

TOWN OF PORT HEDLAND
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

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COMMUNITY VISION

To be Australia's leading Port Town embracing community, culture and environment.

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

**TOWN OF PORT HEDLAND
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

*Local Government Act 1995
Local Government (Financial Management) Regulations 1996*

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Town of Port Hedland for the financial year ended 30 June 2018 is based on proper accounts and records to present fairly the financial position of the Town of Port Hedland at 30 June 2018 and the results of the operations for the financial year then ended in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the ^{4th} day of February, 2019



Chief Executive Officer
David Pentz

TOWN OF PORT HEDLAND
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 Actual \$ '000	2018 Budget \$ '000	2017 Actual \$ '000
Revenue				
Rates	23(a)	25,570	25,003	23,991
Operating grants, subsidies and contributions	2(a)	2,605	3,661	4,291
Fees and charges	2(a)	10,442	11,903	10,359
Interest earnings	2(a)	6,894	6,658	7,303
Other revenue	2(a)	3,442	1,338	1,821
		48,953	48,563	47,765
Expenses				
Employee costs		(17,629)	(18,376)	(20,262)
Materials and contracts		(17,230)	(25,459)	(13,120)
Utility charges		(2,621)	(3,053)	(2,921)
Depreciation on non-current assets	10(b)	(11,042)	(12,914)	(12,031)
Interest expenses	2(b)	(1,180)	(1,198)	(1,260)
Insurance expenses		(707)	(836)	(1,048)
Other expenditure		(3,670)	(1,797)	(2,000)
		(54,079)	(63,633)	(52,642)
		(5,126)	(15,070)	(4,877)
Non-operating grants, subsidies and contributions	2(a)	2,209	3,286	4,270
Profit on asset disposals	10(a)	10	23	26
(Loss) on asset disposals	10(a)	(160)	0	(41)
(Loss) on revaluation of Investment Property	7(a)	0	0	(3,918)
(Loss) on revaluation of Infrastructure - Roads and bridges	9(b)	(985)	0	0
(Loss) on revaluation of Infrastructure - Parks and ovals	9(b)	(7,172)	0	0
(Loss) on revaluation of Infrastructure - Other infrastructure	9(b)	(4,557)	0	0
		(15,781)	(11,761)	(4,540)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	11	(78,905)	0	21,526
		(78,905)	0	21,526
Total comprehensive income				
		(94,686)	(11,761)	16,986

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 2018

	NOTE	2018 Actual \$ '000	2018 Budget \$ '000	2017 Actual \$ '000
Revenue				
Governance		0	0	2
General purpose funding		35,103	34,622	35,106
Law, order, public safety		156	283	210
Health		438	486	364
Education and welfare		211	198	191
Housing		147	308	216
Community amenities		7,693	9,510	7,484
Recreation and culture		2,214	1,720	2,251
Transport		129	189	197
Economic services		2,193	775	943
Other property and services		669	472	801
		48,953	48,563	47,765
Expenses				
Governance		(3,031)	(3,107)	(2,786)
General purpose funding		(552)	(356)	(256)
Law, order, public safety		(1,882)	(2,153)	(2,220)
Health		(1,029)	(1,117)	(1,059)
Education and welfare		(2,144)	(2,353)	(2,816)
Housing		(552)	(268)	(219)
Community amenities		(8,095)	(8,124)	(7,602)
Recreation and culture		(20,234)	(19,552)	(20,375)
Transport		(12,547)	(21,313)	(11,342)
Economic services		(2,606)	(991)	(1,819)
Other property and services		(227)	(3,101)	(888)
		(52,899)	(62,435)	(51,382)
Finance Costs				
Law, order, public safety		(4)	(5)	(7)
Health		(60)	(61)	(63)
Education and welfare		(132)	(133)	(139)
Housing		(265)	(269)	(282)
Community amenities		(3)	(4)	(9)
Recreation and culture		(714)	(726)	(760)
Other property and services		(2)	0	0
		(1,180)	(1,198)	(1,260)
		(5,126)	(15,070)	(4,877)
Non-operating grants, subsidies and contributions	2(a)	2,209	3,286	4,270
Profit on disposal of assets	10(a)	10	23	26
(Loss) on disposal of assets	10(a)	(160)	0	(41)
(Loss) on revaluation of Investment Property	7(a)	0	0	(3,918)
(Loss) on revaluation of Infrastructure - Roads and bridges	9(b)	(985)	0	0
(Loss) on revaluation of Infrastructure - Parks and ovals	9(b)	(7,172)	0	0
(Loss) on revaluation of Infrastructure - Other infrastructure	9(b)	(4,557)	0	0
		(10,655)	3,309	337
		(15,781)	(11,761)	(4,540)

TOWN OF PORT HEDLAND
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 Actual \$ '000	2018 Budget \$ '000	2017 Actual \$ '000
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	11	(78,905)	0	21,526
Total other comprehensive income		(78,905)	0	21,526
Total comprehensive income		(94,686)	(11,761)	16,986

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

**TOWN OF PORT HEDLAND
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2018**

	NOTE	2018 \$ '000	2017 \$ '000
CURRENT ASSETS			
Cash and cash equivalents	3	232,735	243,042
Trade and other receivables	5	11,252	7,460
Inventories	6	1,842	1,270
TOTAL CURRENT ASSETS		245,829	251,772
NON-CURRENT ASSETS			
Other receivables	5	2,315	2,456
Inventories	6	6,052	8,499
Investment property	7(a)	42,363	42,290
Property, plant and equipment	8(a)	116,519	119,989
Infrastructure	9(a)	171,585	259,614
TOTAL NON-CURRENT ASSETS		338,834	432,848
TOTAL ASSETS		584,662	684,620
CURRENT LIABILITIES			
Trade and other payables	12	4,931	7,501
Current portion of long term borrowings	13(a)	1,120	1,242
Provisions	14	16,560	16,996
TOTAL CURRENT LIABILITIES		22,611	25,739
NON-CURRENT LIABILITIES			
Trade and other payables	12	43,152	44,076
Long term borrowings	13(a)	20,238	21,400
Provisions	14	86	143
TOTAL NON-CURRENT LIABILITIES		63,476	65,619
TOTAL LIABILITIES		86,087	91,358
NET ASSETS		498,576	593,262
EQUITY			
Retained surplus		181,813	190,875
Reserves - Cash backed	4	232,735	239,454
Revaluation surplus	11	84,028	162,933
TOTAL EQUITY		498,576	593,262

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 2018**

	NOTE	RESERVES			TOTAL EQUITY
		RETAINED SURPLUS	CASH BACKED	REVALUATION SURPLUS	
		\$ '000	\$ '000	\$ '000	
Balance as at 1 July 2016		195,271	239,598	141,407	576,276
Comprehensive income					
Net result		(4,540)	0	0	(4,540)
Changes on revaluation of assets	11	0	0	21,526	21,526
Total comprehensive income		(4,540)	0	21,526	16,986
Transfers from/(to) reserves		144	(144)	0	0
Balance as at 30 June 2017		190,875	239,454	162,933	593,262
Comprehensive income					
Net result		(15,781)	0	0	(15,781)
Changes on revaluation of assets	11	0	0	(78,905)	(78,905)
Total comprehensive income		(15,781)	0	(78,905)	(94,686)
Transfers from/(to) reserves		6,719	(6,719)	0	0
Balance as at 30 June 2018		181,813	232,735	84,028	498,576

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 2018**

	NOTE	2018 Actual \$ '000	2018 Budget \$ '000	2017 Actual \$ '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		24,003	25,003	22,398
Operating grants, subsidies and contributions		2,605	3,661	7,002
Fees and charges		10,442	11,903	10,359
Interest earnings		5,242	6,658	7,303
Goods and services tax		132	0	2,954
Other revenue		2,874	1,338	1,821
		45,298	48,563	51,837
Payments				
Employee costs		(18,333)	(18,376)	(21,930)
Materials and contracts		(19,429)	(25,044)	(13,086)
Utility charges		(2,624)	(3,053)	(2,921)
Interest expenses		(1,197)	(1,198)	(1,274)
Insurance expenses		(706)	(836)	(1,048)
Goods and services tax		(245)	0	(3,473)
Other expenditure		(2,821)	(1,797)	(2,000)
		(45,355)	(50,304)	(45,732)
Net cash provided by (used in) operating activities	15	(57)	(1,741)	6,105
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(3,887)	(6,323)	(1,976)
Payments for construction of infrastructure		(7,727)	(14,838)	(8,877)
Non-operating grants, subsidies and contributions		2,209	3,286	4,270
Proceeds from sale of fixed assets		301	300	335
Net cash provided by (used in) investment activities		(9,104)	(17,575)	(6,248)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term borrowings		(1,284)	(1,241)	(1,179)
Proceeds from self supporting loans		138	96	99
Net cash provided by (used in) financing activities		(1,146)	(1,145)	(1,080)
Net increase (decrease) in cash held		(10,307)	(20,461)	(1,223)
Cash at beginning of year		243,042	242,271	244,265
Cash and cash equivalents at the end of the year	15	232,735	221,810	243,042

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

**TOWN OF PORT HEDLAND
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual \$ '000	2018 Budget \$ '000	2017 Actual \$ '000
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)				
		4,125	4,500	5,649
		4,125	4,500	5,649
Revenue from operating activities (excluding rates)				
Governance		0	0	2
General purpose funding		9,533	9,619	11,115
Law, order, public safety		156	283	210
Health		438	486	364
Education and welfare		211	198	191
Housing		147	308	216
Community amenities		7,693	9,510	7,484
Recreation and culture		2,214	1,720	2,251
Transport		129	189	223
Economic services		2,193	798	943
Other property and services		679	472	801
		23,393	23,583	23,800
Expenditure from operating activities				
Governance		(3,031)	(3,107)	(2,786)
General purpose funding		(552)	(356)	(256)
Law, order, public safety		(1,886)	(2,158)	(2,227)
Health		(1,089)	(1,177)	(1,059)
Education and welfare		(2,276)	(2,485)	(2,879)
Housing		(817)	(537)	(415)
Community amenities		(8,098)	(8,128)	(7,611)
Recreation and culture		(20,948)	(20,279)	(21,272)
Transport		(12,547)	(21,313)	(15,301)
Economic services		(2,606)	(991)	(1,907)
Other property and services		(13,103)	(3,101)	(888)
		(66,953)	(63,632)	(56,601)
Operating activities excluded				
(Profit) on disposal of assets	10(a)	(10)	(23)	(26)
Loss on disposal of assets	10(a)	160	0	41
Loss on revaluation of fixed assets	9(b)	12,714	0	0
Loss on revaluation of investment property	7(a)	0	0	3,918
Movement in prepayments - non-current		32	0	32
Movement in land held for resale		1,733	0	264
Movement in employee benefit provisions (non-current)		(57)	0	(68)
Movement in investment properties		(73)	0	0
Movement in provisions for airports		(81)	0	(797)
Recognition of the portion of lease premium prepaid		(924)	(924)	(925)
Depreciation and amortisation on assets	10(b)	11,042	12,914	12,031
Amount attributable to operating activities		(14,899)	(23,582)	(12,682)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		2,209	3,286	4,270
Proceeds from disposal of assets	10(a)	301	300	335
Purchase of property, plant and equipment	8(b)	(3,887)	(6,323)	(1,976)
Purchase and construction of infrastructure	9(b)	(7,727)	(14,838)	(8,877)
Amount attributable to investing activities		(9,104)	(17,575)	(6,248)
FINANCING ACTIVITIES				
Repayment of long term borrowings	13(a)	(1,284)	(1,241)	(1,179)
Proceeds from self supporting loans	13(a)	138	96	99
Transfers to reserves (restricted assets)	4	(9,155)	(7,821)	(8,176)
Transfers from reserves (restricted assets)	4	15,874	25,478	8,320
Amount attributable to financing activities		5,573	16,512	(936)
Surplus(deficiency) before general rates		(18,430)	(24,645)	(19,866)
Total amount raised from general rates	23(a)	25,570	25,003	23,991
Net current assets at June 30 c/fwd - surplus/(deficit)	24	7,140	358	4,125

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

1. 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) and Interpretations of the Australian Accounting Standards Board, the *Local Government Act 1995* and accompanying regulations.

The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Regulation 16 prohibits a local government from recognising as assets Crown Land that is a public thoroughfare, such as land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or any other sporting or recreational facility of State or regional significance. Consequently, some assets, including land under roads acquired on or after 1 July 2008 have not been recognised in this financial report. This is not in accordance with the requirements of AASB 1051 *Land Under Roads* paragraph 15 and AASB 116 *Property, Plant and Equipment* paragraph 7.

Accounting policies which have been adopted in the preparation of this financial report 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 26 to these financial statements.

2. REVENUE AND EXPENSES

(a) Revenue

	2018 Actual	2017 Actual
	\$ '000	\$ '000
Significant revenue by Nature & Type		
Fees and Charges		
- Rental income - other council properties	577	311
Other Revenue		
- Reimbursements and recoveries	1,988	1,821
- Other	1,454	0
	3,442	1,821
 Total significant revenue	 4,019	 2,132
Significant revenue by Program		
General purpose funding		
- Reimbursements and recoveries	13	37
- Other	5	0
Health		
- Reimbursements and recoveries	18	12
Education and welfare		
- Rental income - other council properties (same as below)	38	41
- Reimbursements and recoveries	22	26
Housing		
- Reimbursements and recoveries	147	223
Community amenities		
- Reimbursements and recoveries	0	12
Law, order and public safety		
- Other	3	12
Recreation and culture		
- Reimbursements and recoveries	1,084	750
Economic services		
- Rental income - other council properties	539	270
- Reimbursements and recoveries	77	42
- Sale of properties	1,399	0
- Other	31	0
Other property and services		
- Reimbursements and recoveries	627	707
- Other	16	0
	4,019	2,132

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES (Continued)

	2018 Actual	2017 Actual
	\$ '000	\$ '000
Fees and Charges		
General purpose funding	1,018	1,043
Law, order, public safety	80	130
Health	414	347
Education and welfare	158	165
Community amenities	7,694	7,455
Recreation and culture	390	329
Transport	3	8
Economic services	682	880
Other property and services	3	2
	10,442	10,359

There were changes to the budget in the financial year with the inclusion of facility hire charges for the Andrew McLaughlin Community Centre and court hire for the Port Hedland Tennis Facility.

Grant Revenue

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

	2018 Actual	2017 Actual
	\$ '000	\$ '000
Operating grants, subsidies and contributions		
Governance	0	2
General purpose funding	1,662	2,445
Law, order, public safety	66	64
Health	5	4
Education and welfare	30	0
Community amenities	0	(17)
Recreation and culture	688	1,128
Transport	126	562
Economic services	4	0
Other property and services	24	103
	2,605	4,291
Non-operating grants, subsidies and contributions		
Law, order, public safety	0	312
Recreation and culture	179	1,432
Transport	2,030	2,501
Economic services	0	25
	2,209	4,270
Total grants, subsidies and contributions	4,814	8,561

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

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

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

Grants, donations and other contributions (Continued)

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 22.

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 period.

Interest earnings

- Loans receivable - clubs/institutions
 - Reserve funds
 - Other funds
- Other interest revenue (refer Note 23(e))

2018 Actual	2018 Budget	2017 Actual
\$ '000	\$ '000	\$ '000
60	58	55
6,075	6,170	5,918
112	95	968
647	335	362
6,894	6,658	7,303

(b) Expenses

Significant expense

- Bad debts
- Loss from Fair Value adjustment

Auditors remuneration

- Audit of the Annual Financial Report
- Other services - disbursements and grant acquittals

Interest expenses (finance costs)

- Long term borrowings (refer Note 13(a))
- Other interest expenses

Rental charges

- Operating leases

2018 Actual	2017 Actual
\$ '000	\$ '000
9	40
13,662	4,180
13,671	4,220
47	45
0	44
47	89
1,179	1,260
1	0
1,180	1,260
51	89
51	89

3. CASH AND CASH EQUIVALENTS

NOTE	2018	2017
	Actual	Actual
	\$ '000	\$ '000
Unrestricted	0	3,588
Restricted	232,735	239,454
	232,735	243,042
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Employee Leave Reserve	4	876
Developer Contributions - Car Parking	4	0
Airport Reserve	4	14,976
Spoilbank Reserve	4	37,569
Asset Management - Community Facilities	4	0
GP Housing	4	185
Waste Management Reserve	4	7,652
Plant Reserve	4	2,455
Unfinished Works & Committed Works Reserve	4	1,464
Staff Housing Reserve	4	276
Strategic Reserve	4	500
Unspent Grants, Loans & Contributions Reserve	4 & 22	392
PHIA Long Term Lease Proceeds Reserve	4	168,026
Historical	4	11
Insurance Reserve	4	124
Cyclone Emergency Support Response	4	80
Developer Contributions - Public Open Spaces	4	259
Asset Management - Infrastructure Reserve	4	2,099
Unallocated Internal Overdraft Facility	4	(4,209)
Unspent loans	13(b)	0
	232,735	239,454

SIGNIFICANT ACCOUNTING POLICIES

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 insignificant risk.

Cash and cash equivalents (Continued)

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

Unallocated Internal Overdraft Facility

The unallocated internal overdraft facility reflects restricted cash utilised to fund general operations. The Town does not currently have access to an overdraft facility on its normal operating bank account. It is the Town's intention to utilise the funds held in Reserves for the purpose of not utilising external overdraft facilities for short periods from time to time during the financial year. The benefit to the Town is that financing costs are reduced by minimising the use of overdraft facilities. This is aligned to the adopted 2017/18 Annual Budget Note 7(d).

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

4. RESERVES - CASH BACKED

	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual	2018 Budget Opening Balance	2018 Budget Transfer to	2018 Budget Transfer (from)	2018 Budget Closing Balance	2017 Actual Opening Balance	2017 Actual Transfer to	2017 Actual Transfer (from)	2017 Actual Closing Balance
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Employee Leave Reserve	876	0	0	876	876	0	0	876	876	0	0	876
Developer Contributions - Car Parking	270	0	(270)	0	0	0	0	0	270	0	0	270
Airport Reserve	15,075	0	(99)	14,976	15,075	0	(10,870)	4,205	15,872	334	(1,131)	15,075
Spoilbank Reserve	37,713	0	(144)	37,569	37,713	0	(3,150)	34,563	38,372	0	(659)	37,713
Asset Management - Community Facilities	247	0	(247)	0	0	0	0	0	20	291	(64)	247
GP Housing	184	1	0	185	184	0	0	184	184	0	0	184
Waste Management Reserve	10,540	0	(2,888)	7,652	10,554	1,076	(2,926)	8,704	11,956	0	(1,416)	10,540
Plant Reserve	2,147	613	(305)	2,455	2,181	612	(649)	2,144	1,840	567	(260)	2,147
Unfinished Works & Committed Works Reserve	762	1,296	(594)	1,464	759	0	(759)	0	1,657	0	(895)	762
Staff Housing Reserve	645	0	(369)	276	645	0	(347)	298	760	0	(115)	645
Strategic Reserve	587	0	(87)	500	587	0	(87)	500	587	0	0	587
Unspent Grants, Loans & Contributions Reserve	1,464	59	(1,131)	392	1,635	0	(1,567)	68	1,076	1,133	(745)	1,464
PHIA Long Term Lease Proceeds Reserve	165,849	4,288	(2,111)	168,026	165,104	4,548	(1,927)	167,725	162,437	4,541	(1,129)	165,849
Historical	9	2	0	11	9	2	0	11	0	9	0	9
Insurance Reserve	124	0	0	124	124	0	(124)	0	0	124	0	124
Cyclone Emergency Support Response	103	0	(23)	80	103	0	(103)	0	0	103	0	103
Developer Contributions - Public Open Spaces	259	270	(270)	259	529	0	(270)	259	1,520	0	(1,261)	259
Asset Management - Infrastructure Reserve	2,600	2,626	(3,127)	2,099	2,848	1,583	(2,699)	1,732	2,171	1,074	(645)	2,600
Unallocated Internal Overdraft Facility	0	0	(4,209)	(4,209)	0	0	0	0	0	0	0	0
	239,454	9,155	(15,874)	232,735	238,926	7,821	(25,478)	221,269	239,598	8,176	(8,320)	239,454

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 report.

Reserves were utilised throughout the year to fund outgoing expenditure. This was due to funds being held in binding investments (term deposits) and a higher than anticipated unrecovered rates at the start of Financial year 2018.

* The use of the unallocated internal overdraft facility has returned to a zero balance during October 2018, satisfying the short term use restrictions of this facility to manage cash flow.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

4. RESERVES - CASH BACKED (Continued)

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
Employee Leave Reserve	Ongoing	To ensure that adequate funds are available to finance employee leave entitlements such as annual leave, long service leave, sick leave and redundancies.
Developer Contributions - Car Parking	<i>Closed</i>	Amalgamated with the Developer Contributions - Public Open Space reserve during 2017/18 Annual Budget.
Airport Reserve	2020/22	To fund the future Port Hedland International Airport major works commitments.
Spoilbank Reserve	Ongoing	Funding the development of the Port Hedland Spoilbank Precinct.
Asset Management - Community Facilities	<i>Closed</i>	Amalgamated with the Asset Management - Infrastructure reserve during 2017/18 Annual Budget.
GP Housing	Ongoing	To fund the development, maintenance and management of GP Housing.
Waste Management Reserve	Ongoing	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.
Plant Reserve	Ongoing	To fund the Plant Replacement Program (plant with motor vehicle registration).
Unfinished Works & Committed Works Reserve	2018/19	To transfer unspent Municipal funded expenditure on specific projects to enable identification of carryover expenditure into the next financial year.
Staff Housing Reserve	Ongoing	To fund the maintenance, refurbishment, redevelopment and construction of staff housing.
Strategic Reserve	Ongoing	To fund strategic projects (excluding renewal and replacement) as included in the Town's Strategic Community Plan and Corporate Business Plan. To fund strategic projects (excluding renewal and replacement) as included in the Town's Strategic Community Plan and Corporate Business Plan; and to fund the formulation and maintenance of the plans.
Unspent Grants, Loans & Contributions Reserve	Ongoing	To restrict unspent grants, loans and contributions at the end of the financial year.
PHIA Long Term Lease Proceeds Reserve	Ongoing	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.
Historical	Ongoing	To fund historical building refurbishment projects.
Insurance Reserve	Ongoing	To restrict unspent insurance income at the end of the financial year.
Cyclone Emergency Support Response	2018/19	To fund cyclone and emergency related projects.
Developer Contributions - Public Open Spaces	Ongoing	To hold contributions which arise from conditions applied to a Development Application for car parking and public open space.
Asset Management - Infrastructure Reserve	Ongoing	To fund the ongoing maintenance, refurbishment, renewal, replacement and upgrade of Council owned infrastructure assets within the Town of Port Hedland and community facilities within the Town of Port Hedland, specifically (but not limited to): Wanangkura Stadium, South Hedland Aquatic Centre, Gratwick Aquatic Centre, Marquee Park and JD Hardie Centre.
Unallocated Internal Overdraft Facility	Ongoing	The Town does not currently have access to an overdraft facility on its normal operating bank account. It is the Town's intention to utilise the funds held in Reserves for the purpose of not utilising external overdraft facilities for short periods from time to time during the financial year. The benefit to the Town is that financing costs are reduced by minimising the use of overdraft facilities. This is aligned to the adopted 2017/18 Annual Budget Note 7(d).

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

5. TRADE AND OTHER RECEIVABLES

	2018 Actual \$ '000	2017 Actual \$ '000
Current		
Rates outstanding	4,243	2,676
Sundry debtors	3,668	3,249
GST receivable	636	519
Loans receivable - clubs/institutions	77	104
Prepayments	475	578
Accrued income	3,120	1,322
Provision for doubtful debts	(967)	(988)
	11,252	7,460
Non-current		
Rates outstanding - pensioners	17	17
Loans receivable - clubs/institutions	812	922
Prepaid expenses	1,486	1,517
	2,315	2,456
Information with respect to the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:		
Rates outstanding (including non-current pensioners)		
Includes:		
Past due and not impaired	3,583	2,001
Impaired	677	692
	4,260	2,693
The table below illustrates the rates outstanding aging analysis (including non-current pensioners)		
Up to one year	2,896	(24)
One to three years	1,327	2,330
Three or more years	37	387
	4,260	2,693
Sundry debtors		
Includes:		
Past due and not impaired	3,378	2,953
Impaired	290	296
	3,668	3,249
The table below illustrates the sundry debtors aging analysis		
Up to one month	1,342	1,459
One to three months	1,082	609
Three months to one year	153	60
Older than a year	1,091	1,121
	3,668	3,249
Accrued income		
The following illustrates the accrued income aging analysis		
Up to one month	336	241
One to three months	704	346
Three months to one year	2,080	735
Older than a year	0	0
	3,120	1,322

5. TRADE AND OTHER RECEIVABLES (Continued)

SIGNIFICANT ACCOUNTING POLICIES

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.

Classification and subsequent measurement

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.

6. INVENTORIES

Current

Depot	
Matt Dann	
JD Hardie	
Land held for resale - cost	
Cost of acquisition	
Development costs	

Non-current

Land held for resale - cost	
Cost of acquisition	
Development costs	

2018	2017
\$ '000	\$ '000
653	800
7	0
1	3
1,181	340
0	127
1,842	1,270
0	1,075
6,052	7,424
6,052	8,499

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

Land held for resale

Land held for development and resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development.

Land held for resale (Continued)

Borrowing 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 onto the buyer at this point.

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

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

7. Investment Property

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

Land - Airport

	2018	2017
	\$ '000	\$ '000
	42,363	42,290

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 last financial year in-line with AASB 13 *Fair Value Measurement*.

Reconciliation of annual movement:

	2018	2017
	\$ '000	\$ '000
Opening balance	42,290	46,208
Net gain/(loss) from Fair Value adjustments	0	(3,918)
Additions	73	0
	42,363	42,290

Rounding difference has occurred in this note due to amounts owing reflected to the nearest thousand.

Description of Investment Property	Extend	Title Area (m2)	Lease Plan 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	Part	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

7. Investment Property (Continued)

(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 \$924,160 for the period 1 July 2017 to 30 June 2018, is included in the revenue.

	2018	2017
	\$ '000	\$ '000
Lease premium prepaid received	46,208	46,208
Amount recognised	(2,132)	(1,207)
	44,076	45,001
Lease premium prepaid - Current liabilities	924	924
Lease premium prepaid - Non-current liabilities	43,152	44,077
	44,076	45,001

(c) Net Carrying Value of Airport Major Works Reserve

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

	2018	2017
	\$ '000	\$ '000
Airport Major Works Reserve	14,976	15,075

(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 exceeds a set baseline passenger number. Passenger numbers increased by 0.7% in the financial year ended 30 June 2018 (2017: decrease 3.88%).

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

8 (a). PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	\$ '000	\$ '000
Land and buildings		
Land - freehold land at:		
- Independent valuation 2017 - Level 2	12,327	7,530
- Additions after valuation - cost	0	0
	12,327	7,530
Land - vested in and under the control of Council at:		
- Independent valuation 2017 - Level 2	0	4,337
- Additions after valuation - cost	0	0
	0	4,337
Total land	12,327	11,867
Buildings - non-specialised at:		
- Independent valuation 2017 - Level 2	15,545	49,968
- Additions after valuation - cost	39	0
Less: accumulated depreciation	(574)	(4,303)
	15,010	45,665
Buildings - specialised at:		
- Independent valuation 2017 - Level 3	96,100	51,395
- Additions after valuation - cost	2,853	0
Less: accumulated impairment	(3,019)	0
Less: accumulated depreciation	(15,939)	(1,010)
	79,995	50,385
Total buildings	95,005	96,050
Total land and buildings	107,332	107,917
Furniture and equipment at:		
- Management valuation 2016 - Level 2	2,579	2,525
- Additions after valuation - cost	1,076	481
- Disposal and opening adjustment	0	0
Less: accumulated depreciation	(914)	(418)
	2,741	2,588
Plant and equipment at:		
- Management valuation 2016 - Level 2	7,914	8,531
- Additions after valuation - cost	699	288
Less: accumulated depreciation	(2,167)	(1,145)
	6,446	7,674

**TOWN OF PORT HEDLAND
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018**

8 (a). PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, plant & equipment - Work in progress at:
 - at cost 2017
 Less: accumulated depreciation

	2018	2017
	\$ '000	\$ '000
	0	1,810
	0	0
	0	1,810
Total property, plant and equipment	116,519	119,989

8. 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.

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - non- specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Property, plant & equipment - Work in progress	Total property, plant and equipment
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Balance at 1 July 2016	9,700	5,770	15,470	35,630	44,730	80,360	95,830	2,525	8,906	1,798	109,059
Additions	0	0	0	507	86	593	593	492	286	605	1,976
(Disposals)	0	0	0	0	0	0	0	(2)	(348)	0	(350)
Revaluation increments / (decrements) transferred to revaluation surplus	(2,170)	(1,433)	(3,603)	11,122	14,007	25,129	21,526	0	0	0	21,526
Depreciation (expense)	0	0	0	(1,601)	(1,506)	(3,107)	(3,107)	(419)	(1,170)	0	(4,696)
Transfers	0	0	0	7	(6,932)	(6,925)	(6,925)	(8)	0	(593)	(7,526)
Carrying amount at 30 June 2017	7,530	4,337	11,867	45,665	50,385	96,050	107,917	2,588	7,674	1,810	119,989
Additions	0	0	0	39	2,853	2,892	2,892	584	411	0	3,887
Impairment loss transferred to revaluation surplus	0	0	0	0	(3,019)	(3,019)	(3,019)	0	0	0	(3,019)
(Disposals)	0	0	0	0	0	0	0	0	(451)	0	(451)
Depreciation (expense)	0	0	0	(189)	(1,362)	(1,551)	(1,551)	(478)	(1,188)	0	(3,217)
Transfers	4,797	(4,337)	460	(30,505)	31,138	633	1,093	47	0	(1,810)	(670)
Carrying amount at 30 June 2018	12,327	0	12,327	15,010	79,995	95,005	107,332	2,741	6,446	0	116,519

8. 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 and buildings					
Land - freehold land	Level 2	Market approach	Independent Registered Valuer	June 2017	Observable Market Evidence
Land - vested in and under the control of Council	Level 2	Market approach	Independent Registered Valuer	June 2017	Observable Market Evidence
Buildings - non-specialised	Level 2	Market approach	Independent Registered Valuer	June 2017	Observable Market Evidence
Buildings - specialised	Level 3	Cost approach	Independent Registered Valuer	June 2017	Non-observable market evidence and valuation relies on significant assumptions
Furniture and equipment	Level 2	Market approach	Management Valuation	June 2016	Observable Market Evidence
Plant and equipment	Level 2	Market approach	Management Valuation	June 2016	Observable Market Evidence

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 result in a significantly higher or lower fair value measurement.

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 2018**

9 (a). INFRASTRUCTURE

	2018	2017
	\$ '000	\$ '000
Infrastructure - Roads and bridges		
- Independent valuation 2018 - Level 3	92,392	0
- Management valuation 2015 - Level 3	0	188,496
- Additions after valuation - cost	0	5,633
Less: accumulated depreciation	0	(35,610)
	<u>92,392</u>	<u>158,519</u>
Infrastructure - Drainage		
- Independent valuation 2018 - Level 3	20,441	0
- Management valuation 2015 - Level 3	0	29,900
- Additions after valuation - cost	0	1,457
Less: accumulated depreciation	0	(7,297)
	<u>20,441</u>	<u>24,060</u>
Infrastructure - Footpaths		
- Independent valuation 2018 - Level 3	16,884	0
- Management valuation 2015 - Level 3	0	27,925
- Additions after valuation - cost	0	785
Less: accumulated depreciation	0	(9,917)
	<u>16,884</u>	<u>18,793</u>
Infrastructure - Parks and ovals		
- Independent valuation 2018 - Level 3	32,786	0
- Management valuation 2015 - Level 3	0	49,783
- Additions after valuation - cost	0	11,576
Less: accumulated depreciation	0	(16,878)
	<u>32,786</u>	<u>44,481</u>
Infrastructure - Other infrastructure		
- Independent valuation 2018 - Level 3	4,276	0
- Management valuation 2015 - Level 3	0	1,232
- Additions after valuation - cost	31	12,281
Less: accumulated depreciation	0	(4,326)
	<u>4,307</u>	<u>9,187</u>
Infrastructure - Bus shelters		
- Independent valuation 2018 - Level 3	206	0
- Management valuation 2015 - Level 3	0	152
Less: accumulated depreciation	0	(60)
	<u>206</u>	<u>92</u>
Infrastructure - Depot		
- Independent valuation 2018 - Level 3	1,428	0
- Management valuation 2015 - Level 3	0	1,016
- Additions after valuation - cost	58	382
Less: accumulated depreciation	(16)	(248)
	<u>1,470</u>	<u>1,150</u>

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

9 (a). INFRASTRUCTURE (Continued)

Infrastructure - Work in progress
- at cost 2018
- at cost 2017

	2018	2017
	\$ '000	\$ '000
	3,099	0
	0	3,332
	3,099	3,332
Total infrastructure	171,585	259,614

TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

9. 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.

	Infrastructure - Roads and bridges	Infrastructure - Drainage	Infrastructure - Footpaths	Infrastructure - Parks and ovals	Infrastructure - Other infrastructure	Infrastructure - Bus shelters	Infrastructure - Depot	Infrastructure - Work in progress	Total Infrastructure
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Balance at 1 July 2016	159,034	23,453	18,920	42,441	881	102	1,122	4,593	250,546
Additions	574	33	53	2,400	877	0	66	4,874	8,877
Depreciation (expense)	(3,673)	(312)	(750)	(2,476)	(76)	(10)	(38)	0	(7,335)
Transfers	2,584	886	570	2,116	7,505	0	0	(6,135)	7,526
Carrying amount at 30 June 2017	158,519	24,060	18,793	44,481	9,187	92	1,150	3,332	259,614
Additions	6,793	257	0	224	31	0	58	364	7,727
Revaluation increments / (decrements) transferred to revaluation surplus	(68,441)	(3,427)	(1,164)	(3,531)	234	121	322	0	(75,886)
Revaluation (loss) / reversals transferred to profit or loss	(985)	0	0	(7,172)	(4,557)	0	0	0	(12,714)
Depreciation (expense)	(3,494)	(452)	(745)	(2,694)	(356)	(8)	(76)	0	(7,825)
Transfers	0	3	0	1,478	(232)	1	16	(597)	669
Carrying amount at 30 June 2018	92,392	20,441	16,884	32,786	4,307	206	1,470	3,099	171,585

TOWN OF PORT HEDLAND
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

9. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads and bridges	Level 3	Cost approach	Independent Registered Valuer	June 2018	Non-observables market evidence and valuation relies on significant assumptions
Infrastructure - Drainage	Level 3	Cost approach	Independent Registered Valuer	June 2018	Non-observables market evidence and valuation relies on significant assumptions
Infrastructure - Footpaths	Level 3	Cost approach	Independent Registered Valuer	June 2018	Non-observables market evidence and valuation relies on significant assumptions
Infrastructure - Parks and ovals	Level 3	Cost approach	Independent Registered Valuer	June 2018	Non-observables market evidence and valuation relies on significant assumptions
Infrastructure - Other infrastructure	Level 3	Cost approach	Independent Registered Valuer	June 2018	Non-observables market evidence and valuation relies on significant assumptions
Infrastructure - Bus shelters	Level 3	Cost approach	Independent Registered Valuer	June 2018	Non-observables market evidence and valuation relies on significant assumptions
Infrastructure - Depot	Level 3	Cost approach	Independent Registered Valuer	June 2018	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 result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

10. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of fixed assets is determined at least every three years in accordance with the regulatory framework. At the end of each 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.

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

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.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

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.

10. FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Plant and Equipment								
Economic services								
Kingsford Smith Business Park	0	0	0	0	127	150	23	0
Other property and services								
1DWY765 200 Series Compact Sweeper	0	0	0	0	32	32	0	0
VEH093 Garbage Truck - UD Nissan Truck MK 11 250 K Auto Leaf	0	0	0	0	95	95	0	0
Caterpillar 953D Track Loader VEH094	140	73	0	(68)	0	0	0	0
Kubota GR2120-48 Ride on Mower - Mower 3 1ECN911	4	3	0	(1)	0	0	0	0
2014 Holden Colorado Auto Crew Cab VEL144	22	14	0	(8)	0	0	0	0
VEH148 Howard Porter Four Axle Dog Trailer Engineering 1TPN122	61	33	0	(28)	0	0	0	0
Toyota Prado GXL 1ECL662 VEL129	30	30	0	0	0	0	0	0
Kubota Tractor B3150 HDCC Port Parks and Gardens	28	12	0	(16)	0	0	0	0
VEH033 580SR Loader/Backhoe 1CJN663	25	18	0	(7)	0	0	0	0
Holden Colorado 2012 2.8L 4x2 Ute VEL121 1EAW662	19	18	0	(1)	0	0	0	0
Holden Colorado 4x4 Ute 2012 - 1EBS250 VEL116	19	12	0	(7)	0	0	0	0
Holden Colorado 4 X 4 UTILITY 1EAI673 VEL101	15	21	6	0	0	0	0	0
Toyota Corolla Hatch 1.8L Ascent Auto PH11307	4	4	0	(0)	0	0	0	0
2010 Toyota Landcruiser Workmate PH11477	20	23	3	0	23	23	0	0
2010 Toyota Hilux 4x4 1DKQ855	15	9	0	(6)	0	0	0	0
2011 Toyota Corolla Ascent Sedan 1.8L	6	3	0	(3)	0	0	0	0
2010 Toyota Camry 2.4L PET Sedan A/T Altise 3A17020 PH11649	6	3	0	(3)	0	0	0	0
2010 Toyota Landcruiser Workmate with Fast Fire Attack Unit	37	24	0	(13)	0	0	0	0
Dean Tipping Box Trailer - PH6907, PLANT NO. 299295	0	1	1	0	0	0	0	0
	451	301	10	(160)	277	300	23	0

(b) Depreciation

	2018 \$ '000	2017 \$ '000
Buildings - non-specialised	189	1,601
Buildings - specialised	1,362	1,506
Furniture and equipment	478	419
Plant and equipment	1,188	1,170
Infrastructure - Roads and bridges	3,494	3,673
Infrastructure - Drainage	452	312
Infrastructure - Footpaths	745	750
Infrastructure - Parks and ovals	2,694	2,476
Infrastructure - Other infrastructure	356	76
Infrastructure - Bus shelters	8	10
Infrastructure - Depot	76	38
	11,042	12,031

10. FIXED ASSETS (Continued)

(b) Depreciation (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land and vested 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) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Depreciation rates

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

Buildings	30-100 years
Furniture and Equipment	4-10 years
Plant and Equipment	5-15 years
Sealed Roads and streets	
formation	not depreciated
pavement	50 years
seal	
-bituminous seals	20 years
-asphalt surfaces	40 years
Gravel Roads	
formation	not depreciated
pavement	50 years
gravel sheet	12 years
Formed Roads	
formation	not depreciated
pavement	50 years
Footpaths - slab	30 years
Sewerage piping	100 years
Water supply piping & drainage systems	75 years

Depreciation (Continued)

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.

11. REVALUATION SURPLUS

	2018	2018	2018	2018	2018	2017	2017	2017	2017	2017
	Opening	Revaluation	Revaluation	Total	2018	Opening	Revaluation	Revaluation	Total	2017
	Balance	Increment	(Decrement)	Movement on	Closing	Balance	Increment	(Decrement)	Movement on	Closing
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Revaluation surplus -Land - freehold land	35,700	0	0	0	35,700	37,870	0	(2,170)	(2,170)	35,700
Revaluation surplus -Land - vested in and under the control of Council	(0)	0	0	0	(0)	1,433	0	(1,433)	(1,433)	(0)
Revaluation surplus -Buildings - non-specialised	18,810	0	(3,019)	(3,019)	15,791	7,688	11,122	0	11,122	18,810
Revaluation surplus -Buildings - specialised	14,007	0	0	0	14,007	0	14,007	0	14,007	14,007
Revaluation surplus - Plant and equipment	1,485	0	0	0	1,485	1,485	0	0	0	1,485
Revaluation surplus - Infrastructure - Roads and bridges	68,442	0	(68,441)	(68,441)	1	68,442	0	0	0	68,442
Revaluation surplus - Infrastructure - Drainage	9,123	0	(3,427)	(3,427)	5,696	9,123	0	0	0	9,123
Revaluation surplus - Infrastructure - Footpaths	11,262	0	(1,164)	(1,164)	10,098	11,262	0	0	0	11,262
Revaluation surplus - Infrastructure - Parks and ovals	3,531	0	(3,531)	(3,531)	0	3,531	0	0	0	3,531
Revaluation surplus - Infrastructure - Other infrastructure	256	234	0	234	490	256	0	0	0	256
Revaluation surplus - Infrastructure - Bus shelters	100	121	0	121	221	100	0	0	0	100
Revaluation surplus - Infrastructure - Depot	217	322	0	322	539	217	0	0	0	217
	162,933	677	(79,582)	(78,905)	84,028	141,407	25,129	(3,603)	21,526	162,933

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.

13. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Principal	New	Principal Repayments		Principal 30 June 2018		Interest Repayments	
	1 July 2017	Loans	Actual	Budget	Actual	Budget	Actual	Budget
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Health								
GP Housing (135)	1,301	0	56	56	1,245	1,245	60	61
Education and welfare								
JD Hardie Upgrade (129)	1,259	0	59	59	1,200	1,200	75	75
JD Hardie Upgrade (136)	1,252	0	54	54	1,198	1,198	57	57
Housing								
Morgan Street Staff Housing (125)	1,121	0	63	63	1,058	1,058	74	74
Morgan Street Staff Housing (127)	1,659	0	90	88	1,569	1,571	110	111
Catamore Court Housing (139)	1,468	0	56	56	1,412	1,412	74	76
Catamore Court Housing (143)	311	0	31	31	280	280	8	8
Community amenities								
Underground Power (134)	141	0	141	141	0	0	3	4
Recreation and culture								
Marquee Park (130)	675	0	32	32	643	643	40	40
Marquee Park (132)	3,716	0	168	167	3,548	3,547	188	192
Wanangkura Stadium (133)	6,544	0	297	297	6,247	6,247	331	338
Wanangkura Stadium (137)	2,171	0	93	93	2,078	2,078	103	104
	21,618	0	1,140	1,137	20,478	20,479	1,123	1,140

Self Supporting Loans	Principal	New	Principal Repayments		Principal 30 June 2018		Interest Repayments	
	1 July 2017	Loans	Actual	Budget	Actual	Budget	Actual	Budget
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Law, order, public safety								
SES Shed (123)	79	0	79	39	0	42	4	4
Recreation and culture								
Yacht Club (126)	317	0	33	33	284	285	20	20
Yacht Club (128)	174	0	15	15	159	159	10	10
South Hedland Bowls and Tennis Club (138)	454	0	17	17	437	437	22	24
	1,024	0	144	104	880	923	56	58
	22,642	0	1,284	1,241	21,358	21,402	1,179	1,198

Self supporting loans are financed by payments from third parties.
 All other loan repayments were financed by general purpose revenue.

Borrowings

	2018	2017
	\$ '000	\$ '000
Current	1,120	1,242
Non-current	20,238	21,400
	21,358	22,642

13. INFORMATION ON BORROWINGS (Continued)

(b) **Undrawn Borrowing Facilities**
Credit Standby Arrangements
 Bank overdraft limit
 Bank overdraft at balance date
 Credit card limit
 Credit card balance at balance date
Total amount of credit unused

	2018	2017
	\$ '000	\$ '000
	0	0
	0	0
	100	100
	(55)	(45)
	<u>45</u>	<u>55</u>
	1,120	1,242
	20,238	21,400
	<u>21,358</u>	<u>22,642</u>
	NIL	NIL

Loan facilities
 Loan facilities - current
 Loan facilities - non-current
Total facilities in use at balance date

Unused loan facilities at balance date

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are recognised at fair value when the Town becomes a party to the contractual provisions to the instrument.

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

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.

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.

14. PROVISIONS

	Provision for Annual Leave & Rostered Days	Provision for Sick Leave	Provision for Long Service Leave	Provision for Airport Project	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance at 1 July 2017					
Current provisions	1,156	156	609	15,075	16,996
Non-current provisions	0	0	143	0	143
	1,156	156	752	15,075	17,139
Provision movement	1,750	(10)	81	0	1,821
Amounts used	(1,946)	(69)	(221)	(81)	(2,317)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	0	0	3	0	3
Balance at 30 June 2018	960	77	615	14,994	16,646
Comprises					
Current	960	77	529	14,994	16,560
Non-current	0	0	86	0	86
	960	77	615	14,994	16,646

(a) Annual leave liabilities: Assessments indicate that actual settlement of liabilities is expected to occur as follows:

	2018	2017
	\$ '000	\$ '000
Within 12 months of the end of the reporting period	960	1,156
More than 12 months after the end of the reporting period	0	0
	960	1,156

(b) Long service leave liabilities: Assessments indicate that actual settlement of liabilities is expected to occur as follows:

	2018	2017
	\$ '000	\$ '000
Within 12 months of the end of the reporting period	529	609
More than 12 months after the end of the reporting period	86	143
	615	752

SIGNIFICANT ACCOUNTING POLICIES

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.

Other long-term employee benefits

The Town's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

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

Other long-term employee benefits (Continued)

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.

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.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

15. NOTES TO THE STATEMENT OF CASH FLOWS

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:

	2018 Actual	2018 Budget	2017 Actual
	\$ '000	\$ '000	\$ '000
Cash and cash equivalents	232,735	221,810	243,042

**Reconciliation of Net Cash Provided By
Operating Activities to Net Result**

Net result	(15,781)	(11,761)	(4,540)
Non-cash flows in Net result:			
Depreciation	11,042	12,914	12,031
(Profit)/loss on sale of asset	150	(23)	15
Loss on revaluation of fixed assets	12,714	0	0
Loss on revaluation of investment property	0	0	3,918
Loss on revaluation of land held for sale	948	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(3,788)	415	599
(Increase)/decrease in inventories	927	0	400
Increase/(decrease) in payables	(3,494)	0	(767)
Increase/(decrease) in provisions	(493)	0	(1,281)
Increase in investment property	(73)	0	0
Non-operating grants and contributions for the development of assets	(2,209)	(3,286)	(4,270)
Net cash from operating activities	(57)	(1,741)	6,105

TOWN OF PORT HEDLAND
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2018	2017
	\$ '000	\$ '000
General purpose funding	173,162	169,418
Law, order, public safety	1,220	614
Health	8,346	6,290
Education and welfare	14,758	16,312
Housing	10,623	18,620
Community amenities	12,843	13,901
Recreation and culture	91,445	106,073
Transport	152,573	222,786
Economic services	89,323	93,944
Other property and services	1,603	11,862
Unallocated	28,767	24,802
	584,663	684,622

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

17. CONTINGENT LIABILITIES

In compliance with the *Contaminated Sites Act 2003 Section 11*, the Town of Port Hedland has listed sites to be possible sources of contamination.

Details of those sites are:

- Port Hedland International Airport
- South Hedland Landfill

Until the Town conducts an investigation to determine the presence and scope of contamination, assess the risk, and agree with the Department of Environment Regulation on the need and criteria for remediation of a risk based approach, the Town is unable to estimate the potential costs associated with remediation of these sites. This approach is consistent with the Department of Environment Regulation Guidelines.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

18. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects
- plant & equipment purchases

Payable:

- not later than one year

	2018	2017
	\$ '000	\$ '000
	1,815	1,272
	294	159
	2,109	1,431
	2,109	1,431

The capital expenditure projects outstanding at the end of the current reporting period represent the construction at the Gratwick Aquatic Centre, project management and site supervision services for various capital projects, supply and lay of bituminous asphalt and other civil works, and purchase of new plant.

(b) Operating Lease Commitments

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

Payable:

- not later than one year
- later than one year but not later than five years
- later than five years

	51	57
	77	0
	0	0
	128	57

SIGNIFICANT ACCOUNTING POLICIES

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 of 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.

Leases (Continued)

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 on a straight line basis over the lease term.

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 2018**

19. JOINT ARRANGEMENTS

(a) Details - Port Hedland Retirement Village

The Town of Port Hedland has a joint venture arrangement with the Department of Communities for the provision of 22 x 1 bedroom units for aged persons.

Based on information received after 30 June 2018, the Town has determined that all buildings at the Stevens Street Retirement Village are structurally unsound and no longer fit for purpose. In accordance with Australian Accounting Standard AASB 136 *Impairment of Assets*, and AASB 110 *Events after the Reporting Period* the Town has determined that all assets at Stevens Street are fully impaired and this has been reflected in the financial statements for the year ended 30 June 2018.

Non-current assets

Land and buildings
Less: impairment loss
Less: accumulated depreciation

	2018	2017
	\$ '000	\$ '000
Land and buildings	4,676	4,676
Less: impairment loss	(3,019)	0
Less: accumulated depreciation	(1,657)	(1,605)
	0	3,071

SIGNIFICANT ACCOUNTING POLICIES

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 arrangements providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to Note 28 for a description of the equity method of accounting.

Interests in joint arrangements (Continued)

Joint 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.

**TOWN OF PORT HEDLAND
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018**

20. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2018 Actual	2018 Budget	2017 Actual
	\$ '000	\$ '000	\$ '000
Meeting fees	242	268	233
Mayor's allowance	80	80	70
Deputy Mayor's allowance	19	20	21
Travelling expenses	53	37	22
Telecommunications allowance	45	32	19
	439	437	365

Key Management Personnel (KMP) Compensation Disclosure

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

	2018	2017
	\$ '000	\$ '000
Short-term employee benefits	889	1,845
Post-employment benefits	92	133
Other long-term benefits	13	77
Termination benefits	0	1,017
	994	3,072

Short-term employee benefits

These amounts include all salary, paid leave, fringe benefits, accrued annual leave and cash bonuses awarded to KMP

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 (Note: may or may not be applicable in any given year).

20. RELATED PARTY TRANSACTIONS (Continued)

Transactions with Related Parties

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

No outstanding balances or provisions for doubtful debts or guarantees exist in relation to related parties at year end.

The following transactions occurred with entities indirectly related to key management personnel:

	2018	2017
	\$ '000	\$ '000
Sale of goods and services	10	0
Purchase of goods and services	19	46
Short-term employee benefits	24	0

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 proportionate consolidation method

The Town has an interest in an retirement village. The interest in the joint venture entity is accounted for in these financial statements using the proportionate consolidation method of accounting.

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

21. MAJOR LAND TRANSACTIONS

From time to time, the Town enters into major land transactions with third parties or on its own. Set out below is a summary of major land transactions previously entered into by the Town, with financial implications relating to the 2017/18 financial year and beyond, together with new major land transactions anticipated to be entered into, that may have financial implications for the 2017/18 financial year and beyond.

Kingsford Business Park

(a) Details

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

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

Handover occurred in the 2014/15 financial year and as such the Town will recognise 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 402 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.

(b) Current year transactions

Operating income

- Profit on sale

Operating expenditure

- Advertising, promotion and marketing
- Legal expenses
- Valuation, survey & search fees
- Loss on sale

Capital income

- Sale proceeds

Capital expenditure

- Development costs

	2018 Actual	2018 Budget	2017 Actual
	\$ '000	\$ '000	\$ '000
Operating income			
- Profit on sale	142	23	0
	142	23	0
Operating expenditure			
- Advertising, promotion and marketing	(7)	0	(9)
- Legal expenses	(11)	(5)	(5)
- Valuation, survey & search fees	(1)	(2)	(2)
- Loss on sale	(16)	0	0
	(35)	(7)	(16)
Capital income			
- Sale proceeds	1,399	150	0
	1,399	150	0
Capital expenditure			
- Development costs	(133)	(54)	(133)
	(133)	(54)	(133)

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

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

21. MAJOR LAND TRANSACTIONS (Continued)

(c) Expected Future Cash Flows

	2019	2020	2021	2022	Total
	\$ '000				
Cash outflows					
Interest on loans	(4)	(4)	(4)	(4)	(16)
Building maintenance	(3)	(5)	(5)	(5)	(18)
Loan principal repayments	(1)	(1)	(1)	(1)	(4)
	(8)	(10)	(10)	(10)	(38)
Cash inflows					
Sale proceeds	1,179	300	300	300	2,079
	1,179	300	300	300	2,079
Net cash flows	1,171	290	290	290	2,041

(d) Assets and liabilities

Land held for resale per Note 6

	2018	2017
	\$ '000	\$ '000
Current		
Land held for resale - cost		
Cost of acquisition	1,181	340
Development costs	0	127
	1,181	467
Non-Current		
Land held for resale - cost		
Cost of acquisition	0	1,075
Development costs	6,052	7,424
	6,052	8,499

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 involved the construction of 12 single family homes to be sold to the general public, and a 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.

The Town took possession of two further lots 2016/17 financial year, which will be held as land held for resale, associated with the completion of the transaction.

21. MAJOR LAND TRANSACTIONS (Continued)

(b) Current year transactions

	2018 Actual \$ '000	2018 Budget \$ '000	2017 Actual \$ '000
Operating expenditure			
Interest on loans	(82)	(84)	(87)
Building maintenance	(7)	(16)	0
	(89)	(100)	(87)
Capital expenditure			
- Purchase of land	0	0	(150)
- Loan repayments	(87)	(87)	(83)
	(87)	(87)	(233)

(c) Expected Future Cash Flows

	2019 \$ '000	2020 \$ '000	2021 \$ '000	2022 \$ '000	Total \$ '000
Cash outflows					
Interest on loans	(80)	(76)	(72)	(67)	(295)
Building maintenance	(17)	(17)	(17)	(17)	(68)
Loan principal repayments	(90)	(94)	(98)	(103)	(385)
	(187)	(187)	(187)	(187)	(748)
Cash inflows					
- Sale proceeds	0	0	0	0	0
	0	0	0	0	0
Net cash flows	(187)	(187)	(187)	(187)	(748)

General Practitioner Housing

(a) Details

During 2010/11, the Town of Port Hedland 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 accommodation GP's. The Town funded its \$1.5m contribution by way of a loan. The Town owns the land and the houses.

Following an Expressions of Interest process, the Town allocated four houses to OSH Group 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.

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21. MAJOR LAND TRANSACTIONS (Continued)

(b) Current year transactions	2018	2018	2017
	Actual	Budget	Actual
	\$ '000	\$ '000	\$ '000
Operating income			
Lease revenue	337	356	346
Utilities reimbursement	17	33	13
	<u>354</u>	<u>389</u>	<u>359</u>
Operating Expenditure			
Materials and contracts	(24)	(12)	(10)
Bank charges	(9)	0	(4)
Utilities	(40)	(36)	(30)
Depreciation	(69)	(118)	(117)
Insurance	(7)	(21)	(16)
Interest on loans	(60)	(61)	(63)
Administration allocation	(11)	(9)	(12)
	<u>(220)</u>	<u>(257)</u>	<u>(252)</u>
Capital expenditure			
Loan principal repayments	(56)	(56)	(53)
	<u>(56)</u>	<u>(56)</u>	<u>(53)</u>

(c) Expected Future Cash Flows

	2019	2020	2021	2022	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Cash outflows					
Materials & contracts	(21)	(21)	(21)	(22)	(85)
Utilities	(47)	(47)	(48)	(48)	(190)
Insurance	(22)	(22)	(22)	(23)	(89)
Interest on loans	(58)	(55)	(52)	(49)	(214)
Loan principal repayments	(59)	(61)	(64)	(67)	(251)
	<u>(207)</u>	<u>(206)</u>	<u>(207)</u>	<u>(209)</u>	<u>(829)</u>
Cash inflows					
Lease revenue	346	356	367	378	1,447
Utilities reimbursement	19	19	20	20	78
	<u>365</u>	<u>375</u>	<u>387</u>	<u>398</u>	<u>1,525</u>
Net cash flows	<u>158</u>	<u>169</u>	<u>180</u>	<u>189</u>	<u>696</u>

22. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening			Closing			Closing Balance ⁽⁴⁾
	Balance ⁽¹⁾	Received ⁽²⁾	Expended ⁽³⁾	Balance ⁽¹⁾	Received ⁽²⁾	Expended ⁽³⁾	
	1/07/16	2016/17	2016/17	30/06/17	2017/18	2017/18	
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Governance							
Keep Australia Beautiful - Clean Beaches Award 2016	0	2	(2)	0	0	0	0
General purpose funding							
Dept of Local Government & Communities - General Purpose Grant	0	1,165	(1,165)	0	988	(988)	0
Law, order, public safety							
Department of Fire & Emergency Services - State Emergency Service	11	64	(75)	0	35	(35)	0
Department of Fire & Emergency Services - Volunteer Bush Fire Brigade	0	0	0	0	31	(31)	0
WA Police - State Graffiti Fund	20	0	(20)	0	0	0	0
WA Police - CCTV Strategy Fund	0	312	(312)	0	0	0	0
Health							
Department of Health - Mosquito Control	0	4	(1)	3	6	(9)	0
Main Roads WA - Roadside Litter Clean-up Campaign	19	0	0	19	0	(1)	18
Education and welfare							
Atlas - North West Festival Sponsor	0	4	(4)	0	25	(25)	0
BHP - North West Festival Sponsor	0	0	0	0	250	(250)	0
Conway Highbury - North West Festival Sponsor	0	0	0	0	3	(3)	0
Discovery Parks - North West Festival	0	10	(10)	0	0	0	0
McAleese - North West Festival Sponsor	0	22	(22)	0	0	0	0
Fortescue Metals Group - North West Festival Sponsor	0	25	(25)	0	25	(25)	0
Goodline - North West Festival Sponsor	0	10	(10)	0	10	(10)	0
Landcorp - North West Festival Sponsor	0	0	0	0	5	(5)	0
Lottery west - North West Festival 2016 Sponsor	0	15	(15)	0	0	0	0
Pardoo Beef Corporation - North West Festival 2016 Sponsor	0	10	(10)	0	0	0	0
Pilbara Minerals - North West Festival Sponsor	0	5	(5)	0	15	(15)	0
Pilbara Ports Authority - North West Festival Sponsor	0	20	(20)	0	25	(25)	0
Port Hedland International Airport - North West Festival 2016 Sponsor	0	37	(37)	0	0	0	0
Qube Pty Ltd - North West Festival 2016 Sponsor	0	22	(22)	0	0	0	0
Roy Hill Holdings - North West Festival Sponsor	0	0	0	0	50	(50)	0
Western Australian Tourism Commission - North West Festival Sponsor	0	20	(20)	0	20	(20)	0
Department of Local Government and Communities - Awesome Art Seed	4	0	(4)	0	0	0	0
Department of Local Government and Communities - Youth Traineeship	0	20	(15)	5	0	(5)	0
Horizon Power - Lights & Decoration Competition Sponsor	0	3	(2)	1	3	(3)	1
Horizon Power - Community Award 2016	0	2	(2)	0	0	0	0
Recfishwest - Fishing Clinics 2016	2	0	0	2	0	0	2
Fortescue Metals Group - Australia Day Celebrations 2017	0	2	(2)	0	0	0	0
Goodline - Paws Walk	0	1	(1)	0	0	0	0
ITOCU - Community Award	0	3	(3)	0	0	0	0
Lotterywest - Spinifex Spree	0	20	(20)	0	20	(20)	0
Pilbara Ports Authority - Australia Day Celebrations	0	25	(25)	0	25	(25)	0
Pilbara Ports Authority - Spinifex Spree	0	10	(10)	0	10	(10)	0
Port Hedland RSL - Community Award 2016	0	2	(2)	0	0	0	0
Rio Tinto - Community Award 2016	0	2	(2)	0	0	0	0
Roy Hill - Community Award 2016	0	2	(2)	0	0	0	0
Roy Hill - Australia Day Celebrations 2017	0	3	(3)	0	0	0	0
Tox Free Australia Pty Ltd	0	1	(1)	0	0	0	0
YMCA - Community Award 2016	0	2	(2)	0	0	0	0
Community amenities							
Country Local Government Funding Round 12/13	31	0	(31)	0	0	0	0
Pilbara Development Commission - Wayfinding Signage	9	0	(0)	9	0	0	9
Department of Planning - Coastwest Project - Sutherland Street	0	36	(36)	0	0	0	0
Department of Infrastructure & Regional Development - Marapikurrinya Park Shade Sails	0	20	(20)	0	0	0	0
Lotterywest - Marapikurrinya Park Rebuild	0	195	(195)	0	0	0	0
WALGA - Transportable Change Room Facility	0	46	0	46	44	(90)	0
Recreation and culture							
Atlas Iron - "Through our Eyes" - Oral History of Aboriginal People of Port Hedland	4	0	(4)	0	0	0	0
Atlas Iron - Have a Try Night	0	0	0	0	3	(3)	0
Atlas Iron - Trails Master Plan	8	0	0	8	0	0	8
BHP - Faye Gladstone Netball Courts	0	1,103	(235)	868	134	(981)	21
Charter Hall - Deadly Skate Youth Diversion	0	5	(5)	0	5	(5)	0
Charter Hall - Youth Engagement Program	0	0	0	0	2	0	2
Childrens Book Council of Australia - Book Week	0	4	(4)	0	4	(4)	0
Coles Supermarket - National Reconciliation Week	0	5	(5)	0	5	(5)	0
Community Contribution - Bicycle Plan	32	0	0	32	0	(30)	2
Department of Culture and the Arts - Matt Dann Theatre Upgrade	266	0	(266)	0	0	0	0
Department of Premier & Cabinet - National Reconciliation Week	0	5	(5)	0	0	0	0
Department of Sport & Recreation - SLAM 2016-2018	40	0	(18)	22	0	(22)	0
Department of Sport & Recreation- Club Development Officer	0	60	(60)	0	40	(40)	0
Department of Sport & Recreation- Gratwick Aquatic Centre	0	32	(32)	0	0	0	0
Department of Sport & Recreation- Kidsport	0	10	(10)	0	6	(6)	0
Department of Sport & Recreation- South Hedland Aquatic Centre	0	32	(32)	0	0	0	0
Department of Local Government and Communities - The Engaging Port Hedland Project	0	0	0	0	10	0	10
Fortescue Metals Group - Colour Run	0	0	0	0	5	(5)	0
Fortescue Metals Group - Wanangkura Stadium	0	625	(625)	0	0	0	0
Fortescue Metals Group - National Reconciliation Week	0	5	(5)	0	0	0	0
Garnduwa Amboorny Wirman - The SLAM	3	0	(3)	0	0	0	0
Healthway - Have a Try Roadshow 2017	0	3	(3)	0	0	0	0
Horizon Power - Book Week 2017	0	3	(3)	0	0	0	0
Horizon Power - Citizenship of Year/ Sports Awards 2018	0	0	0	0	2	(2)	0
Horizon Power - Colour Run	0	0	0	0	1	(1)	0

22. CONDITIONS OVER GRANTS/CONTRIBUTIONS (Continued)

Grant/Contribution	Opening				Closing			Closing
	Balance ⁽¹⁾	Received ⁽²⁾	Expended ⁽³⁾	Balance ⁽¹⁾	Received ⁽²⁾	Expended ⁽³⁾	Balance ⁽⁴⁾	
	1/07/16	2016/17	2016/17	30/06/17	2017/18	2017/18	30/06/18	
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	
Horizon Power - Spinifex Spree 2016	0	5	(5)	0	6	(6)	0	
Horizon Power - Teddy Bear Picnic	0	1	(1)	0	1	(1)	0	
Itochu Minerals - Citizenship of Year/ Sports Awards 2018	0	0	0	0	3	(3)	0	
Monadelphous - National Reconciliation Week	0	15	(15)	0	16	(16)	0	
Mothers Day Classic Foundation	0	3	(3)	0	3	(3)	0	
Port Hedland Netball Association - Faye Gladstone Netball Courts	0	68	0	68	0	(68)	0	
Regional Development Australia - National Reconciliation Week	0	0	0	0	2	(2)	0	
Rio Tinto - Citizenship of Year/ Sports Awards 2018	0	0	0	0	1	(1)	0	
RSL - Citizenship of Year/ Sports Awards 2018	0	0	0	0	2	(2)	0	
Roy Hill Holdings - Citizenship of Year/ Sports Awards 2018	0	0	0	0	3	(3)	0	
Roy Hill Holdings - Colour Run	0	0	0	0	3	(3)	0	
Roy Hill Holdings - Living Library	0	0	0	0	5	(5)	0	
Roy Hill Holdings - SLAM 2018	0	0	0	0	20	(20)	0	
Royalties for Regions - South Hedland Library & Community Centre	259	0	(28)	231	0	0	231	
Shire of East Pilbara - Regional Library Model	0	0	0	0	1	(1)	0	
State Library of Western Australia - Regional Library Model	0	9	(9)	0	15	(15)	0	
Transport								
Department of Local Government & Communities - Local Road Grant	0	673	(673)	0	728	(728)	0	
Department of Local Government & Communities - Yandeyarra Road	37	50	(87)	0	0	0	0	
Main Roads WA - Pinga Street Upgrade	0	1,318	(1,318)	0	404	(404)	0	
Main Roads WA - Direct Grant	0	161	(161)	0	94	(94)	0	
Main Roads WA - Street Lighting	0	27	(27)	0	27	(27)	0	
Main Roads WA - Yandeyarra Road Remote Access	0	50	(50)	0	0	0	0	
Main Roads WA - Yandeyarra Road Project	0	180	(180)	0	24	(24)	0	
Main Roads WA - Pippingarra Road Resheeting	0	0	0	0	60	(60)	0	
Main Roads WA - Blackspot - Intersection Lukis & Mcgregor Streets	0	0	0	0	122	(122)	0	
Main Roads WA - Blackspot - Intersection Murdoch Drive & Brolga Way	0	0	0	0	87	(87)	0	
Main Roads WA - Blackspot - Intersection Murdoch Drive & Masters Way	0	0	0	0	87	(87)	0	
Main Roads WA - WANDRRRA - Disaster Relief & Recovery Arrangements	0	0	0	0	525	(525)	0	
Department of Infrastructure and Regional Development - Roads to Recovery	0	831	(831)	0	665	(665)	0	
WALGA Road Safety Initiatives	1	0	(1)	0	0	0	0	
Department of Transport - Finucane Island Boat Ramp Improvement Plan	0	74	(74)	0	0	0	0	
Pilbara Development Commission - Line Marking & Traffic Calming	0	0	0	0	50	(7)	43	
Public Transport Authority - Bus Shelter Maintenance Subsidy	0	0	0	0	5	(5)	(0)	
Economic services								
City of Karratha - Retail/Franchise Attraction Strategy	20	0	(20)	0	0	0	0	
Pilbara Development Commission - Retail/Franchise Attraction Strategy	46	0	(4)	42	0	0	42	
Shire of Ashburton - Retail/Franchise Attraction Strategy	10	0	(10)	0	0	0	0	
Shire of East Pilbara - Retail/Franchise Attraction Strategy	20	0	(20)	0	0	0	0	
City of Karratha - Tourism Signage	0	26	0	26	0	(26)	(0)	
Pilbara Development Commission - Tourism Signage	27	0	0	27	0	(27)	0	
Regional Development Australia - Port Hedland Community Directory	0	0	0	0	2	(2)	0	
Western Australia Primary Health - Port Hedland Community Directory	0	0	0	0	2	(2)	0	
Other property and services								
BHP Kingsford Smith Business Park Landscaping	207	0	(152)	55	0	(54)	1	
Department of Local Government - Youth Development Scholarships	0	0	0	0	24	(20)	4	
Total	1,076	7,525	(7,137)	1,464	4,792	(5,864)	392	

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.
- (4) - The closing balance of all grants/contributions which were recognised as revenues during the current and prior reporting period and which had not yet been fully expended have been placed into the Unspent Grants Reserve

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23. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2018 Rateable Value \$ '000	2018 Rate Revenue \$ '000	2018 Interim Rates \$ '000	2018 Back Rates \$ '000	2018 Total Revenue \$ '000	2017 Total Revenue \$ '000	2018 Budget Rate Revenue \$ '000	2018 Budget Interim Rates \$ '000	2018 Budget Back Rates \$ '000	2018 Budget Total Revenue \$ '000
Differential general rate / general rate												
Gross rental valuations												
Residential	5.4885	5,399	262,325	14,341	112	(1)	14,452	14,508	14,339	100	0	14,439
Commercial	4.1897	102	24,610	1,035	(42)	(1)	992	1,126	1,089	0	0	1,089
Industrial	3.0970	393	68,919	2,450	0	0	2,450	1,920	2,034	0	0	2,034
Commercial / Industrial - Vacant	6.1555	50	3,977	464	(235)	0	229	0	246	0	0	246
Mass Accommodation	26.0000	8	13,476	2,616	813	0	3,429	3,233	3,233	0	0	3,233
Tourist Accommodation	11.7197	10	7,984	936	0	0	936	901	936	0	0	936
Unimproved valuations												
Mining	37.9250	337	3,479	1,183	112	1	1,296	1,107	1,157	0	0	1,157
Pastoral	10.5449	9	1,118	118	0	0	118	65	137	0	0	137
Other	21.0000	22	1,503	298	(70)	(11)	217	160	283	0	0	283
Sub-Total		6,330	387,391	23,441	690	(12)	24,119	23,020	23,454	100	0	23,554
Minimum payment \$												
Gross rental valuations												
Residential	1,350	952	15,228	1,285	0	0	1,285	984	1,296	0	0	1,296
Commercial	2,000	53	1,521	105	0	0	105	82	114	0	0	114
Industrial	2,000	70	2,675	138	0	0	138	60	124	0	0	124
Commercial / Industrial - Vacant	1,180	51	415	62	0	0	62	0	55	0	0	55
Mass Accommodation	2,000	0	0	0	0	0	0	0	0	0	0	0
Tourist Accommodation	2,000	0	0	0	0	0	0	0	0	0	0	0
Unimproved valuations												
Mining	270	63	32	17	0	0	17	16	18	0	0	18
Pastoral	2,000	1	17	2	0	0	2	0	2	0	0	2
Other	2,000	9	4	18	0	0	18	13	18	0	0	18
Sub-Total		1,199	19,892	1,627	0	0	1,627	1,155	1,627	0	0	1,627
		7,529	407,283	25,068	690	(12)	25,746	24,175	25,081	100	0	25,181
Discounts/concessions (refer Note 23(d))							(176)	(184)				(178)
Total amount raised from general rate							25,570	23,991				25,003
Totals							25,570	23,991				25,003

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

23. RATING INFORMATION (Continued)

(b) Specified Area Rate

No specified area rates were imposed by the Town during the year ended 30 June 2018.

(c) Service Charges

No service charges were imposed by the Town during the year ended 30 June 2018.

23. RATING INFORMATION (Continued)

(d) Discounts, Incentives, Concessions, & Write-offs

Rates Discounts

Rate or Fee	2018 Actual	2018 Budget	Circumstances in which Discount is Granted
Discount Granted	\$ '000	\$ '000	
Pensioners	8	17	Capping gap top up
	8	17	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$ '000	2018 Actual \$ '000	2018 Budget \$ '000	2017 Actual \$ '000	Circumstances in which Discount is Granted
Port Hedland Peace Memorial Seafarers Centre	Concession	100%		3	3		3 Community based organisation
RSL Port Hedland	Concession	100%		2	2		2 Community based organisation
Youth Involvement Council	Concession	100%		18	12		12 Community based organisation
Youth Involvement Council	Concession	100%		4	4		4 Community based organisation
Hedland BMX Club	Concession	100%		1	2		1 Community based organisation
Hedland Sporting Shooters Club	Concession	100%		14	14		1 Community based organisation
Port Hedland Pony Club	Concession	100%		2	2		1 Community based organisation
Port Hedland Speedway Club	Concession	100%		25	25		25 Community based organisation
Port Hedland Turf Club	Concession	100%		3	3		3 Community based organisation
Port Hedland Kart Club	Concession	100%		2	2		1 Community based organisation
South Hedland Bowling & Tennis Club	Concession	100%		4	4		4 Community based organisation
Port Hedland Motorcycle Club	Concession	100%		33	32		32 Community based organisation
South Hedland Owners and Trainers	Concession	100%		45	45		44 Community based organisation
Training Ship Pilbara (Naval Cadets)	Concession	100%		2	2		2 Community based organisation
Hedland Women's Refuge	Concession	100%		4	4		4 Community based organisation
South Hedland Lotteries House	Concession	100%		0	0		8
Port Hedland Golf Club	Concession	50%		1	1		1 Community based organisation
Port Hedland Yacht Club	Concession	50%		3	3		3 Community based organisation
Port Hedland Peace Memorial Seafarers Centre	Concession	50%		1	1		1 Community based organisation
Cooke Pt Recreation Club	Concession	50%		0	0		2
Finucane Island Sports and Recreation Club	Concession	50%		0	0		1
Trustees of The Grand Lodge of WA Masons	Concession	100%		0	0		2
Port Hedland Historical Society	Concession	100%		0	0		5
St John Ambulance	Concession	100%		0	0		4
				167	161		166

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
A concession of 50% to 100% per Council discretion	Owner of property must be listed as a Charitable Institution as well as use the property for a charitable purpose only.	At the discretion of the Town, to grant concessions to community groups or associations that operate as a Body Corporate or an Incorporated Association and not an individual.	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
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24. NET CURRENT ASSETS

Composition of net current assets for
the purposes of the Rate Setting Statement

	2018 (30 June 2018 Carried Forward) \$ '000	2018 (1 July 2017 Brought Forward) \$ '000	2017 (30 June 2017 Carried Forward) \$ '000
Surplus/(Deficit) 1 July brought forward	7,140	4,125	4,125
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	0	3,588	3,588
Restricted	232,735	239,454	239,454
Receivables			
Rates outstanding	4,243	2,676	2,676
Sundry debtors	3,668	3,249	3,249
GST receivable	636	519	519
Loans receivable - clubs/institutions	77	104	104
Prepayments	475	578	578
Accrued income	3,120	1,322	1,322
Provision doubtful debts	(967)	(988)	(988)
Inventories			
Depot	653	800	800
Matt Dann	7	0	0
JD Hardie	1	3	3
Land held for resale - cost			
Cost of acquisition	1,181	340	340
Development costs	0	127	127
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(2,273)	(4,346)	(4,346)
Accrued interest on long term borrowings	(270)	(288)	(288)
Accrued salaries and wages	(259)	(470)	(470)
Income in advance	(393)	(504)	(504)
Lease premium prepaid - income in advance	(924)	(925)	(925)
Retentions	0	(27)	(27)
Accrued expenditure	(813)	(942)	(942)
Current portion of long term borrowings	(1,120)	(1,242)	(1,242)
Provisions			
Provision for annual leave and rostered days	(959)	(1,156)	(1,156)
Provision for long service leave	(529)	(609)	(609)
Provision for sick leave	(77)	(156)	(156)
Provision for Airport projects	(14,994)	(15,075)	(15,075)
Unadjusted net current assets	223,219	226,032	226,032

**TOWN OF PORT HEDLAND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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24. NET CURRENT ASSETS (Continued)

Composition of net current assets for
the purposes of the Rate Setting Statement

	2018 (30 June 2018 Carried Forward) \$ '000	2018 (1 July 2017 Brought Forward) \$ '000	2017 (30 June 2017 Carried Forward) \$ '000
Adjustments			
Less: Reserves - restricted cash	(232,735)	(239,454)	(239,454)
Less: Cost of acquisition	(1,181)	(340)	(340)
Less: Development costs	0	(127)	(127)
Less: Loans receivable - clubs/institutions	(77)	(104)	(104)
Add: Lease premium prepaid	924	925	925
Add: Current portion of long term borrowings	1,120	1,242	1,242
Add: Cash backed employee provisions	876	876	876
Add: Provision for airport projects	14,994	15,075	15,075
Adjusted net current assets - surplus/(deficit)	7,140	4,125	4,125

Difference

There was no difference between the surplus/(deficit) 1 July 2017 brought forward position used in the 2018 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2017 audited financial report.

25. 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	
	2018	2017	2018	2017
	\$ '000	\$ '000	\$ '000	\$ '000
Financial assets				
Cash and cash equivalents	232,735	243,042	232,735	243,042
Receivables	13,567	9,916	13,567	9,916
	246,302	252,958	246,302	252,958
Financial liabilities				
Payables *	4,931	7,501	4,931	7,501
Borrowings	21,358	22,642	21,358	22,642
	26,289	30,143	26,289	30,143

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.

* Amendment has been made to the 2017 payables comparative to reflect the correct position as at 30 June 2017.

25. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

The Town's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash portfolio. 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.

Cash is 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*.

	2018	2017
	\$ '000	\$ '000
Impact of a 1% ⁽¹⁾ movement in price of investments		
- Equity	2,327	2,430
- Statement of comprehensive income	2,327	2,430

Notes:

- ⁽¹⁾ Sensitivity percentages based on management's expectation of future possible interest rate movements. FY18 position is based on the reserve closing balances.

25. 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:

	2018	2017
	%	%
Percentage of rates and annual charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of other receivables		
- Current	40.08%	43.00%
- Overdue	59.92%	57.00%

25. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables and 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 Table below:

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
<u>2018</u>	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Payables	4,931	0	0	4,931	4,931
Borrowings	1,120	5,128	15,110	21,358	21,358
	6,051	5,128	15,110	26,289	26,289
<u>2017</u>					
Payables *	7,501	0	0	7,501	7,501
Borrowings	1,242	6,286	15,114	22,642	22,642
	8,743	6,286	15,114	30,143	30,143

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 2017 payable comparative has been updated to reflect the correct figure as per the 2017 net current position

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

<u>Year ended 30 June 2018</u>	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Weighted Average Effective Interest Rate
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	
Borrowings							
Fixed rate							
Long term borrowings	20,238	19,057	17,811	16,497	15,110	13,647	5.26%
Weighted average Effective interest rate	5.30%	5.29%	5.27%	5.26%	5.24%	5.21%	
<u>Year ended 30 June 2017</u>							
Borrowings							
Fixed rate							
Long term borrowings	21,400	20,234	19,057	17,811	16,497	15,110	5.27%
Weighted average Effective interest rate	5.30%	5.29%	5.28%	5.27%	5.26%	5.24%	

**TOWN OF PORT HEDLAND
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FOR THE YEAR ENDED 30TH JUNE 2018**

26. 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 2017	Amounts Received	Amounts Paid	30 June 2018
	\$ '000	\$ '000	\$ '000	\$ '000
BCITF Levy	43	31	(71)	3
BRB Levy	85	25	(58)	52
Building Bonds	22	0	0	22
Building Retention	5	0	0	5
Community Bank	1	0	0	1
DAP Levy	10	0	0	10
Garden Competition	5	0	0	5
Grants for Special Projects	2	0	0	2
Hall Hire Bonds	7	0	0	7
BBQ Trailer/ Bus Bonds	2	5	(1)	6
Nominated Election Bonds	0	2	0	2
Public Open Space	1	0	0	1
Ranger Service Bonds	3	2	0	5
Sports Grounds	26	14	(4)	36
Staff Bonds	5	0	(0)	5
Sundry Receipts	1	0	0	1
Technical Services Bonds	4	0	0	4
Unclaimed Money	10	0	0	10
	<u>232</u>			<u>177</u>

27. 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 on 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 into the 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 when 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.

27. 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	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.

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:

(i) AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	1 January 2017
(ii) AASB 2016-7 Amendments to Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities	1 January 2017

28. OTHER SIGNIFICANT ACCOUNTING POLICIES

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) Current and non-current classification

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Town's operating 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 or non-current based on the Town's intentions to release for sale.

c) Rounding off figures

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

d) 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 statements that has a material effect on the statement of financial position, 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.

e) 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.

f) 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.

g) Fair value of assets and liabilities

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

g) Fair value of assets and liabilities (Continued)

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.

h) 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.

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 the service capacity of an asset.

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.

28. OTHER SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Impairment of assets

In accordance with Australian Accounting Standards the Town's cash generating non-specialised 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 specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.

29. ACTIVITIES/PROGRAMS

Town operations as disclosed in these financial statements encompass the following service orientated activities/programs.

PROGRAM NAME	OBJECTIVES	ACTIVITIES
GOVERNANCE	To provide a decision making process for the efficient allocation of scarce resources.	Includes all activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of providing legal services on all matters.
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision of services.	Rates, interest income, general purpose government grants, interest revenue and the cost of assets sold.
LAW, ORDER, PUBLIC SAFETY	To provide services to help ensure a safer and environmentally conscious community.	Fire prevention and volunteer bush fire brigade, animal control, support of State Emergency Services, emergency services, the Town's CCTV network, and community safety and crime prevention initiatives.
HEALTH	To provide an operational framework for environmental and community health.	Vermin control, environmental health, food and public health regulation and compliance, and health.
EDUCATION AND WELFARE	To provide services to disadvantaged persons, the elderly, children and youth.	Community partnership funding, disability access initiatives, community services administration, facilities including the JD Hardie Centre and asset management associated with key community buildings.
HOUSING	To provide and maintain adequate housing.	Primarily centred around the provision of housing to employees, and asset management activities.
COMMUNITY AMENITIES	To provide services required by the community.	Strategic town planning and development control, all aspects of waste management such as waste collection, landfill operations, and waste minimisation; cemeteries, public toilets, cyclone preparation and response, and sanitation and litter collection.
RECREATION AND CULTURE	To establish and effectively manage infrastructure and resources which will help the social well-being of the community.	Maintenance of public halls, civic centres, aquatic centres, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of libraries, galleries and other cultural facilities. Facilitation of Town events including North West Festival, Spinifex Spree and other community events.
TRANSPORT	To provide safe, effective and efficient transport services to the community.	All activities relating to the Port Hedland International Airport. Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities, and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.

29. ACTIVITIES/PROGRAMS (Continued)

ECONOMIC SERVICES	To help promote the Town and its economic well-being.	Tourism and area promotion, strategic projects, leasing and administration of commercial properties, building regulation, land development, and saleyards and markets.
OTHER PROPERTY AND SERVICES	To monitor and control Council's overheads operating accounts.	<p>Remaining activities not directly attributable to other programs such as private works, plant operations, public works overheads, and building maintenance overheads.</p> <p>The income and expenditure for Corporate Management, Financial Services, Human Resources and OHS, Governance, Records Management, Customer Services, Marketing and Communication, and Information Technology is also included here. The majority of costs are distributed across other programs of Council, to better reflect the total cost of service delivery.</p>

**TOWN OF PORT HEDLAND
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30. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	1.94	1.26	1.44
Asset consumption ratio	0.94	0.82	0.74
Asset renewal funding ratio	0.91	1.04	1.07
Asset sustainability ratio	1.02	0.83	0.37
Debt service cover ratio	(2.34)	1.84	9.68
Operating surplus ratio	(0.42)	(0.21)	0.51
Own source revenue coverage ratio	0.64	0.76	0.71

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 consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
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	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$



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INDEPENDENT AUDITOR'S REPORT

To the Council of the Town of Port Hedland

Report on the financial report

Opinion

We have audited the annual financial report of the Town of Port Hedland (**Town**), which comprises the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In our opinion, the annual financial report of the Town:

- (i) Is based on proper accounts and records; and
- (ii) Fairly represents, in all material respects, the results of the operations of the Town for the year ended 30 June 2018 and its financial position at the end of that period in accordance with the *Local Government Act 1995 (Act)* and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for opinion

We conducted our audit in accordance with the Australian Auditing Standards. Our responsibilities under those standards are further described in the *auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Town in accordance with the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (Code)* that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of matter – basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Town's financial reporting responsibilities under the Act. Regulation 16 of the *Local Government (Financial Management) Regulations 1996 (Regulations)*, does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. Our opinion is not modified in respect of this matter.

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

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

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

Liability limited by a scheme approved under Professional Standards Legislation

Responsibilities of the Chief Executive Officer and Council for the financial report

The Chief Executive Officer (**CEO**) of the Town is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of the Town.

The Council is responsible for overseeing the Town's financial reporting process.

Auditor's responsibility for the audit of the financial report

The objectives of our audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. we also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

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

- (i) In our opinion, the following financial ratios, which are disclosed in the notes to the financial report, indicate significant adverse trends in the financial position or the financial management practices of the Town:
 - a. The Debt Service Cover Ratio and the Operating Surplus Ratio are below the Department of Local Government, Sport and Cultural Industries (**DLGSC**) standard in the current year;
- (ii) No instances of material non-compliance with Part 6 of the Act, the Regulations or applicable financial controls of any other written law were identified during the course of our audit.
- (iii) All required information and explanations were obtained by us.
- (iv) All audit procedures were satisfactorily completed.
- (v) In our opinion, the Asset Consumption Ratio and the Asset Renewal Ratio, disclosed in the notes to the financial report, were supported by verifiable information and reasonable assumptions.

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the annual financial report of the Town for the year ended 30 June 2018 included on the Town's website. The Town's management is responsible for the integrity of the Town's website. This audit does not provide assurance on the integrity of the Town's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



DAVID WALL
Director
RSM AUSTRALIA PTY LTD

Perth, Western Australia
4 February 2019