

CITY OF KARRATHA
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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Principal place of business:
Lot 1083 Welcome Road
Karratha, WA 6714

**CITY OF KARRATHA
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the City of Karratha being the annual financial report and supporting notes and other information for the financial year ended 30 June 2017 are in my opinion properly drawn up to present fairly the financial position of the City of Karratha at 30th June 2017 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the *Local Government Act 1995* and the regulations under that Act.

Signed as authorisation of issue on the 28th day of September 2017.



Chris Adams
Chief Executive Officer

CITY OF KARRATHA
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
Rates	23	40,321,922	41,910,719	38,154,605
Operating grants, subsidies and contributions	30	12,585,500	10,274,397	8,650,227
Fees and charges	29	38,742,227	42,618,883	41,345,510
Interest earnings	2(a)	3,388,999	3,327,528	3,058,125
Other revenue	2(a)	870,139	372,510	1,073,305
		<u>95,908,787</u>	<u>98,504,037</u>	<u>92,281,772</u>
Expenses				
Employee costs		(32,129,380)	(32,878,935)	(33,240,954)
Materials and contracts		(25,426,554)	(23,247,425)	(24,688,953)
Utility charges		(4,422,635)	(4,724,195)	(4,241,949)
Depreciation on non-current assets	2(a)	(19,822,284)	(21,762,467)	(19,673,466)
Interest expenses	2(a)	(11,096)	(11,222)	(1,084)
Insurance expenses		(1,542,885)	(1,545,116)	(1,413,578)
Other expenditure		(3,702,515)	(3,789,903)	(3,174,747)
		<u>(87,057,349)</u>	<u>(87,959,263)</u>	<u>(86,434,731)</u>
		8,851,438	10,544,774	5,847,041
Non-operating grants, subsidies and contributions	30	17,694,443	22,736,006	24,125,427
Profit on asset disposals	21	136,141	4,640	62,923
(Loss) on asset disposals	21	(301,590)	(193,347)	(611,991)
(Loss) on revaluation of plant	6(b)	0	0	(969,476)
Net result		26,380,432	33,092,073	28,453,924
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	1,359,928	0	(20,668,593)
Total other comprehensive income		1,359,928	0	(20,668,593)
Total comprehensive income		27,740,360	33,092,073	7,785,331

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

CITY OF KARRATHA
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
	2(a)			
Governance		244,076	214,010	216,534
General purpose funding		47,856,172	48,164,121	42,790,251
Law, order, public safety		846,694	823,668	344,430
Health		244,434	171,100	205,357
Education and welfare		78,900	58,920	117,530
Housing		371,394	400,434	421,443
Community amenities		11,210,145	10,328,128	10,014,517
Recreation and culture		11,790,086	11,257,932	11,287,436
Transport		22,299,088	26,562,094	25,920,098
Economic services		446,502	381,230	354,736
Other property and services		521,296	142,400	609,440
		<u>95,908,787</u>	<u>98,504,037</u>	<u>92,281,772</u>
Expenses				
	2(a)			
Governance		(3,227,145)	(4,039,340)	(3,218,283)
General purpose funding		(4,192,826)	(4,244,200)	(3,631,493)
Law, order, public safety		(1,659,782)	(1,825,345)	(1,857,052)
Health		(1,382,184)	(1,279,492)	(1,300,895)
Education and welfare		(126,294)	(168,573)	(154,673)
Housing		(896,329)	(489,163)	(922,611)
Community amenities		(11,937,029)	(13,744,962)	(12,127,580)
Recreation and culture		(28,998,785)	(29,433,025)	(30,626,498)
Transport		(30,426,805)	(29,899,174)	(28,740,469)
Economic services		(2,105,679)	(2,657,292)	(2,228,762)
Other property and services		(2,093,395)	(167,475)	(1,625,331)
		<u>(87,046,253)</u>	<u>(87,948,041)</u>	<u>(86,433,647)</u>
Finance costs				
	2(a)			
General purpose funding		(11,096)	(11,222)	(1,084)
		<u>(11,096)</u>	<u>(11,222)</u>	<u>(1,084)</u>
		8,851,438	10,544,774	5,847,041
Non-operating grants, subsidies and contributions				
	30	17,694,443	22,736,006	24,125,427
Profit on disposal of assets	21	136,141	4,640	62,923
(Loss) on disposal of assets	21	(301,590)	(193,347)	(611,991)
(Loss) on revaluation of plant	6(b)	0	0	(969,476)
Net result		<u>26,380,432</u>	<u>33,092,073</u>	<u>28,453,924</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	1,359,928	0	(20,668,593)
Total other comprehensive income		<u>1,359,928</u>	<u>0</u>	<u>(20,668,593)</u>
Total comprehensive income		<u><u>27,740,360</u></u>	<u><u>33,092,073</u></u>	<u><u>7,785,331</u></u>

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

CITY OF KARRATHA
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2017

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	3	85,883,515	96,575,259
Trade and other receivables	4	16,362,715	15,792,369
Inventories	5	331,953	345,277
TOTAL CURRENT ASSETS		<u>102,578,183</u>	<u>112,712,905</u>
NON-CURRENT ASSETS			
Other receivables	4	1,418,286	3,998,585
Inventories	5	524,439	524,439
Property, plant and equipment	6(a)	221,149,235	192,178,474
Investment Property	6(d)	20,004,800	0
Infrastructure	7	527,954,653	535,438,397
TOTAL NON-CURRENT ASSETS		<u>771,051,413</u>	<u>732,139,895</u>
TOTAL ASSETS		<u>873,629,596</u>	<u>844,852,800</u>
CURRENT LIABILITIES			
Trade and other payables	8	10,943,412	9,641,193
Current portion of long term borrowings	9	64,664	63,103
Provisions	10	3,512,846	3,620,158
TOTAL CURRENT LIABILITIES		<u>14,520,922</u>	<u>13,324,454</u>
NON-CURRENT LIABILITIES			
Long term borrowings	9	347,849	412,513
Provisions	10	748,722	844,090
TOTAL NON-CURRENT LIABILITIES		<u>1,096,571</u>	<u>1,256,603</u>
TOTAL LIABILITIES		<u>15,617,493</u>	<u>14,581,057</u>
NET ASSETS		<u>858,012,103</u>	<u>830,271,743</u>
EQUITY			
Retained surplus		399,026,989	365,330,649
Reserves - cash backed	12	85,720,687	92,784,461
Revaluation surplus	13	373,264,427	372,156,633
TOTAL EQUITY		<u>858,012,103</u>	<u>830,271,743</u>

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

**CITY OF KARRATHA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2015		345,571,881	84,089,305	0	429,661,186
Comprehensive income					
Net result		28,453,924	0	0	28,453,924
Changes on revaluation of assets	13	0	0	372,156,633	372,156,633
Total comprehensive income		<u>28,453,924</u>	<u>0</u>	<u>372,156,633</u>	<u>400,610,557</u>
Transfers from/(to) reserves		(8,695,156)	8,695,156	0	0
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance as at 30 June 2016		365,330,649	92,784,461	372,156,633	830,271,743
Comprehensive income					
Net result		26,380,432	0	0	26,380,432
Changes on revaluation of assets	13	0	0	1,359,928	1,359,928
Total comprehensive income		<u>26,380,432</u>	<u>0</u>	<u>1,359,928</u>	<u>27,740,360</u>
Transfers from/(to) reserves		7,315,908	(7,063,774)	(252,134)	0
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance as at 30 June 2017		<u>399,026,989</u>	<u>85,720,687</u>	<u>373,264,427</u>	<u>858,012,103</u>

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

CITY OF KARRATHA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		39,719,071	41,875,011	37,815,122
Operating grants, subsidies and contributions		15,655,651	14,177,324	17,177,082
Fees and charges		38,742,227	42,618,883	41,345,522
Interest earnings		3,388,999	3,327,528	3,058,125
Other revenue		870,139	372,510	1,069,191
		<u>98,376,087</u>	<u>102,371,256</u>	<u>100,465,042</u>
Payments				
Employee costs		(32,251,728)	(32,778,935)	(34,221,030)
Materials and contracts		(24,191,216)	(22,334,806)	(30,381,848)
Utility charges		(4,422,635)	(4,724,195)	(4,241,949)
Interest expenses		(11,223)	(11,222)	12,895
Insurance expenses		(1,542,885)	(1,545,116)	(1,413,578)
Goods and services tax		(591,487)	0	(307,085)
Other expenditure		(3,702,515)	(3,789,903)	(3,174,747)
		<u>(66,713,689)</u>	<u>(65,184,177)</u>	<u>(73,727,342)</u>
Net cash provided by (used in) operating activities	14(b)	<u>31,662,398</u>	<u>37,187,079</u>	<u>26,737,700</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for development of Land held for resale		0	0	(188)
Payments for purchase of property, plant & equipment	6(b)	(27,050,996)	(31,593,543)	(22,381,014)
Payments for purchase of investment property	6(e)	(20,004,800)	0	0
Payments for construction of infrastructure	7(b)	(14,440,953)	(18,524,172)	(18,780,909)
Non-operating grants, subsidies and contributions	30	17,694,443	22,736,006	24,125,427
Proceeds from sale of fixed assets	21	1,377,127	333,670	735,732
Net cash provided by (used in) investment activities		<u>(42,425,179)</u>	<u>(27,048,039)</u>	<u>(16,300,952)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures	22(a)	(63,103)	(63,103)	0
Advances to Community Groups		0	0	(475,616)
Repayment of Self Supporting Loan		134,140	63,207	0
Proceeds from self supporting loans		0	0	753,824
Proceeds from new debentures		0	0	475,616
Net cash provided by (used in) financing activities		<u>71,037</u>	<u>104</u>	<u>753,824</u>
Net increase (decrease) in cash held		(10,691,744)	10,139,144	11,190,572
Cash at beginning of year		96,575,259	101,223,154	85,384,687
Cash and cash equivalents at the end of the year	14(a)	<u>85,883,515</u>	<u>111,362,298</u>	<u>96,575,259</u>

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

**CITY OF KARRATHA
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2017**

NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
Unrestricted surplus/(deficit) b/fwd	1,800,787	586,878	63,450
Restricted Surplus/(deficit) b/fwd - Airport Funds	3,958,660	0	0
Restricted surplus/(deficit) b/fwd - Pilbarra Underground Power	7,905,744	7,220,459	12,208,160
Net current assets at start of financial year - surplus/(deficit)	<u>13,665,191</u>	<u>7,807,337</u>	<u>12,271,610</u>
Revenue from operating activities (excluding rates)			
Governance	253,469	214,010	216,534
General purpose funding	7,537,816	6,301,046	4635646
Law, order, public safety	850,417	823,668	345,636
Health	244,434	171,600	205,357
Education and welfare	78,900	59,420	117,530
Housing	455,498	400,434	421,443
Community amenities	11,216,157	10,328,128	10,062,571
Recreation and culture	11,797,044	11,258,557	11,289,112
Transport	22,321,473	26,564,209	25,922,152
Economic services	446,502	381,230	354,738
Other property and services	521,296	143,300	619,371
	<u>55,723,006</u>	<u>56,645,602</u>	<u>54,190,090</u>
Expenditure from operating activities			
Governance	(3,227,145)	(4,042,783)	(3,230,734)
General purpose funding	(4,203,922)	(4,255,422)	(3,632,576)
Law, order, public safety	(1,659,782)	(1,831,404)	(1,857,052)
Health	(1,382,184)	(1,279,492)	(1,300,895)
Education and welfare	(126,294)	(168,573)	(154,673)
Housing	(896,329)	(489,163)	(922,611)
Community amenities	(12,084,040)	(13,863,161)	(12,302,991)
Recreation and culture	(29,140,579)	(29,469,836)	(30,988,786)
Transport	(30,439,070)	(29,928,009)	(28,790,343)
Economic services	(2,105,679)	(2,657,292)	(2,232,250)
Other property and services	(2,093,915)	(167,475)	(1,633,811)
	<u>(87,358,939)</u>	<u>(88,152,610)</u>	<u>(87,046,722)</u>
Operating activities excluded from budget			
(Profit) on disposal of assets	21 (136,141)	(4,640)	(62,923)
Loss on disposal of assets	21 301,590	193,347	611,991
Loss on revaluation of fixed assets	0	0	969,476
Movement in accrued salaries and wages	84,282	0	(992,544)
Movement in employee benefit provisions (non-current)	(95,368)	0	138,426
Depreciation and amortisation on assets	2(a) 19,822,284	21,762,467	19,673,466
Amount attributable to operating activities	<u>2,005,905</u>	<u>(1,748,497)</u>	<u>(247,130)</u>
INVESTING ACTIVITIES			
Non-operating grants, subsidies and contributions	17,694,443	22,736,006	24,125,427
Proceeds from disposal of assets	21 1,377,127	333,670	735,732
Purchase of land held for resale	0	0	(188)
Purchase of property, plant and equipment	6(b) (27,050,996)	(31,593,543)	(22,381,014)
Purchase of investment property	6(e) (20,004,800)	0	0
Purchase and construction of infrastructure	7(b) (14,440,953)	(18,524,172)	(18,780,909)
Amount attributable to investing activities	<u>(42,425,179)</u>	<u>(27,048,039)</u>	<u>(16,300,952)</u>
FINANCING ACTIVITIES			
Repayment of advances to community groups	0	0	6,166
Advances of self supporting loans to community groups	0	0	(475,616)
Repayment of advances of self supporting loans to community groups	134,140	63,207	5,198
Proceeds from new debentures	22(a) 0	0	475,616
Repayment of debentures	22(a) (63,103)	(63,103)	0
Proceeds from self supporting loans	0	0	742,460
Transfers to reserves (restricted assets)	12 (38,527,996)	(29,546,232)	(42,702,804)
Transfers from reserves (restricted assets)	12 45,591,770	22,376,383	34,007,648
Amount attributable to financing activities	<u>7,134,811</u>	<u>(7,169,745)</u>	<u>(7,941,332)</u>
Surplus(deficiency) before general rates	<u>(33,284,463)</u>	<u>(35,966,281)</u>	<u>(24,489,414)</u>
Total amount raised from general rates	23 <u>40,321,922</u>	<u>41,863,075</u>	<u>38,154,605</u>
Restricted surplus/(deficit) June 30 c/fwd - Pilbarra Underground Power	24 4,672,754	5,863,920	7,905,744
Restricted surplus/(deficit) June 30 c/fwd - Airport Funds	0	0	3,958,660
Net current assets at June 30 c/fwd - surplus/(deficit)	24 2,364,705	32,874	1,800,787

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

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

Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

All Funds through which the City 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 20 to these financial statements.

(a) Goods and Services Tax (GST)

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

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

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

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

(b) Cash and Cash Equivalents

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

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Trade and Other Receivables

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

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

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

(d) Inventories

General

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

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

Land held for sale

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

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

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

(e) Fixed Assets

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

Mandatory requirement to revalue non-current assets

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

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

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

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

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

Land under control

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

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

Initial recognition and measurement between mandatory revaluation dates

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

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the City includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

Land under roads

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

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

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

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

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

Investment Property

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

Depreciation

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

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

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

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

Artwork/sculptures	50 years
Buildings	10 to 100 years
Furniture and Equipment	3 to 10 years
Plant and Equipment	2 to 15 years
Infrastructure:	
- Roads	20 to 70 years
- Paths and cycleways	40 to 50 years
- Aerodromes Assets	20 to 40 years
- Parks Developments	15 to 100 years
- Bridges	40 to 80 years
- Drains	80 to 100 years
- Miscellaneous structures	10 to 40 years
- Boat ramps/jetties	50 years
- Other Infrastructure	20 to 80 years
- Street Lighting	30 to 40 years
- Stormwater Network	80 years

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fair Value of Assets and Liabilities

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

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

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

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

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

Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

The City 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 City 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.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Income approach

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

Cost approach

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

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

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

(g) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Classification and subsequent measurement (continued)

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Impairment

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

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

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

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

Derecognition

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

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

(h) Impairment of Assets

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

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

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

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

(i) Trade and Other Payables

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Employee Benefits

Short-term employee benefits

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

Other long-term employee benefits

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

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

(k) Borrowing Costs

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

(l) Provisions

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

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

(m) Leases

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

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

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

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

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Investment in Associates

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

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

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

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

(o) Interests in Joint Arrangements

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

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

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The City's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 17.

(p) Rates, Grants, Donations and Other Contributions

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

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

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

(q) Superannuation

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Current and Non-Current Classification

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

(s) Rounding Off Figures

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

(t) Comparative Figures

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

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

(u) Budget Comparative Figures

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Management's assessment of the new and amended pronouncements that are relevant to the City, 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 City, it is not anticipated the Standard will have any material effect.
(ii)	AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effect of this Standard will depend upon the nature of future transactions the City has with those third parties it has dealings with. It may or may not be significant.
(iii)	AASB 16 Leases	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted. Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the City, the impact is not expected to be significant.

Notes:

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

**CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Notes:

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

(w) Adoption of New and Revised Accounting Standards

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

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

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

2. REVENUE AND EXPENSES	2017	2016
	\$	\$
(a) Net Result		
The Net result includes:		
(i) Charging as an expense:		
Auditors remuneration		
- Audit of the Annual Financial Report	33,120	39,491
- Other Services	18,782	223
Depreciation		
Buildings	4,152,765	2,532,394
Equipment (External)	129,946	414,028
Furniture and equipment	292,989	695,090
Plant	671,377	2,009,830
Artwork & Sculptures	21,391	21,896
Roads	8,972,790	8,776,996
Footpaths	882,356	858,456
Drainage	22,259	20,313
Parks & Gardens	256,931	242,768
Hardcourt Facilities	305,590	293,304
Bridges & Culverts	503,297	497,897
Boat Ramps & Jetties	110,294	99,716
Aerodromes	2,164,854	2,170,786
Miscellaneous Structures	1,335,445	1,039,992
	<u>19,822,284</u>	<u>19,673,466</u>
Interest expenses (finance costs)		
Debentures (refer Note 22 (a))	11,096	1,084
	<u>11,096</u>	<u>1,084</u>
(ii) Crediting as revenue:		
Other revenue		
Other	870,139	1,073,305
	<u>870,139</u>	<u>1,073,305</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (continued)

	2017	2017	2016
	Actual	Budget	Actual
	\$	\$	\$
Earnings on Reserve Funds			
Employee Entitlement Reserve	126,607	159,984	94,270
Aerodrome Reserve	62,302	114,804	64,600
Dampier Drainage Reserve	231	0	0
Walkington Theatre Reserve	777	912	761
Plant Replacement Reserve	21,009	74,028	47,320
Workers Compensation Reserve	22,883	16,932	13,018
Waste Management Reserve	520,055	579,504	477,397
Infrastructure Reserve	1,155,074	1,217,652	761,250
Housing Reserve	6,980	9,660	7,363
Aged Persons Unit Reserve	0	0	503
Mosquito Control Reserve	192	204	159
Medical Services Assistance Package Reserve	11,095	11,856	7,110
Community Development Reserve	43,950	11,916	26,036
Partnership Reserve	203,076	137,580	296,404
Pilbara Underground Power Reserve	310,756	413,496	356,732
Economic Development Reserve	7,273	0	0
Earnings on Municipal Funds			
Other funds	392,371	274,000	345,078
Other interest revenue (refer note 28)	504,368	305,000	560,124
	<u>3,388,999</u>	<u>3,327,528</u>	<u>3,058,125</u>

(b) Statement of Objective

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

COMMUNITY VISION

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

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

GOVERNANCE

Functions relating to the Councillors and the running of Council. Expenditure includes the running of elections, payments of expenses to Councillors and non statutory donations.

GENERAL PURPOSE FUNDING

Rating (including ex-gratia contributions), interest revenues and general purpose Government grant functions. Includes the Financial Assistance Grant received from the Local Government Grants Commission and all other rate income.

LAW, ORDER, PUBLIC SAFETY

Supervision of various by-laws, fire and emergency services, and animal control. Includes expenditure for the Ranger Services, State Emergency Service and disaster preparation and recovery expenses.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

HEALTH

Food control, immunisation services, mosquito control and maintenance of child health centres. Expenditure includes the maintenance of the child health clinic buildings, various health promotions and pest control expenses mainly relating to mosquito control.

EDUCATION AND WELFARE

Maintain preschool facilities and day care centres. This includes expenditure in maintaining the day care centre buildings and also donations to schools for awards etc.

HOUSING

Maintenance and operational expenses associated with the provision of staff housing.

COMMUNITY AMENITIES

Rubbish collection services, operation of tip, administration of town planning schemes and operation of cemeteries. Also included are the costs associated with the maintaining and cleaning of public toilets.

RECREATION AND CULTURE

Maintenance of halls, swimming pool, recreation centres, various reserves and operation of libraries. Expenditure includes the cost of the Karratha Leisureplex and other pavilions, ovals and parks maintenance, Roebourne Swimming Pool, coastal rehabilitation, and four libraries. Expenses relating to the historical town of Cossack, the Moonrise Cinema and JJJ radio re-broadcasting are also included in this function.

TRANSPORT

Construction and maintenance of roads, drainage, footpaths, parking facilities, traffic signs and the aerodrome. It includes expenditure for the construction and maintenance of the roads, footpaths and also the expenditure relating to parking control and the operation of the Karratha & Roebourne Airport.

ECONOMIC SERVICES

Tourism and administration of building controls. Expenditure includes Councils contributions to the Karratha and Roebourne Visitor Centres and the Pilbara Tourism Association, and the costs associated with building control.

OTHER PROPERTY AND SERVICES

Private works and other unclassified works. It also includes expenditure relating to plant operations and the Technical Services division however these costs are then reallocated to the other functions. The costs associated with financing and administration are allocated direct to the relevant functions.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Opening	Received ⁽²⁾	Expended ⁽³⁾	Closing	Received ⁽²⁾	Expended ⁽³⁾	Closing	Reserve
	Balance ⁽¹⁾ 1/07/15	2015/16	2015/16	Balance ⁽¹⁾ 30/06/16	2016/17	2016/17	Balance 30/06/17	
	\$	\$	\$	\$	\$	\$	\$	
Roebourne Community Recreation Assoc Inc	23,024	0	0	23,024	0	0	23,024	* REST
PDC Hydrology Grant	40,000	0	0	40,000	0	0	40,000	* REST
Rio Tinto - Wickham Recreation and Community Facilities Project	185,155	0	0	185,155	0	0	185,155	* PART
Rio Tinto - Dampier Community Hub	6,941,045	6,492,042	(11,920,051)	1,513,036	0	(618,664)	894,372	* PART
Rio Tinto - Damper Community Hub Operations	1,000,000	1,000,000	0	2,000,000	1,002,000	(619,648)	2,382,352	* PART
Rio Tinto - Wickham/Roebourne SES Facility	51,096	0	0	51,096	0	(13,224)	37,872	* PART
Rio Tinto - Partnership Management Team	79,291	833,490	(767,825)	144,956	920,164	(622,290)	442,830	* PART
Rio Tinto - Community Development Services	727,286	0	(676,000)	51,286	406,000	(252,986)	204,300	* PART
Pilbara Industry Road Safety Alliance	108,360	0	(39,124)	69,236	0	(6,000)	63,236	* CFWD
PDC - Roebourne Community Aquatic Centre	20,000	0	0	20,000	0	(20,000)	0	* CFWD
Fleetwood Corporation - Searipple Precinct Foreshore Works	44,825	44,825	0	89,650	0	(89,650)	0	* CFWD
PRC - Contribution to Sullage Point	3,600	0	(1,220)	2,380	0	0	2,380	#
WALGA - Local Road Safety Activities	0	70,899	(69,899)	1,000	0	(1,000)	0	#
State Library of Western Australia	0	20,010	(17,000)	3,010	25,323	(21,628)	6,705	#
Dept. of Planning - Coastal Management Strategy	0	170,400	(167,350)	3,050	0	0	3,050	#
Rio Tinto - Wickham Community Hub	0	4,500,000	0	4,500,000	2,535,000	(1,707,430)	5,327,570 (1, 2)	^ PART
Rio Tinto - Wickham Recreation Facility Operations	0	0	0	0	2,342,868	(2,219,113)	123,755 (2)	^ PART
DFES Contribution - Wick/Roeb SES	0	0	0	0	38,372	(28,309)	10,063 (2)	^ REST
Cossack Art Program - Sponsorships	0	0	0	0	374,000	(280,000)	94,000 (2)	^ CFWD
Rio Tinto - Eastern Corridor Youth Services	0	0	0	0	295,000	(125,000)	170,000 (2)	^ PART
DLGC Grant - Community Development Initiative	0	0	0	0	20,000	0	20,000 (2)	^ CFWD
Pilbara Development Commission - Youth Services & Community Safety Initiative	0	0	0	0	251,000	(1,000)	250,000 (2)	^ CFWD
Dept. Sport and Recreation - Kidsport Program	0	0	0	0	8,000	(5,251)	2,749 (2)	#
Rio Tinto - Karratha Leisureplex Program Support	0	0	0	0	50,000	(46,726)	3,274 (2)	^ PART
Dept. of State Development - Murujuga Tourism Activation Agreement	0	0	0	0	717,128	(539,735)	177,393 (2)	^ CFWD
Contributions-Beaches & Foreshore Works	0	0	0	0	244,825	(238,865)	5,960 (2)	#
Contribution To Entry Statement	0	0	0	0	175,000	0	175,000 (2)	^ REST
Total	9,223,682	13,131,666	(13,658,469)	8,696,879	9,404,680	(7,456,519)	10,645,040	

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.
(*) - Grants/contributions have been received in Municipal cash in previous period and have been transferred to Reserve in previous period
(^) - Grants/contributions have been received in Municipal cash and have been transferred to Reserve in 2016/17
(#) - Grants/contributions have been received in Municipal cash and are contained in Note 3 Restricted Cash.

Economic Dependency

A significant portion of revenue is received by way of grants from the State and Federal Government. The total of grant revenue from government sources is disclosed within the Statement of comprehensive Income.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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	Note	2017 \$	2016 \$
3. CASH AND CASH EQUIVALENTS			
- Cash on Hand		13,370	18,705
- Cash at Municipal Bank		128,614	3,762,656
Restricted - Municipal (Unspent Grants/Contributions)		20,844	9,440
Restricted - Reserves		<u>85,720,687</u>	<u>92,784,458</u>
		<u>85,883,515</u>	<u>96,575,259</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Employee Entitlement Reserve	12	4,261,568	4,464,248
Aerodrome Reserve	12	6,586,617	1,880,596
Dampier Drainage Reserve	12	10,231	10,000
Walkington Theatre Reserve	12	31,038	30,261
Plant Replacement Reserve	12	816,697	1,323,200
Workers Compensation Reserve	12	522,883	750,000
Waste Management Reserve	12	22,826,019	19,559,366
Infrastructure Reserve	12	22,253,785	40,398,805
Housing Reserve	12	0	322,363
Mosquito Control Reserve	12	7,726	6,964
Medical Services Assistance Package Reserve	12	376,893	365,798
Community Development Reserve	12	1,209,141	1,546,930
Carry Forward Budget Reserve	12	1,821,785	176,718
Restricted Funds Reserve	12	431,127	270,982
Partnership Reserve	12	12,726,119	10,831,493
Pilbara Underground Power Reserve	12	10,605,852	10,846,734
Economic Development Reserve	12	1,233,206	0
Unspent grants	2(c)	<u>20,844</u>	<u>9,440</u>
		<u>85,741,531</u>	<u>92,793,898</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates outstanding	2,913,044	2,310,193
- Service Charge	3,627,192	4,350,816
- Rubbish	1,437,883	962,486
- Fees and Charges for Services	207,589	274,445
- Private Works	7,746	3,487
- Income from Property	296,896	129,245
- Aerodrome	3,845,818	4,197,420
- Grants and Contributions	2,468,448	2,626,616
- Reimbursements and General	204,772	12,549
- Excess Rates Receipts	(311,653)	(283,841)
Staff Housing Bonds	2,400	23,555
Pensioner Rebates	814	0
Accrued Income	587,160	747,960
Prepayments	239,456	302,481
Less Provision for Doubtful Debts	(303,182)	(473,195)
GST receivable	1,130,269	538,782
Loans receivable - clubs/institutions	6,163	69,370
Other Bonds	1,900	0
	<u>16,362,715</u>	<u>15,792,369</u>
Non-current		
Loans receivable - clubs/institutions	372,724	443,657
Service Charge	1,045,562	3,554,928
	<u>1,418,286</u>	<u>3,998,585</u>

Information with respect the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:

Rates outstanding	<u>2,913,044</u>
Includes:	
Past due and not impaired	2,913,044
Impaired	<u>0</u>
Sundry Debtors	<u>13,141,906</u>
Includes:	
Past due and not impaired	2,074,649
Impaired	<u>0</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
5. INVENTORIES		
Current		
Fuel and materials	293,154	329,716
Corporate Uniforms	27,113	0
Food, Drinks & Merchandise Roebourne Aquatic Centre	506	420
Food, Drinks & Merchandise Youth Shed	6,189	2,273
Food, Drinks & Merchandise Wickham Recreation Precinct	3,651	6,582
Food, Drinks & Merchandise Karratha Leisureplex	1,340	6,286
	<u>331,953</u>	<u>345,277</u>
Non-current		
Cost of acquisition	<u>524,439</u>	<u>524,439</u>
	<u>524,439</u>	<u>524,439</u>
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land		
- Independent valuation 2014 - level 2	0	34,174,000
- Independent valuation 2017 - level 2	33,854,150	0
- Additions after valuation - cost	0	1,574
- Impairment	<u>(23,806,083)</u>	<u>(23,806,083)</u>
	10,048,067	10,369,491
Land - vested in and under the control of Council at:		
- Independent valuation 2014 - level 3	0	395,000
- Independent valuation 2017 - level 2	564,454	0
- Management Valuation 2014	0	169,454
	<u>564,454</u>	<u>564,454</u>
Total Land	<u>10,612,521</u>	<u>10,933,945</u>
Buildings at:		
- Independent valuation 2014 - level 2	0	126,487,053
- Independent valuation 2017 - level 3	207,194,605	0
- Additions after valuation - cost	0	2,232,773
- Impairment	(7,918,078)	(7,918,078)
Less: accumulated depreciation	<u>(25,680,423)</u>	<u>(6,974,588)</u>
	173,596,104	113,827,160
Total Buildings	<u>173,596,104</u>	<u>113,827,160</u>
Total land and buildings	<u>184,208,625</u>	<u>124,761,105</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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

	2017	2016
	\$	\$
Furniture and equipment at:		
- Management valuation 2016 - level 3	1,470,653	1,472,822
- Additions after valuation - cost	258,761	0
Less: accumulated depreciation	<u>(291,984)</u>	<u>0</u>
	1,437,430	1,472,822
Plant at:		
- Independent valuation 2016 - level 1	6,029,518	7,006,133
- Management valuation 2016 - level 3	66,198	66,198
- Additions after valuation - cost	826,966	0
Less: accumulated depreciation	<u>(631,944)</u>	<u>0</u>
	6,290,738	7,072,331
Artwork & Sculptures at:		
- Management valuation 2015 - level 3	864,050	865,250
- Additions after valuation - cost	210,990	196,990
Less: accumulated depreciation	<u>(43,251)</u>	<u>(21,896)</u>
	1,031,789	1,040,344
Equipment (External) at:		
- Independent valuation 2016 - level 1	152,203	157,044
- Management valuation 2016 - level 3	373,523	373,523
- Additions after valuation - cost	132,256	0
Less: accumulated depreciation	<u>(128,773)</u>	<u>0</u>
	529,209	530,567
Works in Progress	<u>27,651,444</u>	<u>57,301,305</u>
	27,651,444	57,301,305
	<u><u>221,149,235</u></u>	<u><u>192,178,474</u></u>

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold land	10,369,491	700,121	(185,745)	(835,800)	0	0	0	0	10,048,067
Land - vested in and under the control of Council	564,454	0	0	0	0	0	0	0	564,454
Total land	10,933,945	700,121	(185,745)	(835,800)	0	0	0	0	10,612,521
Buildings	113,827,160	54,768,753	(375,588)	9,631,388	0	0	(4,152,765)	(102,844)	173,596,104
Total buildings	113,827,160	54,768,753	(375,588)	9,631,388	0	0	(4,152,765)	(102,844)	173,596,104
Total land and buildings	124,761,105	55,468,874	(561,333)	8,795,588	0	0	(4,152,765)	(102,844)	184,208,625
Furniture and equipment	1,472,822	258,761	(1,164)	0	0	0	(292,989)	0	1,437,430
Plant	7,072,331	826,966	(937,182)	0	0	0	(671,377)	0	6,290,738
Artwork & Sculptures	1,040,344	14,000	(1,164)	0	0	0	(21,391)	0	1,031,789
Equipment (External)	530,567	132,256	(3,668)	0	0	0	(129,946)	0	529,209
Works in Progress	57,301,305	(29,649,861)	0	0	0	0	0	0	27,651,444
Total property, plant and equipment	192,178,474	27,050,996	(1,504,511)	8,795,588	0	0	(5,268,468)	(102,844)	221,149,235

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land					
Land - freehold land	2	Market Approach using recent observable market data for similar properties	Independent Valuation	June 2017	Comparable market values
Land - vested in and under the control of Council	2	Market Approach using recent observable market data for similar properties	Independent Valuation	June 2017	Comparable market values
Buildings	3	Cost Approach using depreciated replacement cost	Independent Valuation	June 2017	Replacement cost and remaining estimated useful life
Furniture and equipment	3	Cost Approach using depreciated replacement cost	Management Valuation	June 2016	Residual values and remaining estimated useful life
Plant					
- Independent valuation 2016	1	Market Approach	Independent Valuation	June 2016	Measurements based on quoted prices in active markets for identical assets
- Management valuation 2016	3	Cost Approach using depreciated replacement cost	Management Valuation	June 2016	Purchase costs and current condition (Level 2), residual vales and remaining useful life assessments (Level 3)
Artwork & Sculptures	3	Market Approach	Independent Valuation	June 2015	Current condition and comparable market values achieved at auction houses and contact with artists
Equipment (External)					
- Independent valuation 2016	1	Market Approach	Independent Valuation	June 2016	Measurements based on quoted prices in active markets for identical assets
- Management valuation 2016	3	Cost Approach using depreciated replacement cost	Management Valuation	June 2016	Purchase costs and current condition (Level 2), residual vales and remaining useful life assessments (Level 3)

Works in Progress

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.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

6 (d) INVESTMENT PROPERTY

	2017	2016
	\$	\$
Investment Property at:		
- Additions after valuation - cost	20,004,800	0
Buildings - specialised - Less: accumulated depreciation	<u>0</u>	<u>0</u>
	20,004,800	0
 Total Investment Property	 <u>20,004,800</u>	 <u>0</u>

(e) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	Fair Value Adjustments \$	Balance at the End of the Year \$
Investment Property	0	20,004,800	0	20,004,800
Total property, plant and equipment	<u>0</u>	<u>20,004,800</u>	<u>0</u>	<u>20,004,800</u>

(f) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Investment Property	2	Market Approach	Management Valuation	June 2017	Purchase price plus costs associated with purchase.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
7 (a). INFRASTRUCTURE		
Roads		
- Management valuation 2015 - level 3	357,790,190	357,790,190
- Additions after valuation - cost	7,130,274	1,389,022
Less: accumulated depreciation	<u>(17,749,786)</u>	<u>(8,776,996)</u>
	347,170,678	350,402,216
Footpaths		
- Management valuation 2015 - level 3	30,919,410	30,919,410
- Additions after valuation - cost	707,291	62,440
Less: accumulated depreciation	<u>(1,740,812)</u>	<u>(858,456)</u>
	29,885,889	30,123,394
Drainage		
- Independent valuation 2015 - level 3	1,576,431	1,576,431
- Additions after valuation - cost	160,553	0
Less: accumulated depreciation	<u>(42,572)</u>	<u>(20,313)</u>
	1,694,412	1,556,118
Parks & Gardens		
- Independent valuation 2015 - level 3	4,508,815	4,508,815
- Additions after valuation - cost	527,783	105,324
Less: accumulated depreciation	<u>(499,699)</u>	<u>(242,768)</u>
	4,536,899	4,371,371
Hardcourt Facilities		
- Independent valuation 2015 - level 3	7,157,891	7,157,891
- Additions after valuation - cost	755,456	312,070
Less: accumulated depreciation	<u>(598,894)</u>	<u>(293,304)</u>
	7,314,453	7,176,657
Bridges & Culverts		
- Independent valuation 2015 - level 3	26,453,860	26,453,860
- Additions after valuation - cost	400,793	0
Less: accumulated depreciation	<u>(1,001,194)</u>	<u>(497,897)</u>
	25,853,459	25,955,963
Boat Ramps & Jetties		
- Independent valuation 2015 - level 3	3,663,268	3,663,268
- Additions after valuation - cost	1,031,066	409,475
Less: accumulated depreciation	<u>(210,010)</u>	<u>(99,716)</u>
	4,484,324	3,973,027
Aerodromes		
- Independent valuation 2015 - level 3	65,782,279	65,782,279
- Additions after valuation - cost	8,486	0
Less: accumulated depreciation	<u>(4,335,640)</u>	<u>(2,170,786)</u>
	61,455,125	63,611,493
Miscellaneous Structures		
- Independent valuation 2015 - level 3	17,628,171	17,628,171
- Additions after valuation - cost	5,780,871	589,827
Less: accumulated depreciation	<u>(2,375,437)</u>	<u>(1,039,992)</u>
	21,033,605	17,178,006
Works in Progress	24,525,809	31,090,152
	<u>527,954,653</u>	<u>535,438,397</u>

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

7. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Roads	350,402,216	5,867,473	0	(126,221)	0	0	(8,972,790)	0	347,170,678
Footpaths	30,123,394	644,851	0	0	0	0	(882,356)	0	29,885,889
Drainage	1,556,118	160,553	0	0	0	0	(22,259)	0	1,694,412
Parks & Gardens	4,371,371	422,459	0	0	0	0	(256,931)	0	4,536,899
Hardcourt Facilities	7,176,657	443,386	0	0	0	0	(305,590)	0	7,314,453
Bridges & Culverts	25,955,963	400,793	0	0	0	0	(503,297)	0	25,853,459
Boat Ramps & Jetties	3,973,027	621,591	0	0	0	0	(110,294)	0	4,484,324
Aerodromes	63,611,493	7,317,925	0	(7,309,439)	0	0	(2,164,854)	0	61,455,125
Miscellaneous Structures	17,178,006	5,126,265	(38,065)	0	0	0	(1,335,445)	102,844	21,033,605
Works in Progress	31,090,152	(6,564,343)	0	0	0	0	0	0	24,525,809
Total infrastructure	<u>535,438,397</u>	<u>14,440,953</u>	<u>(38,065)</u>	<u>(7,435,660)</u>	<u>0</u>	<u>0</u>	<u>(14,553,816)</u>	<u>102,844</u>	<u>527,954,653</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Roads	Level 3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Footpaths	Level 3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Drainage	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Parks & Gardens	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Hardcourt Facilities	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Bridges & Culverts	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Boat Ramps & Jetties	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Aerodromes	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Miscellaneous Structures	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Works in Progress					

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.

CITY OF KARRATHA
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	2017	2016
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	8,097,756	5,320,211
Other Liabilities	14,971	60,134
Retention Monies	2,437,712	695,311
Accrued Expenses	102,681	2,956,596
Accrued salaries and wages	170,510	86,228
Accrued interest on loans	957	1,084
ATO liabilities	0	3,950
Income Received in Advance	117,982	462,873
Net Trust Liabilities	843	54,806
	10,943,412	9,641,193

9. LONG-TERM BORROWINGS

Current		
Self Supporting Loan WATC	64,664	63,103
	64,664	63,103
Non-current		
Self Supporting Loan WATC	347,849	412,513
	347,849	412,513

Additional detail on borrowings is provided in Note 22.

10. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2016			
Current provisions	2,451,487	1,168,671	3,620,158
Non-current provisions	0	844,090	844,090
	2,451,487	2,012,761	4,464,248
Amounts used	(98,138)	(104,542)	(202,680)
Balance at 30 June 2017	2,353,349	1,908,219	4,261,568
Comprises			
Current	2,353,349	1,159,497	3,512,846
Non-current	0	748,722	748,722
	2,353,349	1,908,219	4,261,568

CITY OF KARRATHA
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12. RESERVES - CASH BACKED

	Actual 2017 Opening Balance \$	Actual 2017 Transfer to \$	Actual 2017 Transfer (from) \$	Actual 2017 Closing Balance \$	Budget 2017 Opening Balance \$	Budget 2017 Transfer to \$	Budget 2017 Transfer (from) \$	Budget 2017 Closing Balance \$	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$
Employee Entitlement Reserve	4,464,248	126,605	(329,285)	4,261,568	5,328,074	159,984	0	5,488,058	3,786,466	677,782	0	4,464,248
Aerodrome Reserve	1,880,596	4,706,021	0	6,586,617	2,740,639	114,804	(1,530,967)	1,324,476	4,703,106	64,600	(2,887,110)	1,880,596
Dampier Drainage Reserve	10,000	231	0	10,231	36,823	10,000	0	46,823	0	10,000	0	10,000
Walkington Theatre Reserve	30,261	777	0	31,038	30,236	912	0	31,148	29,500	761	0	30,261
Plant Replacement Reserve	1,323,200	21,009	(527,512)	816,697	2,464,583	74,028	(440,400)	2,098,211	1,856,646	47,320	(580,766)	1,323,200
Workers Compensation Reserve	750,000	22,883	(250,000)	522,883	563,005	16,932	0	579,937	487,806	262,194	0	750,000
Waste Management Reserve	19,559,366	3,266,653	0	22,826,019	19,609,975	1,779,299	0	21,389,274	18,491,943	1,067,423	0	19,559,366
Infrastructure Reserve	40,398,805	15,676,785	(33,821,805)	22,253,785	39,685,428	15,913,135	(2,509,412)	53,089,151	27,101,159	18,312,797	(5,015,151)	40,398,805
Housing Reserve	322,363	6,980	(329,343)	0	322,059	9,660	0	331,719	315,000	7,363	0	322,363
Aged Persons Unit Reserve	0	0	0	0	0	0	0	0	76,384	503	(76,887)	0
Mosquito Control Reserve	6,964	762	0	7,726	6,960	774	0	7,734	6,234	730	0	6,964
Medical Services Assistance Package Reserve	365,798	11,095	0	376,893	394,649	11,856	0	406,505	275,666	90,132	0	365,798
Community Development Reserve	1,546,930	43,950	(381,739)	1,209,141	227,226	11,916	0	239,142	549,449	997,481	0	1,546,930
Carry Forward Budget Reserve	176,718	1,760,717	(115,650)	1,821,785	6,729,145	964,874	(5,783,894)	1,910,125	4,223,638	1,056,397	(5,103,317)	176,718
Restricted Funds Reserve	270,982	185,063	(24,918)	431,127	275,982	0	0	275,982	275,982	0	(5,000)	270,982
Partnership Reserve	10,831,493	7,706,144	(5,811,518)	12,726,119	9,656,198	6,164,565	(8,111,710)	7,709,053	11,932,058	15,355,367	(16,455,932)	10,831,493
Pilbara Underground Power Reserve	10,846,737	3,759,115	(4,000,000)	10,605,852	10,836,788	4,313,493	(4,000,000)	11,150,281	9,978,268	4,751,954	(3,883,485)	10,846,737
Economic Development Reserve	0	1,233,206	0	1,233,206	0	0	0	0	0	0	0	0
	<u>92,784,461</u>	<u>38,527,996</u>	<u>(45,591,770)</u>	<u>85,720,687</u>	<u>98,907,770</u>	<u>29,546,232</u>	<u>(22,376,383)</u>	<u>106,077,619</u>	<u>84,089,305</u>	<u>42,702,804</u>	<u>(34,007,648)</u>	<u>92,784,461</u>

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.

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12. RESERVES - CASH BACKED

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

Name of Reserve	Anticipated date of use	
Employee Entitlement Reserve	Ongoing	To fund employee leave entitlements when on extended leave, including long service leave as well as periods of Annual Leave for periods greater than 4 weeks duration thereby retaining salary and wages budgets for the funding of replacement staffing during extended periods of leave.
Aerodrome Reserve	Ongoing	The purpose of this reserve is to fund the development, operation and maintenance of the Karratha Airport, inclusive of any repayments of borrowings and the funding of employee entitlements.
Dampier Drainage Reserve	Ongoing	This reserve is maintained as part of an agreement between the Council and Hamersley Iron. The purpose of the reserve is to ensure funds are available for the maintenance of drainage in Dampier. Hamersley Iron pay to the Council each year a \$10,000 contribution towards this maintenance with any additional works required being drawn from this reserve and similarly, any funds remaining unspent being transferred to this reserve.
Walkington Theatre Reserve	Ongoing	The purpose of this reserve is to fund the operation and capital works of the Walkington Theatre.
Plant Replacement Reserve	Ongoing	The purposes of this reserve is to fund the capital purchase of plant and equipment.
Workers Compensation Reserve	Ongoing	The purpose of this reserve is to provide Council with sufficient funds to cover its potential liability in regard to the performance based workers compensation scheme of Local Government Insurance Services of which the City of Karratha is a member. Funds within the Reserve that become surplus to requirements will be transferred to Council's Employee Entitlements Reserve via way of Council's Annual Budget.
Waste Management Reserve	Ongoing	The purpose of this reserve is to fund development, operation and maintenance of the Council's Waste Management facilities inclusive of repayments of borrowings and the funding of employee entitlements.
Infrastructure Reserve	Ongoing	The purpose of this reserve is to allow for the use of these reserve funds for the enhancement, replacement, refurbishment and purchase of infrastructure assets or project works of the City of Karratha inclusive of the associated repayment of borrowings on infrastructure. Project works funded from this Reserve may not necessarily belong to the City of Karratha but must be carried out for the benefit of the City of Karratha.
Housing Reserve	2017	The purpose of this reserve is to fund the maintenance, refurbishment, replacement and construction of staff housing inclusive of the purchase. This reserve is funded by annual allocations from the Municipal Fund and from sale of Staff Housing. This reserve has been assessed as no longer required and the remainder of these fund have been transferred to municipal funds in the 2016/17 Financial Year.
Aged Persons Unit Reserve	Reserve Closed 2016	The purpose of this reserve is to assist in the transfer of Seniors from the current senior's village on Welcome Road to the new village provisioned by the State Government. As this project has been finalised, the remainder of these fund have been transferred to municipal funds in the 2015/16 Financial Year.
Mosquito Control Reserve	Ongoing	The purpose of this reserve is to fund mosquito control programmes inclusive of the purchase of replacement equipment as required.
Medical Services Assistance Package Reserve	Ongoing	The purpose of this reserve is to fund future assistance to Medical Services in accordance with Council's participation in the Medical Services Incentive Scheme. This is inclusive of retention payments to General Practitioner's in accordance with the Medical Services Incentive Scheme.
Community Development Reserve	Ongoing	The purpose of this reserve is to hold Annual Community Association Grant Scheme unspent payments each year and to fund future projects initiated by Community Associations from time to time via the Annual Community Association Grant Scheme.
Carry Forward Budget Reserve	Ongoing	This reserve is for the purpose of preserving projects funds carried over.
Restricted Funds Reserve	Ongoing	This reserve is for the purpose of holding Unexpended or prepaid Grants (other than Royalties for Regions) and Capital Contributions provided for specific purposes.
Partnership Reserve	Ongoing	This reserve is maintained as part of the Community Infrastructure and Services Partnership (the Partnership) and the related funding agreements between the Council and Rio Tinto Iron Ore. The purpose of the reserve is to preserve funds received under each funding agreement under the Partnership and restrict the funds for the purpose of each funding agreements.
Pilbara Underground Power Reserve	2025	The purpose of this reserve is to secure the unspent portions pertaining to the City of Karratha's share of costs in relation to the Pilbara Underground Power Project.
Economic Development Reserve	Ongoing	

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

13. REVALUATION SURPLUS

	2017					2016					
	Opening	Revaluation	Impairment	Total	2017	2017	2016	2016	2016	2016	
	Balance	Increment /	(Decrement)	Movement on	Transfer	Closing	Opening	Revaluation	Impairment	Total	
	\$	Decrement		Revaluation	to/(from)	Balance	Balance	Increment /	(Decrement)	Revaluation	
	\$	\$	\$	\$	reserve	\$	\$	Decrement	\$	Balance	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Land & Buildings	16,476,880	0	8,795,588	8,795,588	(252,134)	25,020,334	37,117,794	0	(20,640,914)	(20,640,914)	16,476,880
Plant and Equipment	47,001	0	0	0	0	47,001		47,001	0	47,001	47,001
Furniture	8,509	0	0	0	0	8,509		8,509	0	8,509	8,509
Roads	272,182,577	(126,221)	0	(126,221)	0	272,056,356	272,265,766	(83,189)	0	(83,189)	272,182,577
Footpaths	24,543,432	0	0	0	0	24,543,432	24,543,432	0	0	0	24,543,432
Drainage	113,738	0	0	0	0	113,738	113,738	0	0	0	113,738
Hardcourt Facilities	616,856	0	0	0	0	616,856	616,856	0	0	0	616,856
Bridges & Culverts	27,654,868	0	0	0	0	27,654,868	27,654,868	0	0	0	27,654,868
Boat Ramps & Jetties	3,662,964	0	0	0	0	3,662,964	3,662,964	0	0	0	3,662,964
Aerodromes	22,340,114	(7,309,439)	0	(7,309,439)	0	15,030,675	22,340,114	0	0	0	22,340,114
Miscellaneous Structures	4,509,694	0	0	0	0	4,509,694	4,509,694	0	0	0	4,509,694
	<u>372,156,633</u>	<u>(7,435,660)</u>	<u>8,795,588</u>	<u>1,359,928</u>	<u>(252,134)</u>	<u>373,264,427</u>	<u>392,825,226</u>	<u>(27,679)</u>	<u>(20,640,914)</u>	<u>(20,668,593)</u>	<u>372,156,633</u>

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2017	2017	2016
	\$	Budget	\$
		\$	
Cash and cash equivalents	<u>85,883,515</u>	<u>111,362,298</u>	<u>96,575,259</u>

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

Net result	26,380,432	33,092,073	28,453,924
Non-cash flows in Net result:			
Depreciation	19,822,284	21,762,467	19,673,466
(Profit)/Loss on sale of asset	165,449	188,707	549,068
Loss on revaluation of fixed assets	0	0	969,476
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	1,875,813	3,867,219	7,882,863
(Increase)/Decrease in inventories	13,324	(6,579)	142,909
Increase/(Decrease) in payables	1,302,219	919,198	(6,817,020)
Increase/(Decrease) in provisions	(202,680)	100,000	8,441
Grants contributions for the development of assets	<u>(17,694,443)</u>	<u>(22,736,006)</u>	<u>(24,125,427)</u>
Net cash from operating activities	<u>31,662,398</u>	<u>37,187,079</u>	<u>26,737,700</u>

	2017	2016
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	1,000,000	1,000,000
Bank overdraft at balance date	0	0
Credit card limit	180,000	190,000
Credit card balance at balance date	<u>(37,095)</u>	<u>(42,594)</u>
Total amount of credit unused	<u>1,142,905</u>	<u>1,147,406</u>
Loan facilities		
Loan facilities - current	64,664	63,103
Loan facilities - non-current	<u>347,849</u>	<u>412,513</u>
Total facilities in use at balance date	<u>412,513</u>	<u>475,616</u>
Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

15. CONTINGENT LIABILITIES

As part of the Pilbara Underground Power Project, Council entered into a funding agreement with Horizon Power for the purpose of managing and implementing the program. The funding agreement was for the lesser of 25% of the total expended amount and \$34.55million, with associated expenses to be recognised as incurred. At the time of production of this document the project was ongoing and therefore the final amount is unable to be determined. Payments made to date total \$17million while the anticipated payment for 2017-18 is \$15million. It is expected that this will be the final payment to Horizon Power and is based on total project costs less amounts already paid.

16. CAPITAL AND LEASING COMMITMENTS

(a) Operating Lease Commitments

The City did not have any future operating lease commitments at the reporting date.

(b) Capital Expenditure Commitments

	2017
	\$
Contracted for:	
Red Earth Arts Precinct	28,858,409
Roebourne Aquatic Centre - Community Pools Revitalisation Program	817,437
Wickham Community Hub	12,344,185
Wickham Community Hub - Splashpad	804,670
Bulgarra Bus Bay Construction	87,500
Effluent Systems Upgrade	404,162
Karratha Airport - Airside Upgrade	41,539
Karratha Airport - Car Park Redesign	1,724,534

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

17. JOINT VENTURE ARRANGEMENTS

The City is not involved in any joint venture arrangements.

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2017	2016
	\$	\$
Governance	142,428,409	101,019,878
General purpose funding	10,676,312	10,613,209
Law, order, public safety	838,042	883,719
Health	938,855	957,878
Education and welfare	2,486,476	2,539,676
Housing	28,504,302	28,934,342
Community amenities	46,529,225	45,206,973
Recreation and culture	156,014,962	151,001,893
Transport	422,823,453	428,516,899
Economic services	453,106	463,829
Other property and services	5,826,676	7,317,689
Unallocated	56,109,778	67,396,815
	<u>873,629,596</u>	<u>844,852,800</u>

CITY OF KARRATHA
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	2017	2016	2015
19. FINANCIAL RATIOS			
Current ratio	1.53	2.05	1.45
Asset sustainability ratio	0.72	0.92	0.71
Debt service cover ratio	384.34	22,143.03	N/A
Operating surplus ratio	0.11	0.05	0.82
Own source revenue coverage ratio	0.95	0.95	1.19

The above ratios are calculated as follows:

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

Notes:

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 65 of this document.

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

The early payment of the grant increased operating revenue in 2017 by \$751,662.

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

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$1,006,005.

The Current Ratio disclosed above was distorted each year by a restricted surplus relating to the Pilbara Underground Power Project service charge, levied in 2014/15.

The Operating Surplus Ratio, Own Source Revenue Ratio and Debt Service Ratio were also distorted by the annual payment to Horizon Power for these service charges. The annual payment is reserve backed.

If the Financial Assistance Grant were recognised in the year to which the allocation related, and restricted surplus and operating expenditure relating to Pilbara Underground Power Project were removed, the calculations in the 2017, 2016 and 2015 columns above would be as follows:

	2017	2016	2015
Current ratio	1.04	0.98	0.61
Debt service cover ratio	428.14	26,388.32	N/A
Operating surplus ratio	0.15	0.11	0.41
Own Source Revenue Ratio	0.99	0.99	1.51

CITY OF KARRATHA
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20. TRUST FUNDS

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

	1 July 2016	Amounts Received	Amounts Paid	30 June 2017
	\$	\$	(\$)	\$
Planning Bonds	539,550	0	(223,928)	315,622
Hall Hire Bonds	11,535	7,770	(16,430)	2,875
Public Open Space Contributions	1,316,713	5,628	(442,885)	879,456
Karratha Agistment Centre Compensation Funds	664,011	0	(4,500)	659,511
Unclaimed Monies	0	24,344	0	24,344
Staff Travel Allowances	10,578	7,280	(6,718)	11,140
Staff Airport Parking Cards	6,500	4,050	(1,800)	8,750
Verge Bonds	358,050	0	(330,050)	28,000
Airport ASIC Cards	11,450	5,100	(2,600)	13,950
Building/Kerb Deposits	4,450	0	(4,450)	0
Ranger Bonds	1,490	0	(1,490)	0
Retention Funds	21,860	0	(21,860)	0
Staff Housing Bonds	699	12,745	(13,444)	0
Other Bonds & Guarantees	209,354	(184,166)	9,000	34,188
Stale Cheques	3,915	0	(3,915)	0
ATM Monies	820	0	(820)	0
Unclaimed Wages	37	0	(37)	0
NADC Research Funds	805	0	(805)	0
	<u>3,161,817</u>			<u>1,977,836</u>

CITY OF KARRATHA
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21. DISPOSALS OF ASSETS - 2016/17 FINANCIAL YEAR

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 \$
Plant								
40000517 (P1067) - Toyota Prado	29,607	39,000	9,393	0	0	0	0	0
General purpose funding								
40000393 (P1016) - Subaru Forester	10,184	13,750	3,566	0	12,443	9,000	0	(3,443)
Law, order, public safety								
40000240 (P298) - Toyota Landcruiser	25,455	26,144	689	0	0	0	0	0
40000472 (P1031) - Holden Colorado	13,216	16,250	3,034	0	16,059	10,000	0	(6,059)
Health								
P4003 - Dual Poly Tank	0	0	0	0	0	500	500	0
Community amenities								
40000581 (P8820) - Loader	272,789	250,000	0	(22,789)	0	0	0	0
40000496 (P2032) - Holden Colorado	17,189	16,500	0	(689)	20,899	10,000	0	(10,899)
40000399 (P8810) - Compactor	57,483	45,350	0	(12,133)	98,733	45,000	0	(53,733)
40000398 (P8809) - Compactor	51,773	32,050	0	(19,723)	88,567	35,000	0	(53,567)
40000498 (P8816) - Compactor	157,932	66,255	0	(91,677)	0	0	0	0
40000032 (P949) - Trailer	909	1,100	191	0	0	500	500	0
40000337 (P8800) - Tipper	15,455	20,950	5,495	0	20,950	20,950	0	0
Recreation and culture								
40000290 (P869) - Tractor	20,786	13,863	0	(6,923)	19,876	15,000	0	(4,876)
40000465 (P7003) - Mower	5,023	4,550	0	(473)	8,530	5,000	0	(3,530)
40000473 (P7004) - Mower	4,511	2,600	0	(1,911)	7,493	3,500	0	(3,993)
40000355 (P8650) - Tractor	25,539	18,250	0	(7,289)	22,917	15,000	0	(7,917)
40000453 (P2022) - Toyota Hilux	8,636	10,750	2,114	0	0	0	0	0
40000386 (P1012) - Toyota Hilux	9,382	11,250	1,868	0	22,224	9,000	0	(13,224)
P5001 - Brushcutter	0	0	0	0	0	100	100	0
P5011 - Brushcutter	0	0	0	0	0	75	75	0
P5016 - Brushcutter	0	0	0	0	0	100	100	0
P4019 - Generator	0	0	0	0	45	45	0	0
40000352 (7500) - Mower	0	0	0	0	15,271	12,000	0	(3,271)
Transport								
40000292 (P817) - Backhoe	31,818	30,000	0	(1,818)	30,000	30,000	0	0
40000216 (P961) - Dolly	5,109	9,750	4,641	0	7,885	10,000	2,115	0
40000422 (P8501) - Roller	64,367	70,818	6,451	0	36,815	30,000	0	(6,815)
40000368 (P8500) - Roller	68,702	66,545	0	(2,157)	41,022	35,000	0	(6,022)
40000489 (P8502) - Roller	21,200	21,136	0	(64)	16,734	13,000	0	(3,734)
40000362 (P9409) - Sweeper	9,662	2,455	0	(7,207)	11,322	2,000	0	(9,322)
40000445 (P1018) - Toyota Hilux	10,455	19,500	9,045	0	0	0	0	0
40000468 (P1020) - Toyota Hilux	0	0	0	0	12,942	10,000	0	(2,942)
45235350 (P35350) - Trailer	0	0	0	0	500	500	0	0
P4004 - Poly Tank	0	0	0	0	500	500	0	0

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

	Actual Net Book Value \$	Actual Sale Proceeds \$	Actual Profit \$	Actual Loss \$	Budget Net Book Value \$	Budget Sale Proceeds \$	Budget Profit \$	Budget Loss \$
Equipment								
Community amenities								
20000586 (P3005) - Compressor	74	400	326	0	0	0	0	0
Recreation and culture								
20000567 (P5008) - Edger	0	0	0	0	175	175	0	0
20000568 (P5009) - Brushcutter	79	325	246	0	175	175	0	0
20000460 (P400) - Tiller	79	550	471	0	0	250	250	0
P5060 - Edger Not on Asset Register	0	100	100	0	0	0	0	0
P4008 - High Pressure Cleaner Not on Asset Register	0	250	250	0	0	0	0	0
20000595 (P5025) - Trimmer	91	200	109	0	0	0	0	0
20000566 (P5019) - Edger	334	57	0	(277)	0	100	100	0
Toro Valve Install Tools - Not on Asset Register	0	50	50	0	0	0	0	0
Kyoritsu Digital Earth Tester - Not on Asset Register	0	250	250	0	0	0	0	0
PRO 800 Valve Finder - Not on Asset Register	0	500	500	0	0	0	0	0
P5074 Mower - Not on Asset Register	0	1,000	1,000	0	0	0	0	0
20000660 (P4038) - Blower	43	0	0	(43)	0	0	0	0
Transport								
P4009 Submersible Pump - Not on Asset Register	0	50	50	0	100	100	0	0
20000656 - Hand Hydraulic Press	1,029	3,227	2,198	0	0	0	0	0
20000625 (P3012) - Pressure Cleaner	1,219	200	0	(1,019)	0	0	0	0
20000579 (P4014) - Generator	0	0	0	0	200	200	0	0
Other property and services								
40000454 (P2024) - Toyota Hilux	0	0	0	0	10,000	10,000	0	0
20000609 (P3009) - Pressure Cleaner	720	200	0	(520)	0	900	900	0
Land								
Housing								
LAND000058 - 8 Peirl Way	60,030	73,688	13,658	0	0	0	0	0
LAND000031 - 30 (Lot 598) Melak Street	61,074	66,263	5,189	0	0	0	0	0
LAND000026 - 190 Richardson Way	64,641	84,792	20,151	0	0	0	0	0
Building								
Housing								
SH000029 - 8 Peirl Way	85,849	105,370	19,521	0	0	0	0	0
SH000026 - 30 (Lot 598) Melak Street	166,225	180,329	14,104	0	0	0	0	0
SH000032 - 190 Richardson Way	39,029	50,510	11,481	0	0	0	0	0
Recreation and culture								
BC000158 - Bulgarra Oval Netball Clubhouse	79,470	0	0	(79,470)	0	0	0	0
BC000058 - Roebourne Library Airconditioner	5,015	0	0	(5,015)	0	0	0	0
Artwork								
Recreation & Culture								
80000045 - Old Gaol, Roebourne	291	0	0	(291)	0	0	0	0
80000046 - Roebourne Post Office	291	0	0	(291)	0	0	0	0
80000047 - Courthouse Roebourne	291	0	0	(291)	0	0	0	0
80000048 - Old Shire Office	291	0	0	(291)	0	0	0	0
Furniture								
Recreation & Culture								
30000354 - Jarrah Display Unit	0	0	0	0	0	0	0	0
30000493 - Laminating Machine	0	0	0	0	0	0	0	0
30001436 - Partial Disposal Chairs	1,164	0	0	(1,164)	0	0	0	0

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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

	Actual Net Book Value \$	Actual Sale Proceeds \$	Actual Profit \$	Actual Loss \$	Budget Net Book Value \$	Budget Sale Proceeds \$	Budget Profit \$	Budget Loss \$
Infrastructure								
Recreation & Culture								
BC000411 - Karratha Back Beach Picnic Shelter 1	8,738	0	0	(8,738)	0	0	0	0
BC000412 - Karratha Back Beach Picnic Shelter 2	8,738	0	0	(8,738)	0	0	0	0
BC000515 - Karratha Back Beach Fish Cleaning Station	12,249	0	0	(12,249)	0	0	0	0
PG000016 - Malster Park Playground	8,340	0	0	(8,340)	0	0	0	0
	<u>1,542,576</u>	<u>1,377,127</u>	<u>136,141</u>	<u>(301,590)</u>	<u>522,377</u>	<u>333,670</u>	<u>4,640</u>	<u>(193,347)</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal	New Loans	Principal Repayments		Principal 30 June 2017		Interest Repayments	
	1 July 2016		Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
General purpose funding								
Western Australia Treasury Corporation	475,616	0	63,103	63,103	412,513	412,513	11,096	11,222
	0	0	0	0	0	0	0	0
Self Supporting Loans								
General purpose funding								
Western Australia Treasury Corporation	475,616	0	63,103	63,103	412,513	412,513	11,096	11,222
	475,616	0	63,103	63,103	412,513	412,513	11,096	11,222
	475,616	0	63,103	63,103	412,513	412,513	11,096	11,222

Self supporting loan financed by payments from third parties.

(b) New Debentures - 2016/17

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

(c) Unspent Debentures

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

(d) Overdraft

Council has an overdraft facility of \$1,000,000 with Westpac Banking Corporation to assist with the short term liquidity requirements. The balance of the bank overdraft at 30 June 2017 was \$0 (2016 was \$0).

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

23. RATING INFORMATION - 2016/17 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental value valuations											
Residential	0.0652	7,041	248,812,096	16,250,680	30,257	(23,536)	16,257,401	16,249,293	60,000	5,000	16,314,293
Commercial/Tourism/Town Centre/Other	0.0745	263	36,047,683	2,687,590	128,509	1,576	2,817,675	2,664,537	120,000	10,000	2,794,537
Industry/Mixed Business	0.0572	467	71,719,294	4,105,499	17,579	(6,224)	4,116,854	4,095,680	20,000	0	4,115,680
Airport/GRV Strategic Industry	0.1287	17	9,742,980	1,253,590	16,727	12,313	1,282,630	1,253,590	0	0	1,253,590
Transient Workforce Accommodation / Workforce Accommodation	0.3215	23	22,065,100	7,093,577	(1,410,894)	(36,044)	5,646,639	7,093,577	(328,275)	0	6,765,302
Unimproved value valuations											
Pastoral	0.0986	10	2,698,650	266,160	0	0	266,160	281,348	0	0	281,348
Mining/Other	0.1363	165	5,153,155	702,313	(1,552)	(4,102)	696,659	702,330	(20,000)	0	682,330
Strategic Industry	0.1711	31	44,196,469	7,560,778	(469,887)	0	7,090,891	7,560,778	0	0	7,560,778
Sub-Total		8,017	440,435,427	39,920,187	(1,689,261)	(56,017)	38,174,909	39,901,133	(148,275)	15,000	39,767,858
Minimum payment	\$										
Gross rental value valuations											
Residential	1,475	1,396	0	2,059,100	0	0	2,059,100	2,053,200	0	0	2,053,200
Commercial/Tourism/Town Centre/Other	1,475	215	0	317,125	0	0	317,125	318,600	0	0	318,600
Industry/Mixed Business	1,475	139	0	205,025	0	0	205,025	205,025	0	0	205,025
Airport/GRV Strategic Industry	1,475	1	0	1,475	0	0	1,475	1,475	0	0	1,475
Transient Workforce Accommodation / Worl	1,475	0	0	0	0	0	0	0	0	0	0
Unimproved value valuations											
Pastoral	340	0	0	0	0	0	0	0	0	0	0
Mining/Other	340	156	0	53,040	0	0	53,040	53,380	0	0	53,380
Strategic Industry	340	13	0	4,420	0	0	4,420	4,420	0	0	4,420
Sub-Total		1,920	0	2,640,185	0	0	2,640,185	2,636,100	0	0	2,636,100
		9,937	440,435,427	42,560,372	(1,689,261)	(56,017)	40,815,094	42,537,233	(148,275)	15,000	42,403,958
Discounts/concessions (refer note 27)							(540,883)				(540,883)
Total amount raised from general rate							40,274,211				41,863,075
Ex-gratia rates							47,711				47,644
Totals							40,321,922				41,910,719

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

24. NET CURRENT ASSETS

Composition of net current assets

	2017 (30 June 2017 Carried Forward) \$	2017 (1 July 2016 Brought Forward) \$	2016 (30 June 2016 Carried Forward) \$
Restricted Surplus/(Deficit) 1 July 16 b/fwd - Airport Funds	0	3,958,660	3,958,660
Surplus/(Deficit) 1 July 16 brought forward	<u>2,364,705</u>	<u>1,800,787</u>	<u>1,800,787</u>
	2,364,705	5,759,447	5,759,447
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	141,984	3,781,360	3,781,360
Restricted	85,741,531	92,793,898	92,793,898
Receivables			
Rates outstanding	2,913,044	2,310,195	2,310,195
Sundry debtors	12,614,520	13,347,219	13,347,219
Less Provision for Doubtful Debts	(303,182)	(473,195)	(473,195)
GST receivable	1,130,269	538,782	538,782
Loans receivable - clubs/institutions	6,163	69,370	69,370
Other Bonds	1,900	0	0
Inventories			
Fuel and materials	293,154	329,716	329,716
Corporate Uniforms	27,113	0	0
Food, Drinks & Merchandise Roebourne Aquatic Centre	506	420	420
Food, Drinks & Merchandise Youth Shed	6,189	2,273	2,273
Food, Drinks & Merchandise Wickham Recreation Precinct	3,651	6,582	6,582
Food, Drinks & Merchandise Karratha Leisureplex	1,340	6,286	6,286
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(8,097,758)	(5,320,211)	(5,320,211)
Other Liabilities	(14,971)	(60,134)	(60,134)
Retention Monies	(2,437,712)	(695,311)	(695,311)
Accrued Expenses	(102,681)	(2,956,596)	(2,956,596)
Accrued salaries and wages	(170,510)	(86,228)	(86,228)
Accrued interest on loans	(957)	(1,084)	(1,084)
ATO liabilities	0	(3,950)	(3,950)
Income Received in Advance	(117,982)	(462,873)	(462,873)
Net Trust Liabilities	(843)	(54,806)	(54,806)
Current portion of long term borrowings			
Self Supporting Loan WATC	(64,664)	(63,103)	(63,103)
Provisions			
Provision for annual leave	(2,353,349)	(2,451,487)	(2,451,487)
Provision for long service leave	(1,159,497)	(1,168,671)	(1,168,671)
Unadjusted net current assets	<u>88,057,258</u>	<u>99,388,452</u>	<u>99,388,452</u>
Adjustments			
Less: Reserves - restricted cash	(85,741,531)	(92,793,898)	(92,793,898)
Less: Loans receivable - clubs/institutions	(6,163)	(69,370)	(69,370)
Less: Movement in Accruals	0	(992,544)	(992,544)
Less: Movement in Restricted Assets	(6,860,485)	(7,768,310)	(7,768,310)
Add: Self Supporting Loan WATC	64,664	63,103	63,103
Add: Movement in Accruals	84,282	0	0
Add: Cash - Restricted Unspent Grants	20,844	9,440	9,440
Add: Cash Backed Employee Provisions	3,512,846	3,620,158	3,620,158
Add: Restricted Surplus/(Deficit) June 30 b/fwd - PUPP	7,905,744	12,208,160	12,208,160
Less: Restricted Surplus/(Deficit) June 30 c/fwd - PUPP	4,672,754	7,905,744	7,905,744
Less: Restricted Surplus/(Deficit) June 30 c/fwd - Airport Funds	0	3,958,660	3,958,660
Adjusted net current assets - surplus/(deficit)	<u><u>2,364,705</u></u>	<u><u>1,800,787</u></u>	<u><u>1,800,787</u></u>

Difference

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

25. SPECIFIED AREA RATE - 2016/17 FINANCIAL YEAR

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

26. SERVICE CHARGES - 2016/17 FINANCIAL YEAR

	Revenue Raised \$	Budget Revenue \$	Charges Applied to Costs \$	Charges Set Aside to Reserve \$	Reserve Applied to Costs \$	Budget Charges Applied to Costs \$	Budget Charges Set Aside to Reserve \$	Budget Reserve Applied to Costs \$
Service Charges								
PUPP HV Allocation	0	0	0	0	920,000	0	0	920,000
PUPP LV Allocation	0	0	0	0	2,504,000	0	0	2,504,000
PUPP Connection Charge	0	0	0	0	576,000	0	0	576,000
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,000,000</u>	<u>0</u>	<u>0</u>	<u>4,000,000</u>

Nature of the Service Charge	Objects of the Charge	Reasons for the Charge	Area/Properties Charge Imposed
PUPP HV Allocation	PUPP HV Allocation Fund the HV component of PUPP Works	Fund the HV component of PUPP Works	All areas within scope of PUPP works
PUPP LV Allocation	PUPP LV Allocation Fund the LV component of PUPP Works	Fund the LV component of PUPP Works	All areas with existing overhead infrastructure
PUPP Connection Charge	PUPP Connection Charge Fund the Connection component of PUPP works	Fund the Connection component of PUPP works	All properties with an existing overhead connection

**CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

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

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	Actual \$	Budget \$
Cossack (GRV)	Concession		1,425	27,075	27,075
Transient Workforce Accommodation/ Workforce Accommodation (GRV)	Concession	Various		513,808	513,808
Fees and Charges	Waiver	As determined on application		27,377	20,000
Rates	Waiver	100.00%		47,701	47,701
Rates and Penalty Interest	Write Off	As determined on application		105,656	0
Fees and Charges	Write Off	As determined on application		1,892	0
				723,509	608,584

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
Cossack (GRV)	All 19 rateable properties within the Cossack Township	To recognise the heritage nature of the Cossack Township, development restrictions and lack of town utilities.	To recognise the heritage nature of the Cossack Township, development restrictions and lack of town utilities.
Transient Workforce Accommodation/ Workforce Accommodation (GRV)	For TWAWA (GRV) that but for the Concession offered by Council for the 2016/17 financial year would have experienced a greater than 20% increase in rates due to disparate valuation changes within the category.	To phase in the impact of valuation changes in 2016/17 with concessions in 2017/18 comparative to 2016/17 for eligible properties and to phase out the concession over a 3 year period for properties that remain eligible.	To phase in the impact of valuation changes in 2016/17 with concessions in 2017/18 comparative to 2016/17 for eligible properties and to phase out the concession over a 3 year period for properties that remain eligible.
Fees and Charges	Fee Waivers for local Not for Profit and Community Organisations considered upon application for the use of the City's waste and recreational facilities. Fee Waivers for Economic Development purposes considered on an individual basis by Council or administratively by delegated authority General Fee Waivers considered on an individual basis administratively by delegated authority	To recognise the community benefit provided by local Not for Profit Community Organisations and assist them to remain viable. To encourage economic diversity and growth within the City of Karratha To ensure business continuity, administrative efficiency and marketing opportunities	To recognise the community benefit provided by local Not for Profit Community Organisations and assist them to remain viable. To encourage economic diversity and growth within the City of Karratha To ensure business continuity, administrative efficiency and marketing opportunities
Rates	Waiver of Rates for local Sporting Groups where no commercial return is derived from the property	To assist local sporting organisations to remain operational for the benefit of the Community.	To assist local sporting organisations to remain operational for the benefit of the Community.
Rates and Penalty Interest	Considered on an individual basis by Council or administratively by delegated authority.	To manage the City's rates register in an economically viable manner.	To manage the City's rates register in an economically viable manner.
Fees and Charges	Considered on an individual basis by Council or administratively by delegated authority.	To manage the City's debt portfolio in an economically viable manner.	To manage the City's debt portfolio in an economically viable manner.

CITY OF KARRATHA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2017

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

	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Instalment Options				
Option One				
Single full payment	5/09/2016	0	5.50%	11.00%
Option Two				
First Instalment	5/09/2016	0	0.00%	11.00%
Second Instalment	7/11/2016	10	5.50%	11.00%
Option Three				
First Instalment	5/09/2016	0	0.00%	11.00%
Second Instalment	7/11/2016	10	5.50%	11.00%
Third Instalment	9/01/2017	10	5.50%	11.00%
Fourth Instalment	13/03/2017	10	5.50%	11.00%
			Revenue	Budgeted
			\$	Revenue
				\$
Rates Penalty Interest			415,791	250,000
Rates Instalment Interest			118,520	103,000
Rates Instalment Charges			70,270	70,000
Administration Fee - Adhoc Arrangement			1,550	1,000
Administration Fee - Direct Debit			250	1,000
			<u>606,381</u>	<u>425,000</u>
			Revenue	Budgeted
			\$	Revenue
				\$
PUPP Penalty Interest			79,647	55,000
PUPP Instalment Interest			234,228	229,071
PUPP Instalment Charges			62,250	65,600
Sundry Debtors Penalty Interest			8,930	0
			<u>385,055</u>	<u>349,671</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

29 FEES & CHARGES	2017	2016
	\$	\$
Governance	189,943	154,274
General purpose funding	574,131	363,236
Law, order, public safety	91,996	79,540
Health	162,113	134,771
Education and welfare	58,900	58,900
Housing	371,393	417,329
Community amenities	10,994,898	9,590,080
Recreation and culture	3,841,053	4,240,782
Transport	21,934,234	25,803,856
Economic services	416,102	323,131
Other property and services	107,464	179,611
	<u>38,742,227</u>	<u>41,345,510</u>

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

30. GRANT REVENUE

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

By Nature or Type:	2017	2016
	\$	\$
Operating grants, subsidies and contributions		
Governance	15,510	35,500
General purpose funding	3,497,180	1,074,320
Law, order, public safety	701,088	219,660
Health	82,321	70,586
Education and welfare	20,000	58,630
Community amenities	76,309	279,664
Recreation and culture	7,913,363	6,855,480
Transport	249,329	25,532
Economic services	30,400	30,855
	<u>12,585,500</u>	<u>8,650,227</u>
Non-operating grants, subsidies and contributions		
Law, order, public safety	29,032	65,410
Community amenities	394,971	6,493,403
Recreation and culture	14,000,435	13,717,935
Transport	3,270,005	3,848,679
	<u>17,694,443</u>	<u>24,125,427</u>
	<u>30,279,943</u>	<u>32,775,654</u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>265</u>	<u>269</u>
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CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

32. ELECTED MEMBERS REMUNERATION	2017	2017	2016
	\$	Budget	\$
		\$	
The following fees, expenses and allowances were paid to council members and/or the president.			
Sitting Fees			
Mayor	45,000	45,000	45,000
Deputy Mayor	30,000	30,000	30,000
Councillor's	270,000	270,000	260,390
Local Government Allowance			
Mayor	85,000	80,000	85,000
Deputy Mayor (25% of Mayors Allowance)	21,250	21,250	21,250
ICT Allowance			
11 Councillors at \$3,500 per year	38,350	38,496	36,779
Other Expenses			
Travelling Expenses (as per Local Govt Officers Award)	30,434	30,000	27,037
Training Expenses (11 Councillors at \$5,000 per year)	6,916	55,000	6,888
Councillor Professional Development Allowance (allowance of \$5,500 which covers costs associated with Conferences)	37,094	66,000	55,919
Mayors Discretionary Fund (Council Related Expenses)	2,000	4,000	187
	566,044	639,746	568,450
	566,044	639,746	568,450

33. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

	2017
	\$
The total of remuneration paid to KMP of the City during the year are as follows:	
Short-term employee benefits	1,226,393.00
Post-employment benefits	131,900.00
Other long-term benefits	44,965.00
Termination benefits	101,160.00
	1,504,418.00
	1,504,418.00

Short-term employee benefits

These amounts include all salary, paid leave, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found at Note 32.

Post-employment benefits

These amounts are the current-year's estimated cost of providing for the City'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).

Related Parties

The City'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 City

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.

**CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

33. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

The following transactions occurred with related parties:

2017

\$

Associated companies/individuals:

Sale of goods and services

184,350

Purchase of goods and services

362,955

Amounts payable to related parties:

Trade and other payables

102,686

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

34. MAJOR LAND TRANSACTIONS

The City did not participate in any major land transactions during the 2016/2017 financial year.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

35. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

KARRATHA AIRPORT
OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2017
	\$	Budget
		\$
Revenue		
- Fees and Charges	14,451,922	17,220,920
- Terminal Leases	3,029,238	430,001
- Grant and Contributions	0	5,534,313
- Other Revenue	4,465,018	3,309,520
	21,946,178	26,494,754
Expenditure		
- Employee Costs	(1,785,614)	(1,690,591)
- Materials & Contracts	(4,822,383)	(5,976,013)
- Utilities	(1,401,346)	(1,588,203)
- Insurance	(461,557)	(351,968)
- Depreciation	(3,511,568)	(3,729,155)
- Other Expenditure	(789,536)	(463,217)
	(12,772,004)	(13,799,147)
Net Operating Result	9,174,174	12,695,607
Capital Expenditure	(6,593,177)	(3,569,684)
Total Net Trading Undertaking	2,580,997	9,125,923
	2017	
	\$	
CURRENT ASSETS		
Receivables	2,700,509	
	2,700,509	
	2017	
	\$	
NON CURRENT ASSETS		
Land	0	
Buildings	41,629,133	
Less Accumulated Depreciation	(1,827,910)	
Infrastructure	85,206,205	
Less Accumulated Depreciation	(21,088,538)	
Plant	256,770	
Less Accumulated Depreciation	(19,328)	
Equipment	75,572	
Less Accumulated Depreciation	(12,555)	
Furniture & Equipment	291,273	
Less Accumulated Depreciation	(39,549)	
Artwork	176,650	
Less Accumulated Depreciation	(6,070)	
	104,641,653	
	2017	
	\$	
EQUITY		
Reserves - Cash Backed	6,586,617	
Retained Surplus	0	
	6,586,617	

The City operates the only airport within the district and operates the aerodrome with the purpose of producing a profit. The Karratha Airport Development Business Plan was adopted by Council on 16 December 2013 (Resolution 152720), this has recently been updated to include the impact of current market conditions.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

35. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS (continued)

THE QUARTER HQ
OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2017
	\$	Budget
		\$
Revenue		
- Contribution to fitout	200,000	0
Expenditure		
- Operational Expenditure	0	0
Net Operating Result	200,000	0

	2017
	\$
NON CURRENT ASSETS	
Buildings	0
Less Accumulated Depreciation	0
	0

A Business Plan for The Quarter HQ was prepared and was advertised for public submissions. Submissions about the proposed purchase were considered by Council on 29 May 2017. Subsequently the City purchased The Quarter HQ on 21st June 2017

Lessors Disclosure

As part of the purchase of The Quarter HQ Council took ownership of the following leases:

Lessee	Lease Term
Minsiter for Works	15 years
Fiorita Deli	10 years
Just You Beauty	10 years
Woodside	7 years
KPMG	7 years
AMSA	5 years
Lo's Café	5 years
Cecel Filipino Food	5 years

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

36. FINANCIAL RISK MANAGEMENT

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

The City 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 City held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2017	2016	2017	2016
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	85,883,515	96,575,259	85,883,515	96,575,259
Receivables	17,781,001	19,790,954	17,781,001	19,790,954
	<u>103,664,516</u>	<u>116,366,213</u>	<u>103,664,516</u>	<u>116,366,213</u>
Financial liabilities				
Payables	10,943,412	9,641,193	10,943,412	9,641,193
Borrowings	412,513	475,616	412,513	475,616
	<u>11,355,925</u>	<u>10,116,809</u>	<u>11,355,925</u>	<u>10,116,809</u>

Fair value is determined as follows: □

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

36. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

Available-for-sale financial assets

Held-to-maturity investments

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

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

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

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

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

	2017	2016
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	858,835	965,753
- Statement of Comprehensive Income	858,835	965,753

Notes:

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

36. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

The City'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 City 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 City to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. The City 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 City 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 City's credit risk at balance date was:

	2017	2016
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of Pilbara Underground Power Project service charges		
- Current	66%	71%
- Overdue	34%	29%
Percentage of other receivables		
- Current	95%	88%
- Overdue	5%	12%

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

36. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The City 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 City's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2017</u>					
Payables	10,943,412	0	0	10,943,412	10,943,412
Borrowings	64,664	347,849	0	412,513	412,513
	<u>11,008,076</u>	<u>347,849</u>	<u>0</u>	<u>11,355,925</u>	<u>11,355,925</u>
<u>2016</u>					
Payables	9,641,193	0	0	9,641,193	9,641,193
Borrowings	63,103	268,288	144,225	475,616	475,616
	<u>9,704,296</u>	<u>268,288</u>	<u>144,225</u>	<u>10,116,809</u>	<u>10,116,809</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

36. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings (continued)

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

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

	Total	Weighted Average Effective Interest Rate
	\$	%
<u>Year ended 30 June 2017</u>		
Borrowings		
Fixed rate		
Self Supporting Loan WATC	412,513	2.44%
Weighted average		
Effective interest rate	2.44%	
<u>Year ended 30 June 2016</u>		
Borrowings		
Fixed rate		
Self Supporting Loan WATC	475,616	2.44%
Weighted average		
Effective interest rate	2.44%	

**CITY OF KARRATHA
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2017**

RATIO INFORMATION

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

	2017	2016	2015
Asset consumption ratio	0.94	0.97	0.80
Asset renewal funding ratio	1.00	1.00	1.00

The above ratios are calculated as follows:

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



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INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE CITY OF KARRATHA

Opinion

We have audited the accompanying financial report of the City of Karratha which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity, the rate setting statement, and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, and the Chief Executive Officer's statement.

In our opinion, the accompanying financial report of the City of Karratha:

- (i) gives a true and fair view, in all material respects, of the financial position of the City of Karratha as at 30 June 2017, and of its financial performance and its cash flows for the year then ended;
- (ii) complies with Australian Accounting Standards; and
- (iii) is prepared in accordance with the requirements of the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996.

Report on Other Legal and Regulatory Requirements

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

- (i) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the City of Karratha;
- (ii) There are no other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law noted during the course of our audit;
- (iii) The asset consumption ratio and the asset renewal funding ratio included in the annual financial report are supported by verifiable information and reasonable assumptions;
- (iv) All necessary information and explanations were obtained by us; and
- (v) All audit procedures were satisfactorily completed during our audit.

Basis for Opinion

We conducted our audit in accordance with 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 company in accordance with the ethical requirements the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the 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 we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the City's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

Responsibilities of Management and Council for the Financial Report

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

In preparing the financial report, management is responsible for assessing the ability of the City to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives 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.

A further description of our responsibility for the audit of the financial report is located at the Auditing and Assurance Standard Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our audit report.

AMD Chartered Accountants



MARIA CAVALLO
Director

28-30 Wellington Street, Bunbury, Western Australia

Dated this 29th day of September 2017