects to enable identification of carryover expenditure into the next financial year.
Waste Management	As required	- to hold contributions which arise from conditions applied to a Development Application for car parking.
Spoilbank	As required	- to fund the development, operation, maintenance and capital expenditure for the Council's waste management facilities including the landfill and waste collection operations and any associated repayments of borrowings and employee entitlements.
Asset Management - Community Facilities	As required	- to fund the Port Hedland Spoilbank development.
GP Housing	As required	- to fund the ongoing maintenance, refurbishment, replacement and upgrade of community infrastructure within the Town of Port Hedland
Developer Contributions Public Open Spaces	As required	- to fund the development, maintenance and ongoing management of GP Housing within the Town of Port Hedland
Staff Housing	As required	- to hold contributions which arise from conditions applied to a Development Application for public open space.
Unspent Grants, Loans and Contributions	As required	- to fund the maintenance, refurbishment, redevelopment and construction of staff housing.
Strategic Reserve	As required	- to restrict unspent grants, loans and contributions at the end of the financial year.
Port Hedland International Airport Lease Proceeds	As required	- to fund strategic projects (excluding renewal and replacement) as included in the Town's Strategic Community Plan and Corporate Business Plan.
Insurance Reserve	As required	- to account for the lease proceeds from the long term lease of the Port Hedland International Airport and disburse funds as per the Wealth Management Framework.
Cyclone Emergency Support Reserve	As required	- to restrict unspent insurance income at the end of the financial year
Historical / Heritage Reserve	As required	- to fund cyclone and emergency related projects
BHP Reserve	As required	- to fund historical building refurbishment projects
		- to fund approved projects under the BHP BIO Town of Port Hedland Communit Development Project Contract Sustainability Partnership.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

12. REVALUATION SURPLUS

	2017				2016				2016	2016	2016	
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Reversal of Impairment	Total Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Transfer due to Discontinued Operations	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Land	39,303		(3,603)	-	(3,603)	35,700	71,926	-	-	(32,623)	(32,623)	39,303
Buildings - non specialised	7,688	25,129	-	-	25,129	32,817	18,452	-	(5,375)	(5,389)	(10,764)	7,688
Furniture and equipments	-	-	-	-	-	-	1,291	-	(1,291)	-	(1,291)	-
Plant and equipment	1,485	-	-	-	-	1,485	-	1,485	-	-	1,485	1,485
Infrastructure	92,931	-	-	-	-	92,931	113,547	-	(20,616)	-	(20,616)	92,931
	<u>141,407</u>	<u>25,129</u>	<u>(3,603)</u>	<u>-</u>	<u>21,526</u>	<u>162,933</u>	<u>205,216</u>	<u>1,485</u>	<u>(27,282)</u>	<u>(38,012)</u>	<u>(63,809)</u>	<u>141,407</u>

Movements on revaluation of fixed assets are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

19 TRUST FUNDS

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

	1 July 2016 \$ '000	Amounts Received \$ '000	Amounts Paid \$ '000	30 June 2017 \$ '000
Grants for Special Projects	2	-	-	2
Building Retention	5	-	-	5
Staff Bonds	7	-	(4)	3
Ranger Service Bonds	2	5	(5)	2
Community Bank	1	-	-	1
Hall Hire Bonds	8	1	(2)	7
LBII Trailer/ Bus Bonds	3	5	(6)	2
Sports Grounds	21	30	(27)	24
Public Open Space	1	-	-	1
BRB Levy	58	93	(66)	85
BCITF Levy	9	124	(90)	43
DAP Levy	10	-	-	10
Technical Services Bonds	27	-	(23)	4
Unclaimed Money	4	6	-	10
Sundry Receipts	1	-	-	1
Garden Competition	5	-	-	5
Building Bonds	22	-	-	22
Cyclone George	103	-	(103)	-
	<u>289</u>			<u>227</u>

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

20. DISPOSALS OF ASSETS - 2016/17 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value \$ '000	Actual Sale Proceeds \$ '000	Actual Profit \$ '000	Actual Loss \$ '000	Budget Net Book Value \$ '000	Budget Sale Proceeds \$ '000	Budget Profit \$ '000	Budget Loss \$ '000
Furniture and Equipment								
General purpose funding								
58 Desktop and laptop computers	2	2	-	-	-	-	-	-
Plant and Equipment								
Housing								
Catamore Court	-	-	-	-	150	150	-	-
Community amenities								
MOWER Amazone Profihopper 4WD - RIDE ON Mower 2 1ECL	6	6	-	-	-	-	-	-
2012 Nissan Navara D/C RX 4x2 Utility PH12436 VEL098	21	10	-	(11)	-	-	-	-
VEH009 Iveco Acco F2350G 315 Side Tipper PH9133 (Eng No	13	9	-	(4)	-	-	-	-
Ditch Witch	-	2	2	-	-	-	-	-
Trailer	-	-	-	-	-	-	-	-
MOWER Kubota F3680 Ride on - Mower 4	9	10	1	-	-	-	-	-
MOWER Kubota F3680 Ride on - Mower 6	9	10	1	-	-	-	-	-
MOWER Kubota F3680 Ride on - Mower 5	9	10	1	-	-	-	-	-
MOWER Amazone Profihopper 4WD - RIDE ON Mower 1 1ECL	6	6	-	-	-	-	-	-
2007 Hino 300 Series Crew Truck - 1COH146 EO FUEL SERVIC	12	13	1	-	-	-	-	-
Pohlner Vibrating Combination Roller VEH037	17	16	-	(1)	-	-	-	-
Recreation and culture								
John Papas Trailer 8 x 5 Tandem with Husqvarna Loading Ram	-	1	1	-	-	-	-	-

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

20. DISPOSALS OF ASSETS - 2016/17 FINANCIAL YEAR (Continued)

	Actual Net Book Value \$ '000	Actual Sale Proceeds \$ '000	Actual Profit \$ '000	Actual Loss \$ '000	Budget Net Book Value \$ '000	Budget Sale Proceeds \$ '000	Budget Profit \$ '000	Budget Loss \$ '000
Transport								
2010 Toyota HILUX 4x2 T/D DC/PU M/T SR PH11637	13	11	-	(2)	13	13	-	-
Toyota Camry Altise Sedan PH11159	5	6	1	-	5	5	-	-
2010 Hilux 4X2 T/D DC/PU M/T SR PH11639	13	13	-	-	13	13	-	-
2009 Toyota Corolla Ascent Hatchback PH11219	10	5	-	(5)	10	10	-	-
TOYOTA PRADO 7 SEAT WAGON 1EBZ251	8	9	1	-	8	8	-	-
2012 Nissan Navara DX Manual 4x2 Single Cab PH12482	22	17	-	(5)	27	27	-	-
2010 Toyota HILUX 4x4 T/D DC/CC M/T PH11488	9	5	-	(4)	9	9	-	-
VEL059 2009 Toyota Corolla Hatch Ascent PH11079	3	3	-	-	3	3	-	-
Toyota Forklift 426FG18	67	74	7	-	72	72	-	-
Iveco Acco Dual Control Garbage Truck with Macdonald Johnstr	9	9	-	-	9	9	-	-
Toyota Hilux 4x2 Dual Cab SR Diesel - PH9903	9	6	-	(3)	9	9	-	-
VEL108 Nissan Tiiida Hatchback 2012 Automatic	15	10	-	(5)	17	17	-	-
2012 Nissan Navara D/C Utility PH12309	36	41	5	-	36	36	-	-
2007 Hilux 4x2 Single Cab SR Diesel PH10277 VEL049	6	7	1	-	6	6	-	-
SAM SPEED TRAILER PH15259	1	-	-	(1)	1	1	-	-
Toyota Hilux 4x4 PH11184	15	17	2	-	15	15	-	-
Toyota Corolla Hatch 1.8L A/T Ascent	5	6	1	-	5	5	-	-
John Papas 7 x 5 Heavy Duty Single Axle Box Top Trailer	-	-	-	-	2	2	-	-
Economic Services								
Kingsford Smith Business Park	-	-	-	-	250	460	210	-
	<u>350</u>	<u>335</u>	<u>26</u>	<u>(41)</u>	<u>660</u>	<u>870</u>	<u>210</u>	<u>-</u>

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	2017	2017	2016
	\$ '000	Budget	\$ '000
		\$ '000	
Cash and cash equivalents	243,042	223,361	244,265

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

Net result	(4,540)	(14,055)	26,527
Non-cash flows in Net result:			
Depreciation	12,031	13,839	12,739
(Profit)/Loss on sale of asset	15	(210)	891
Fair value adjustments to fixed assets			
at fair value through profit or loss	3,918	-	7,330
Loss on revaluation of fixed assets	-	-	206
Profit on sale of Discontinued Operations	-	-	(33,223)
Recognition of a portion of prepaid lease income	-	-	(283)
Provision for agreed Capital Works - Airport	-	-	(15,872)
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	599	1,002	6,152
(Increase)/Decrease in inventories	400	-	(440)
Increase/(Decrease) in payables	(767)	1,000	(2,153)
Increase/(Decrease) in Lease Premium Prepaid	-	-	46,208
Increase/(Decrease) in provisions	(1,281)	(926)	15,677
Grants contributions for			
the development of assets	(4,270)	(5,147)	(3,164)
Contributed Assets	-	-	(2,463)
Net cash from operating activities	<u>6,105</u>	<u>(4,497)</u>	<u>58,132</u>

(c) Undrawn Borrowing Facilities
Credit Standby Arrangements

	2017	2016
	\$ '000	\$ '000
Bank overdraft limit	-	-
Bank overdraft at balance date	-	-
Credit card limit	100	65
Credit card balance at balance date	(45)	(38)
Total amount of credit unused	<u>55</u>	<u>27</u>

Loan facilities

Loan facilities - current	1,242	1,171
Loan facilities - non-current	21,400	22,650
Total facilities in use at balance date	<u>22,642</u>	<u>23,821</u>
Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

14. CONTINGENT LIABILITIES

(a) Bank Guarantee

The Town has issued a Bank Guarantee no.244217230 to the value of \$100k in favour of The Water Corporation for Agreement DN200 and DN300, distribution mains, Airport Redevelopment WAPC 145870 pre-funding arrangements CV03258. This Guarantee expires on 13 April 2018.

(b) Contaminated site

The Town operates the South Hedland Landfill in line with best practice landfill management procedures and under licencing agreement. Town's focus in maintaining the licencing conditions includes an active project to minimise the build-up of used tyres through best practice recovery processes.

15. CAPITAL AND LEASING COMMITMENTS	2017 \$ '000	2016 \$ '000
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	57	217
- later than one year but not later than five years	-	27
- later than five years	-	-
	<u>57</u>	<u>244</u>
	<u>57</u>	<u>244</u>

(b) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects - Infrastructure	1,272	2,701
- plant & equipment purchases	159	145
	<u>1,431</u>	<u>2,846</u>

Payable:

- not later than one year	1,431	2,846
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The capital expenditure project outstanding at the end of the current reporting period represents the construction of the new recreation centre and purchase of a new truck (the prior year commitment was for the construction of the new recreation centre).

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

16. JOINT VENTURE ARRANGEMENTS

The Town has no interest in any Joint Operations, Joint Ventures, or Associates.

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2017	2016
	\$ '000	\$ '000
Governance	-	984
General purpose funding	58,172	311,254
Law, order, public safety	103	1,222
Health	185	1,187
Education and welfare	997	9,088
Housing	645	16,437
Community amenities	44,360	2,824
Recreation and culture	43,082	106,906
Transport	156,993	201,602
Economic services	295,579	682
Other property and services	4,434	12,347
Unallocated	80,070	6,328
	<u>684,620</u>	<u>670,861</u>

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016*	2015
18. FINANCIAL RATIOS			
Current ratio	1.26	1.44	6.95
Asset sustainability ratio	0.83	0.37	1.00
Debt service cover ratio	1.84	9.68	4.25
Operating surplus ratio	(0.21)	0.51	0.12
Own source revenue coverage ratio	0.76	0.71	1.06

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

Notes:

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 68 of this document.

Three of the 2017 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2017-18 Financial Assistance Grant in June 2017.

The early payment of the grant increased operating revenue in 2017 by \$981,000

Three of the 2016 and 2015 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2015-16 Financial Assistance Grant on 30 June 2015.

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$1,173,000

If recognised in the year to which the allocation related, the calculations in the 2017, 2016 and 2015 columns above would be as follows:

	2017	2016	2015
Current ratio	1.16	1.32	7.06
Debt service cover ratio	2.24	9.36	4.51
Operating surplus ratio	-0.18	0.48	0.14

***Alternative Ratio Comparison 2016**

Previous year ratio's reflected operating results from continuing operations. The comparative ratios were calculated using net results in line with the Local Government (Financial Management) Regulations 1996.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal	New	Principal		Principal		Interest	
	1 July		Loans	Repayments	Repayments	30 June 2017	Repayments	Repayments
	2016	\$ '000	Actual	Budget	Actual	Budget	Actual	Budget
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Education and welfare								
GP Housing Loan	1,354	-	53	53	1,301	1,301	63	63
Housing								
Staff Housing - Morgans Street	1,180	-	59	59	1,121	1,121	79	79
Staff Housing - Morgans Street	1,741	-	82	82	1,659	1,659	117	117
Community amenities								
Underground Power	276	-	135	135	141	141	9	9
Recreation and culture								
JD Hardie Upgrade	1,315	-	56	56	1,259	1,259	79	79
Marquee Park	705	-	30	30	675	675	42	42
Marquee Park Loan B	3,876	-	160	160	3,716	3,716	200	200
Multi-purpose Recreation Centre	6,827	-	283	283	6,544	6,544	351	351
JD Hardie Facility Upgrade	1,304	-	52	52	1,252	1,252	60	60
Wanangkura Stadium	2,259	-	88	88	2,171	2,171	108	108
Economic services								
Catamore Court	1,521	-	53	53	1,468	1,468	79	79
Catamore Court Additional	341	-	30	30	311	311	9	9
	22,699	-	1,081	1,081	21,618	21,618	1,196	1,196

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

21. INFORMATION ON BORROWINGS (Continued)

(a) Repayments - Debentures (Continued)

	Principal		Principal		Principal		Interest	
	1 July	New	Repayments		30 June 2017		Repayments	
	2016	Loans	Actual	Budget	Actual	Budget	Actual	Budget
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<u>Self Supporting Loans</u>								
Law, order, public safety								
State Emergency Services Shed*	116	-	37	37	79	79	7	7
Recreation and culture								
Yacht Club*	348	-	31	31	317	317	22	22
Yacht Club Additional *	188	-	14	14	174	174	11	11
South Hedland Bowling Club*	470	-	16	16	454	454	24	24
	1,122	-	98	98	1,024	1,024	64	64
	23,821	-	1,179	1,179	22,642	22,642	1,260	1,260

Self supporting loans financed by payments from third parties.

All other loan repayments were financed by general purpose revenue.

(b) New Debentures - 2016/17

The Town did not take up any new debentures during the year ended 30 June 2017.

(c) Unspent Debentures

The Town did not have any unspent debentures as at 30 June 2017.

(d) Overdraft

The Town does not have any overdraft facilities

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

22. RATING INFORMATION - 2016/17 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$ '000	Rate Revenue \$ '000	Interim Rates \$ '000	Back Rates \$ '000	Total Revenue \$ '000	Budget Rate Revenue \$ '000	Budget Interim Rate \$ '000	Budget Back Rate \$ '000	Budget Total Revenue \$ '000
Differential general rate / general rate											
Gross rental value valuations											
Residential	5.4074	5,579	262,718	14,370	135	3	14,508	14,215	100	-	14,315
Commercial	4.0875	152	28,269	1,159	(38)	5	1,126	1,159	-	-	1,159
Industrial	2.7529	417	69,332	1,909	8	3	1,920	1,909	-	-	1,909
Mass Accommodation	26.0000	6	12,436	3,233	-	-	3,233	3,017	-	-	3,017
Tourist Accommodation	11.4339	10	7,360	842	59	-	901	842	-	-	842
Unimproved value valuations			-	-	-	-	-	-	-	-	-
Mining	37.0000	310	2,898	1,072	36	(1)	1,107	1,072	-	-	1,072
Pastoral	21.0000	11	1,318	136	-	(71)	65	136	-	-	136
Other	10.2877	14	1,254	263	(103)	-	160	263	-	-	263
Sub-Total		6,499	385,585	22,984	97	(61)	23,020	22,613	100	-	22,713
Minimum payment	Minimum \$										
Gross rental value valuations											
Residential	1,260	781	984	984	-	-	984	984	-	-	984
Commercial	1,260	65	82	82	-	-	82	84	-	-	84
Industrial	1,260	48	60	60	-	-	60	60	-	-	60
Mass Accommodation	1,260	-	-	-	-	-	-	-	-	-	-
Tourist Accommodation	1,260	-	-	-	-	-	-	-	-	-	-
Unimproved value valuations											
Mining	260	63	16	16	-	-	16	16	-	-	16
Pastoral	1,260	-	-	-	-	-	-	-	-	-	-
Other	1,260	10	13	13	-	-	13	12	-	-	12
Sub-Total		967	1,155	1,155	-	-	1,155	1,156	-	-	1,156
		7,466	386,740	24,138	97	(61)	24,175	23,769	100	-	23,869
Discounts and concessions							(184)				(184)
Total amount raised from general rate							23,991				23,685
Totals							23,991				23,685

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

23. NET CURRENT ASSETS

Composition of net current assets

	2017	2017	2016
	(30 June 2017	(1 July 2016	(30 June 2016
	Carried	Brought	Carried
	Forward)	Forward)	Forward)
	\$ '000	\$ '000	\$ '000
Surplus/(Deficit) 1 July 16 brought forward	<u>4,125</u>	<u>5,649</u>	<u>5,649</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	3,588	4,667	4,667
Restricted	239,454	239,598	239,598
Receivables			
Rates outstanding	2,676	1,083	1,083
Sundry debtors	3,249	6,387	6,387
GST receivable	519	-	-
Loans receivable - clubs/institutions	104	90	90
Prepayment	578	203	203
Accrued Income	1,322	1,357	1,357
Provision doubtful debts	(988)	(1,107)	(1,107)
Inventories			
Depot	800	934	934
Matt Dann	-	3	3
JD Hardie	3	2	2
Land held for resale - cost			
Cost of acquisition	340	619	619
Development costs	127	112	112
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(4,346)	(5,031)	(5,031)
Accrued interest on debentures	(288)	(302)	(302)
Accrued salaries and wages	(470)	(857)	(857)
Income in Advance	(504)	(229)	(229)
Lease premium prepaid - Income in Advance	(924)	(924)	(924)
Retentions	(27)	-	-
Accrued Expenditure	(942)	-	-
Current portion of long term borrowings			
Secured by floating charge	(1,242)	(1,171)	(1,171)
Provisions			
Provision for annual leave and rostered days	(1,156)	(1,508)	(1,508)
Provision for sick leave	(156)	(268)	(268)
Provision for long service leave	(609)	(561)	(561)
Provision for airport projects	(15,075)	(15,872)	(15,872)
Unadjusted net current assets	<u>226,033</u>	<u>227,225</u>	<u>227,225</u>
Adjustments			
Less: Reserves - restricted cash	(239,454)	(239,598)	(239,598)
Land held for resale - cost	(467)	(731)	(731)
Less: Loans receivable - clubs/institutions	(104)	(90)	(90)
Lease premium prepaid	924	924	924
Add: Secured by floating charge	1,242	1,171	1,171
Cash Backed Employee Provisions	876	876	876
Provision for airport projects	15,075	15,872	15,872
Adjusted net current assets - surplus/(deficit)	<u>4,125</u>	<u>5,649</u>	<u>5,649</u>

Difference

There was no difference between the surplus/(deficit) 1 July 2016 brought forward position used in the 2017 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2016 audited financial report.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

24. SPECIFIED AREA RATE - 2016/17 FINANCIAL YEAR

No specified area rates were imposed by the Town during the year ended 2017.

25. SERVICE CHARGES - 2016/17 FINANCIAL YEAR

No service charges were imposed by the Town during the year ended 2017.

26. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS - 2016/17 FINANCIAL YEAR

Rates Discounts

Rate or Fee Discount Granted	Actual \$ '000	Budget \$ '000	Circumstances in which Discount is Granted
Pensioners	16	16	Capping gap top up
Discounts	167	167	Waivers and Concessions to not for profit community based organisations
	183	183	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$ '000	Actual \$ '000	Budget \$ '000
A100010	Community based organisation	50%		1	1
A156490	Community based organisation	50%		1	1
A700010	Community based organisation	50%		3	3
A115030	Community based organisation	100%		4	4
A1300005	Community based organisation	100%		1	1
A130114	Community based organisation	100%		8	8
A130165	Community based organisation	100%		1	1
A130245	Community based organisation	100%		1	1
A130354	Community based organisation	100%		2	2
A130597	Community based organisation	100%		1	1
A156260	Community based organisation	100%		25	25
A802155	Community based organisation	100%		44	45
A802207	Community based organisation	100%		12	12
A802355	Community based organisation	100%		32	32
A803051	Community based organisation	100%		3	3
A805022	Community based organisation	100%		3	3
A805519	Community based organisation	100%		4	4
A806698	Community based organisation	100%		4	4
A806699	Community based organisation	100%		2	2
A102540	Community based organisation	50%		2	2
A130669	Community based organisation	50%		1	1
A123310	Community based organisation	100%		2	2
A127580	Community based organisation	100%		5	5
A130118	Community based organisation	100%		4	4
				166	167

Rate or Fee and Charge to which the Waiver or Concession is granted

A concession of 50% to 100% per Council discretion

Circumstances in which the Waiver or Concession is granted and to whom it was available

Owner of property must be listed as a Charitable Institution as well as use the property for a charitable purpose only.

Objects of the Waiver or Concession

To at discretion of the Town, grant concession to community groups or associations that operate as a body corporate or an Incorporated Association and not an individual.

Reasons for the Waiver or Concession

In accordance with section 6.47 of the Local Government Act 1995, a local government may at the time of imposing a rate or service charge or at a later date resolve to waive a rate or service charge or resolve to grant other concessions in relation to a rate or service charge. The framework for the rates concessions are set out in the Town's Rates Concessions (Rateable Land) Policy.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

27. INTEREST CHARGES AND INSTALMENTS - 2016/17 FINANCIAL YEAR

	Date Due
Instalment Options	
Option One	
Single full payment	17/10/16
Option Two	
First Instalment	17/10/16
Second Instalment	30/12/16
Third Instalment	06/03/17
Fourth Instalment	08/05/17

	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %	Instalment Plan Admin Charge \$	Revenue \$ '000	Budgeted Revenue \$ '000
Interest on Unpaid Rates		11.00		276	175
Interest on Instalments Plan	5.50			86	115
Charges on Instalment Plan			14.00	98	90

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

28. FEES & CHARGES	2017 \$ '000	2016 \$ '000
Governance	-	1
General purpose funding	1,043	60
Law, order, public safety	130	162
Health	347	73
Education and welfare	165	1
Community amenities	7,455	9,117
Recreation and culture	329	655
Transport	8	10,453
Economic services	880	276
Other property and services	2	-
	<u>10,359</u>	<u>20,798</u>
Fees & Charges Discontinuing Operations	-	(10,432)
	<u>10,359</u>	<u>10,366</u>

The budgeted schedule of Fees and Charges were revised in April 2017 to include a split of Commercial and Community Group/Not for Profit Organisations for Sports Grounds, Ovals, Reserves and Parks for Casual Usage. There were no other changes during the year to the amount of the fees or charges detailed in the original budget.

29. GRANT REVENUE

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

By Nature or Type:	2017 \$ '000	2016 \$ '000
Operating grants, subsidies and contributions		
Governance	2	-
General purpose funding	2,445	870
Law, order, public safety	64	76
Health	4	26
Education and welfare	-	570
Community amenities	(17)	603
Recreation and culture	1,128	517
Transport	562	191
Economic services	-	175
Other property and services	103	-
	<u>4,291</u>	<u>3,028</u>
Non-operating grants, subsidies and contributions		
Law, order, public safety	312	20
Housing	-	2,463
Community amenities	-	268
Recreation and culture	1,432	417
Transport	2,501	2,431
Economic services	25	28
	<u>4,270</u>	<u>5,627</u>
	<u>8,561</u>	<u>8,655</u>

30 ELECTED MEMBERS REMUNERATION

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

	2017 \$ '000	2017 Budget \$ '000	2016 \$ '000
Meeting Fees	233	294	275
Mayor's Allowance	70	88	88
Deputy Mayor's Allowance	21	22	22
Travelling expenses	22	45	49
Telecommunications Allowance	19	32	29
	<u>365</u>	<u>481</u>	<u>463</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

31. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

**2017
\$ '000**

The total of remuneration paid to KMP of the Town during the year are as follows:

Short-term employee benefits	1,845
Post-employment benefits	133
Other long-term benefits	77
Termination benefits	1,017
	3,072
	3,072

Short-term employee benefits

These amounts include all salary, paid leave, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found at Note 30

Post-employment benefits

These amounts are the current-year's estimated cost of providing for the Town's superannuation contributions made during the year.

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

These amounts represent termination benefits paid to KMP

Related Parties

The Town's main related parties are as follows:

i. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.

ii. Entities subject to significant influence by the Town

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

iii. Joint venture entities accounted for under the equity method

As per Note 17, the Town of Port Hedland held no interest in joint ventures

Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

**2017
\$ '000**

Associated companies/individuals:

Purchase of goods and services	46
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Note: Transitional provisions contained within AASB 2015-6 do not require comparative related party disclosures to be presented in the period of initial application. As a consequence, only disclosures in relation to the current year have been presented.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

32. MAJOR LAND TRANSACTIONS

Kingsford Smith Business Park

(a) Details

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

In June 2012, the Town entered into a private treaty arrangement with BHP Billiton Iron Ore (BHBP) to facilitate the subdivision of a portion of an area of land previously known as Precinct 3, now formally known as Kingsford Smith Business Park. Under the arrangement, BHPB constructed a 40 lot subdivision, 38 lots of which to be retained by the Town. Lot 34 of the development has been sold to BHPB, with the intention that they utilise the site for a warehouse facility. Should BHPB wish to dispose of the site, the Town holds the first right of refusal. Lot 35 is the subject of a lease agreement between the Town and BHPB. The term of the lease is 10 years. In accordance with the terms of the lease, it was proposed that BHPB would utilise the land for the purposes of non-residential workforce accommodation, up to 4,000 beds.

Handover occurred in the 2014/15 financial year and as such the Town recognised a non-cash contribution and corresponding non cash asset acquisition (Real Estate Inventory). The Town now has a number of fully serviced lots within the KSBP, available for sale or lease. Proceeds from the sale of Lot 34 has been allocated by the Town to the Strategic Reserve to fund projects from the Strategic Community Plan and the Corporate Business Plan. Any associated rates revenue generated as a result of sale or lease will remain within normal Municipal operations, as will any interest earned on the investment of any such proceeds.

At the end of the 2016/17 financial year, 35 lots remained for sale, of which 4 lots are being leased to the airport operator.

	2017	2017	2016
(b) Current year transactions	\$ '000	Budget \$ '000	\$ '000
Operating income			
- Profit on sale	-	210	470
Capital income			
- Sale proceeds	-	460	640
Operating expenditure			
- Advertising, Promotion and Marketing	(9)	(30)	-
- Legal Costs	(5)	(25)	(109)
- Valuation, Survey and Search Fees	(2)	(14)	-
	(15)	(69)	(109)
Capital expenditure			
- Development costs	(133)	(206)	-
	(133)	(206)	-

The above capital expenditure is included in land held for resale.

(c) Expected Future Cash Flows

	2018	2019	2020	2021	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Cash inflows					
- Sale proceeds	340	340	340	340	1,360
	340	340	340	340	1,360
Net cash flows					
	340	340	340	340	1,360

Catamore Court

(a) Details

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

The proposal from Megara involves the construction of 12 single family homes to be sold to the general public, and an 8 unit group dwelling that have been retained by the Town for staff housing. Construction of housing was contingent upon the presale of a minimum of 12 of the lots (with Lot 201 to be further subdivided) that will not remain with the Town. Proceeds from the sale of those lots were held in the Town's Trust Account, and utilised to pay Megara for the construction of the staff accommodation.

In 2017 the Town took possession of two further lots as completion of the transaction. A final payment of \$150,000 was made to Megara Construction. These lots will be held as land held for resale.

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

(b) Current year transactions	2017		
	2017	Budget	2016
	\$ '000	\$ '000	\$ '000
Operating income			
- Profit on sale	-	-	-
Operating expenses			
- Interest Expenses	(87)	(87)	(109)
Capital income			
- Sale proceeds	-	150	-
Capital expenditure			
- Acquisition of Housing	-	-	(1,127)
- Loan Repayments	(83)	(83)	(50)
- Development costs	(150)	(150)	(341)
	(233)	(233)	(1,518)

(c) Expected Future Cash Flows

	2018	2019	2020	2021	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Cash outflows					
- Interest on Borrowings	(83)	(80)	(76)	(72)	(311)
- Loan repayments	(87)	(90)	(94)	(98)	(369)
	(170)	(170)	(170)	(170)	(680)
Net cash flows	(170)	(170)	(170)	(170)	(680)

General Practitioner Housing

(a) Details

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

Following an Expressions of Interest process, the Town allocated four houses to OSH Group and three to Sonic Health Plus on a lease term of three years. For the purposes of cash flow projections, the Town has assumed that a lease of some form, albeit with potentially amended parties and terms, will be entered into at the end of the current lease.

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

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

(b) Current year transactions	2017		
	2017	Budget	2016
	\$ '000	\$ '000	\$ '000
Operating income			
- Lease Revenue	346	360	307
- Utilities Reimbursement	13	60	15
	359	420	322
Operating income			
- Materials and Contracts	(14)	(20)	(13)
- Utilities	(30)	(60)	(31)
- Depreciation	(117)	(118)	(118)
- Insurance	(16)	(17)	(26)
- Interest on Loans	(63)	(63)	(70)
- Administration Allocation	(12)	(16)	(44)
	(252)	(294)	(302)
Capital expenditure			
- Repayment of Borrowings	(53)	(54)	(51)
	(53)	(54)	(51)

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

(c) Expected Future Cash Flows

	2018	2019	2020	2021	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Cash outflows					
- Materials and Contracts	(20)	(20)	(20)	(20)	(80)
- Utilities	(60)	(60)	(60)	(60)	(240)
- Depreciation	(118)	(118)	(118)	(118)	(472)
- Insurance	(17)	(17)	(17)	(17)	(68)
- Interest on Loans	(61)	(58)	(55)	(52)	(226)
- Administration Allocation	(16)	(16)	(16)	(16)	(64)
- Repayment of Borrowings	(56)	(59)	(61)	(64)	(240)
	(348)	(348)	(347)	(347)	(1,390)
Cash inflows					
- Lease Revenue	346	353	361	368	1,428
- Utilities Reimbursement	60	60	60	60	240
	406	413	421	428	1,668
Net cash flows	58	65	74	81	278

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

33. FINANCIAL RISK MANAGEMENT

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

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

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

The Town held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000
Financial assets				
Cash and cash equivalents	243,043	244,264	243,042	244,264
Investments	-	-	-	-
Receivables	9,916	10,614	9,916	10,614
	<u>252,959</u>	<u>254,878</u>	<u>252,958</u>	<u>254,878</u>
Financial liabilities				
Payables	6,577	6,419	6,577	6,419
Borrowings	22,642	23,821	22,642	23,821
	<u>29,219</u>	<u>30,240</u>	<u>29,219</u>	<u>30,240</u>

Fair value is determined as follows:

- Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value. All investment maturity is within one year from date of investment.
- Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial assets at fair value through profit and loss, available for sale financial assets - based on quoted market prices at the reporting date or independent valuation.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

Available-for-sale financial assets

Held-to-maturity investments

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

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

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

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

The Town manages these risks by diversifying its portfolio and only investing in investments authorised by *Local Government (Financial Management) Regulation 19C*. Council also seeks advice from independent advisers (where considered necessary) before placing any cash and investments.

	2017	2016
	\$ '000	\$ '000
- Equity	2,430	2,443
- Statement of Comprehensive Income	2,430	2,443

Notes:

⁽¹⁾ Sensitivity percentages based on management's expectation of future possible market movements.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

33. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2017	2016
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	43%	35%
- Overdue	57%	65%

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

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

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

	Due within 1 year \$ '000	Due between 1 & 5 years \$ '000	Due after 5 years \$ '000	Total contractual cash flows \$ '000	Carrying values \$ '000
<u>2017</u>					
Payables	7,501	-	-	7,501	7,501
Borrowings	1,242	6,286	15,114	22,642	22,642
	<u>8,743</u>	<u>6,286</u>	<u>15,114</u>	<u>30,143</u>	<u>30,143</u>
<u>2016</u>					
Payables	6,419	-	-	6,419	6,419
Borrowings	2,380	9,080	23,510	34,970	23,821
	<u>8,799</u>	<u>9,080</u>	<u>23,510</u>	<u>41,389</u>	<u>30,240</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings (continued)

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

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

	<1 year \$ '000	>1<2 years \$ '000	>2<3 years \$ '000	>3<4 years \$ '000	>4<5 years \$ '000	>5 years \$ '000	Total \$ '000	Weighted Average Effective Interest Rate %
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Debentures	21,396	20,234	19,057	17,811	16,497	15,110	110,105	5.27%
Weighted average Effective interest rate	5.30%	5.29%	5.28%	5.27%	5.26%	5.24%		
Year ended 30 June 2016								
Borrowings								
Fixed rate								
Debentures	22,642	21,396	20,234	19,057	17,811	16,497	117,637	5.29%
Weighted average Effective interest rate	5.31%	5.30%	5.29%	5.28%	5.27%	5.26%		

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

34. INVESTMENT PROPERTY

(a) Land at Fair Value - Port Hedland International Airport

	2017	2016
	\$ '000	\$ '000
<u>Land - Airport</u>	42,291	46,208

In August 2015 the Town of Port Hedland Council announced that it had resolved to enter into an agreement with AMP Capital and the Infrastructure Group to enter into a 50-year lease for the land at the Port Hedland International Airport and for the sale of the Airport business.

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

Valuation of Investment Property

The investment property was revalued this year in line with AASB 13

Reconciliation of Annual Movement:

	2017	2016
	\$ '000	\$ '000
Opening Balance	46,208	-
Net Gain/(Loss) from Fair Value Adjustments	(3,917)	(7,330)
Transfer from/(to) Inventories	-	8,459
Transfers from/(to) Owner Occupied	-	45,079
	42,291	46,208

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

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

(b) Amounts Recognised in Income Statement for Investment Properties

Property Rental

The Investment Property is leased out as an operating lease over 50 years. The lease was paid upfront for the use of the Investment Property. The Rental income amount of \$924,000 for the period 1 July 2016 to 30 June 2017, is included in the revenue

	2017	2016
	\$ '000	\$ '000
Lease Premium Prepaid received	46,208	46,208
Amount recognised	(1,207)	(283)
	<u>45,001</u>	<u>45,925</u>
Lease Premium Prepaid - Current Liabilities	924	924
Lease Premium Prepaid - Non-Current Liabilities	44,077	45,001
	<u>45,001</u>	<u>45,925</u>

(c) Net Carrying Value of Airport Major Works Reserve

The Town committed to post transition completion of major works at the Airport. This funds is allocated to the Airport Major Works Reserve

	2017	2016
	\$ '000	\$ '000
Airport Major Works Reserve	15,075	15,872

(d) An Upside Agreement was signed, ensuring an additional ten million dollars income over the next 50 years based on passenger number growth. This is billable yearly in arrears when passenger growth exceed a set baseline passenger number. Passenger numbers declined by 3.88% in the past financial year.

**TOWN OF PORT HEDLAND
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2017**

RATIO INFORMATION

The following information relates to those ratios which only require attestation they have been checked and are supported by verifiable information. It does not form part of the audited financial report.

	2017	2016	2015
Asset consumption ratio	0.82	0.74	0.73
Asset renewal funding ratio	1.04	1.07	0.86

The above ratios are calculated as follows:

Asset consumption ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$