

**CITY OF KARRATHA**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

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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 2019**

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the City of Karratha for the financial year ended 30 June 2019 is based on proper accounts and records to present fairly the financial position of the City of Karratha at 30 June 2019 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 12th day of February 2020



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Chris Adams  
Chief Executive Officer

**CITY OF KARRATHA**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Revenue</b>				
Rates	23(a)	40,488,172	41,399,792	40,443,321
Operating grants, subsidies and contributions	2(a)	13,840,155	12,246,995	9,022,035
Fees and charges	2(a)	38,548,526	42,894,865	36,931,614
Service charges	23(b)	861	0	(6,937)
Interest earnings	2(a)	2,455,903	2,126,232	3,161,870
Other revenue	2(a)	995,327	914,498	2,744,707
		96,328,944	99,582,382	92,296,610
<b>Expenses</b>				
Employee costs		(35,315,195)	(32,541,395)	(33,781,501)
Materials and contracts		(26,036,342)	(30,222,129)	(35,701,391)
Utility charges		(5,824,123)	(5,573,095)	(5,327,723)
Depreciation on non-current assets	10(b)	(17,692,578)	(20,831,619)	(20,623,163)
Interest expenses	2(b)	(9,919)	(10,106)	(9,703)
Insurance expenses		(1,573,650)	(1,454,133)	(1,610,103)
Other expenditure		(2,726,957)	(2,790,858)	(5,341,372)
		(89,178,764)	(93,423,335)	(102,394,956)
		7,150,180	6,159,047	(10,098,346)
Non-operating grants, subsidies and contributions	2(a)	14,696,422	8,411,700	19,539,454
Profit on asset disposals	10(a)	134,365	2,416	32,812
(Loss) on asset disposals	10(a)	(1,674,523)	(75,529)	(135,543)
Asset Accounting Change - Regulation 17A	8(a)	(290,670)	0	0
Fair value adjustments to financial assets at fair value through profit or loss	7	122,620	0	0
Fair value adjustments to investment property	12	1,745,200	0	0
(Loss) on revaluation of furniture and equipment	8(a)	(20,173)	0	0
(Loss) on revaluation of Artwork & sculptures	8(a)	0	0	(458,379)
		14,713,241	8,338,587	18,978,344
<b>Net result for the period</b>		<b>21,863,421</b>	<b>14,497,634</b>	<b>8,879,998</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	157,537	0	(130,250,998)
<b>Total other comprehensive income for the period</b>		<b>157,537</b>	<b>0</b>	<b>(130,250,998)</b>
<b>Total comprehensive income for the period</b>		<b>22,020,958</b>	<b>14,497,634</b>	<b>(121,371,000)</b>

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 2019**

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Revenue</b>				
	2(a)			
Governance		562,981	43,480	1,957,981
General purpose funding		47,319,049	46,762,104	47,678,326
Law, order, public safety		1,183,740	566,021	316,215
Health		162,457	149,800	168,645
Education and welfare		58,900	58,608	58,900
Housing		693,891	592,840	552,750
Community amenities		10,617,201	13,305,650	10,717,545
Recreation and culture		12,246,895	15,388,049	9,983,013
Transport		21,904,357	22,037,586	19,769,007
Economic services		1,098,240	421,945	314,375
Other property and services		481,233	256,299	779,853
		<b>96,328,944</b>	<b>99,582,382</b>	<b>92,296,610</b>
<b>Expenses</b>				
	2(b)			
Governance		(2,913,346)	(2,866,749)	(3,508,120)
General purpose funding		(1,159,013)	(1,562,329)	(15,092,234)
Law, order, public safety		(1,543,003)	(1,439,700)	(1,539,300)
Health		(1,314,428)	(1,284,185)	(1,395,095)
Education and welfare		(177,629)	(197,120)	(204,257)
Housing		(731,936)	(387,960)	(886,745)
Community amenities		(14,504,500)	(16,663,444)	(13,224,072)
Recreation and culture		(37,435,458)	(36,866,400)	(32,777,898)
Transport		(27,035,426)	(29,871,839)	(29,347,595)
Economic services		(2,007,829)	(2,170,565)	(1,698,302)
Other property and services		(346,277)	(102,938)	(2,711,635)
		<b>(89,168,845)</b>	<b>(93,413,229)</b>	<b>(102,385,253)</b>
<b>Finance Costs</b>				
	2(b)			
Governance		0	0	(9,703)
General purpose funding		(9,919)	(10,106)	0
		<b>(9,919)</b>	<b>(10,106)</b>	<b>(9,703)</b>
		<b>7,150,180</b>	<b>6,159,047</b>	<b>(10,098,346)</b>
Non-operating grants, subsidies and contributions	2(a)	14,696,422	8,411,700	19,539,454
Profit on disposal of assets	10(a)	134,365	2,416	32,812
(Loss) on disposal of assets	10(a)	(1,674,523)	(75,529)	(135,543)
Asset Accounting Change - Regulation 17A	8(a)	(290,670)	0	0
Fair value adjustments to financial assets at fair value through profit or loss	7	122,620	0	0
Fair value adjustments to investment property	12	1,745,200	0	0
(Loss) on revaluation of furniture and equipment	8(a)	(20,173)	0	0
(Loss) on revaluation of Artwork & sculptures	8(a)	0	0	(458,379)
		<b>14,713,241</b>	<b>8,338,587</b>	<b>18,978,344</b>
<b>Net result for the period</b>		<b>21,863,421</b>	<b>14,497,634</b>	<b>8,879,998</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	157,537	0	(130,250,998)
<b>Total other comprehensive income for the period</b>		<b>157,537</b>	<b>0</b>	<b>(130,250,998)</b>
<b>Total comprehensive income for the period</b>		<b>22,020,958</b>	<b>14,497,634</b>	<b>(121,371,000)</b>

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

CITY OF KARRATHA  
STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2019

	NOTE	2019 \$	2018 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	25,756,187	14,261,487
Trade and other receivables	5	13,218,161	13,008,996
Financial Assets - Term Deposits	7(a)	42,291,566	48,705,863
Other financial assets at amortised cost	7(a)	24,777	20,115
Inventories	6	411,358	401,778
<b>TOTAL CURRENT ASSETS</b>		<b>81,702,049</b>	<b>76,398,239</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	5	656,270	831,611
Other financial assets at fair value though profit and loss	7(b)	122,620	0
Other financial assets at amortised cost	7(b)	237,559	331,200
Inventories	6	488,358	524,251
Property, plant and equipment	8	258,518,365	252,134,205
Infrastructure	9	410,595,902	403,519,220
Investment property	12	21,750,000	20,004,800
<b>TOTAL NON-CURRENT ASSETS</b>		<b>692,369,074</b>	<b>677,345,287</b>
<b>TOTAL ASSETS</b>		<b>774,071,123</b>	<b>753,743,526</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	10,361,336	11,824,063
Borrowings	14(a)	83,439	81,408
Employee related provisions	15	4,122,988	4,088,932
<b>TOTAL CURRENT LIABILITIES</b>		<b>14,567,763</b>	<b>15,994,403</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	14(a)	263,014	346,453
Employee related provisions	15	578,285	761,567
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>841,299</b>	<b>1,108,020</b>
<b>TOTAL LIABILITIES</b>		<b>15,409,062</b>	<b>17,102,423</b>
<b>NET ASSETS</b>		<b>758,662,061</b>	<b>736,641,103</b>
<b>EQUITY</b>			
Retained surplus		448,643,288	432,129,810
Reserves - cash backed	4	66,847,807	61,497,864
Revaluation surplus	11	243,170,966	243,013,429
<b>TOTAL EQUITY</b>		<b>758,662,061</b>	<b>736,641,103</b>

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 2019

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2017</b>		<b>399,026,989</b>	<b>85,720,687</b>	<b>373,264,427</b>	<b>858,012,103</b>
Comprehensive income					
Net result for the period		8,879,998	0	0	8,879,998
Other comprehensive income	11	0	0	(130,250,998)	(130,250,998)
Total comprehensive income		8,879,998	0	(130,250,998)	(121,371,000)
Transfers from/(to) reserves		24,222,823	(24,222,823)	0	0
<b>Balance as at 30 June 2018</b>		<b>432,129,810</b>	<b>61,497,864</b>	<b>243,013,429</b>	<b>736,641,103</b>
Comprehensive income					
Net result for the period		21,863,421	0	0	21,863,421
Other comprehensive income	11	0	0	157,537	157,537
Total comprehensive income		21,863,421	0	157,537	22,020,958
Transfers from/(to) reserves		(5,349,943)	5,349,943	0	0
<b>Balance as at 30 June 2019</b>		<b>448,643,288</b>	<b>66,847,807</b>	<b>243,170,966</b>	<b>758,662,061</b>

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 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		40,697,982	41,399,792	40,365,712
Operating grants, subsidies and contributions		12,020,549	12,927,400	13,918,392
Fees and charges		38,548,526	42,894,865	36,924,679
Service charges		861		0
Interest received		2,455,903	2,126,232	3,161,870
Goods and services tax received (net)		1,698,593	0	0
Other revenue		995,327	914,498	2,744,707
		96,417,741	100,262,787	97,115,360
<b>Payments</b>				
Employee costs		(35,411,111)	(32,541,395)	(33,190,663)
Materials and contracts		(27,526,250)	(29,604,147)	(34,892,516)
Utility charges		(5,824,123)	(5,573,095)	(5,327,723)
Interest expenses		(9,735)	(10,106)	(9,673)
Insurance paid		(1,573,650)	(1,454,133)	(1,610,103)
Goods and services tax paid (net)		0	0	(1,257,231)
Other expenditure		(2,726,957)	(2,790,858)	(5,341,372)
		(73,071,826)	(71,973,734)	(81,629,281)
<b>Net cash provided by (used in) operating activities</b>	16	23,345,915	28,289,053	15,486,079
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(13,976,935)	(14,782,935)	(39,227,273)
Payments for construction of infrastructure		(19,515,800)	(24,335,934)	(19,268,599)
Payments for financial assets		(122,620)	0	0
Non-operating grants, subsidies and contributions		14,696,422	8,411,700	19,539,454
Proceeds from self supporting loans		88,979	84,032	27,572
Proceeds from sale of property, plant & equipment		645,851	499,550	511,254
Net Movement of term deposits classified as financial assets		6,414,297	0	(48,705,863)
<b>Net cash provided by (used in) investment activities</b>		(11,769,806)	(30,123,587)	(87,123,455)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings		(81,409)	(81,408)	(64,652)
Proceeds from new borrowings		0	0	80,000
<b>Net cash provided by (used in) financing activities</b>		(81,409)	(81,408)	15,348
<b>Net increase (decrease) in cash held</b>		11,494,700	(1,915,942)	(71,622,028)
Cash at beginning of year		14,261,487	67,536,437	85,883,515
<b>Cash and cash equivalents at the end of the year</b>	16	25,756,187	65,620,495	14,261,487

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

**CITY OF KARRATHA**  
**RATE SETTING STATEMENT**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

	NOTE	2019 Actual	2019 Budget	2018 Actual
		\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Restricted surplus/(deficit) b/fwd - Pilbarra Underground Power		831,611	2,493,705	4,672,754
Unrestricted surplus/(deficit) b/fwd	24 (b)	2,564,089	1,019,841	2,364,705
Net current assets at start of financial year - surplus/(deficit)		3,395,700	3,513,546	7,037,459
<b>Revenue from operating activities (excluding rates)</b>				
Governance		685,601	43,480	1,980,285
General purpose funding		6,830,877	5,363,496	7,235,005
Law, order, public safety		1,183,740	566,021	319,013
Health		162,457	149,800	168,714
Education and welfare		58,900	58,608	58,900
Housing		826,592	592,840	552,750
Community amenities		10,617,481	13,305,650	10,717,606
Recreation and culture		12,247,335	15,388,049	9,984,127
Transport		21,905,301	22,038,818	19,775,424
Economic services		2,843,440	421,945	314,375
Other property and services		481,233	256,299	779,902
		57,842,957	58,185,006	51,886,101
<b>Expenditure from operating activities</b>				
Governance		(2,941,391)	(2,866,749)	(3,502,305)
General purpose funding		(1,172,857)	(1,573,030)	(15,101,937)
Law, order, public safety		(1,546,082)	(1,443,485)	(1,553,956)
Health		(1,316,019)	(1,284,185)	(1,395,095)
Education and welfare		(177,629)	(197,120)	(204,257)
Housing		(858,914)	(387,960)	(886,745)
Community amenities		(14,594,423)	(16,710,961)	(13,288,869)
Recreation and culture		(37,700,336)	(36,869,056)	(32,824,360)
Transport		(28,475,630)	(29,892,240)	(29,363,038)
Economic services		(2,012,006)	(2,170,565)	(1,698,302)
Other property and services		(368,843)	(103,513)	(3,170,014)
		(91,164,130)	(93,498,864)	(102,988,878)
Non-cash amounts excluded from operating activities	24(a)	17,528,370	20,904,732	21,197,118
<b>Amount attributable to operating activities</b>		(12,397,103)	(10,895,580)	(22,868,200)
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions		14,696,422	8,411,700	19,539,454
Proceeds from disposal of assets	10(a)	645,851	499,550	511,254
Proceeds from self supporting loans		88,979	84,032	27,572
Purchase of property, plant and equipment	8(a)	(13,976,935)	(14,782,935)	(39,227,273)
Purchase and construction of infrastructure	9(a)	(19,515,800)	(24,335,934)	(19,268,599)
<b>Amount attributable to investing activities</b>		(18,061,483)	(30,123,587)	(38,417,592)
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	14(b)	(81,409)	(81,408)	(64,652)
Proceeds from borrowings	14(c)	0	0	80,000
Transfers to reserves (restricted assets)	4	(27,114,282)	(25,133,750)	(23,562,863)
Transfers from reserves (restricted assets)	4	21,764,339	24,907,415	47,785,686
<b>Amount attributable to financing activities</b>		(5,431,352)	(307,743)	24,238,171
<b>Surplus/(deficit) before imposition of general rates</b>		(35,889,938)	(41,326,910)	(37,047,621)
<b>Total amount raised from general rates</b>	23(a)	40,488,172	41,399,792	40,443,321
<b>Restricted surplus/(deficit) June 30 c/fwd - Pilbara Underground Power</b>		656,270	0	831,611
<b>Surplus/(deficit) after imposition of general rates</b>	24(b)	<b>3,941,964</b>	<b>72,882</b>	<b>2,564,089</b>

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

## 1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

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

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

### CRITICAL ACCOUNTING ESTIMATES

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect 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 26 to these financial statements.

## 2. REVENUE AND EXPENSES

### (a) Revenue

#### Grant Revenue

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

	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Operating grants, subsidies and contributions</b>			
Governance	18,492	0	717,459
General purpose funding	2,721,573	1,460,248	2,481,678
Law, order, public safety	844,230	430,121	174,569
Health	50,923	13,500	14,798
Community amenities	11,600	0	149,524
Recreation and culture	10,040,939	10,297,626	5,190,523
Transport	75,398	10,000	288,484
Economic services	77,000	24,000	5,000
Other property and services	0	11,500	0
	13,840,155	12,246,995	9,022,035
<b>Non-operating grants, subsidies and contributions</b>			
Governance	469,999	0	0
Law, order, public safety	190,726	0	0
Community amenities	0	47,109	940,407
Recreation and culture	7,627,863	6,540,000	16,731,654
Transport	5,777,341	1,824,591	1,867,393
Economic services	630,493	0	0
	14,696,422	8,411,700	19,539,454
<b>Total grants, subsidies and contributions</b>	<b>28,536,577</b>	<b>20,658,695</b>	<b>28,561,489</b>

#### SIGNIFICANT ACCOUNTING POLICIES

##### Grants, donations and other contributions

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over

##### Grants, donations and other contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 22.

That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

## 2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
<b>Other revenue</b>			
Other	995,327	907,452	2,744,707
	995,327	907,452	2,744,707
<b>Fees and Charges</b>			
Governance	18,495	37,240	103,443
General purpose funding	1,664,861	1,701,786	1,602,512
Law, order, public safety	79,130	83,600	89,548
Health	111,534	136,300	153,848
Education and welfare	58,900	58,608	58,900
Housing	693,891	592,840	552,750
Community amenities	10,311,610	13,095,450	10,293,738
Recreation and culture	5,216,536	4,907,423	4,401,677
Transport	19,958,395	21,879,248	19,301,941
Economic services	390,747	397,195	309,375
Other property and services	44,427	5,175	63,882
	38,548,526	42,894,865	36,931,614
There were no changes during the year to the amount of the fees or charges detailed in the original budget.			
<b>Interest earnings</b>			
Loans receivable - clubs/institutions	7,586	7,046	11,682
Reserve accounts interest	1,522,031	1,460,700	1,900,167
Rates instalment and penalty interest (refer Note 23(d))	544,939	323,850	829,509
Late payment of fees and charges *	52,697	6,000	72,955
Other interest earnings	328,650	328,636	347,557
	2,455,903	2,126,232	3,161,870

\* The City has resolved to charge interest under section 6.13 for the late payment of any amount of money at 11%

(b) Expenses	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
<b>Auditors remuneration</b>			
- Audit of the Annual Financial Report	33,000	71,200	35,896
- Other services	0	1,800	5,210
	33,000	73,000	41,106
<b>Interest expenses (finance costs)</b>			
Borrowings (refer Note 14(b))	9,919	10,106	9,703
	9,919	10,106	9,703

### 3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
<b>Cash and Cash Equivalents</b>			
Cash at bank and on hand		5,720,928	9,257,689
Term deposits		20,035,259	5,003,798
<b>Total Cash and Cash Equivalents</b>		<b>25,756,187</b>	<b>14,261,487</b>
<b>Financial Assets</b>			
Principal Amount of term deposit	7	42,291,566	48,705,863
<b>Total</b>		<b>68,047,753</b>	<b>62,967,350</b>
<b>Cash and Cash Equivalents Comprises:</b>			
- Unrestricted cash and cash equivalents		1,163,174	1,457,963
- Restricted cash and cash equivalents		24,593,013	12,803,524
		<b>25,756,187</b>	<b>14,261,487</b>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
<b>Reserve accounts</b>			
Aerodrome Reserve	4	2,809,608	4,294,420
Carry Forward Budget Reserve	4	552,476	1,765,785
Community Development Reserve	4	894,049	1,307,489
Dampier Drainage Reserve	4	10,763	10,488
Economic Development Reserve	4	1,297,351	1,264,157
Employee Entitlement Reserve	4	5,005,136	4,853,471
Infrastructure Reserve	4	22,636,685	15,177,939
Medical Services Assistance Package Reserve	4	396,497	386,352
Mosquito Control Reserve	4	9,285	8,491
Partnership Reserve	4	9,945,793	8,651,358
Plant Replacement Reserve	4	859,177	837,194
Restricted Funds Reserve	4	1,893,835	417,024
Walkington Theatre Reserve	4	32,652	31,817
Waste Management Reserve	4	20,119,654	21,955,873
Workers Compensation Reserve	4	384,846	536,006
		<b>66,847,807</b>	<b>61,497,864</b>
<b>Other restricted cash and cash equivalents</b>			
Unspent grants/contributions	22	36,772	11,523
<b>Total restricted cash and cash equivalents</b>		<b>66,884,579</b>	<b>61,509,387</b>

#### SIGNIFICANT ACCOUNTING POLICIES

##### Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash

##### Cash and cash equivalents (Continued)

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  
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4. RESERVES - CASH BACKED	2019	2019	2019	2019	2019	2019	2019	2019	2018	2018	2018	2018
	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance	Budget Opening Balance	Budget Transfer to	Budget Transfer (from)	Budget Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Aerodrome Reserve	4,294,420	100,447	(1,585,259)	2,809,608	3,553,935	48,832	(1,515,906)	2,086,861	6,586,617	160,266	(2,452,463)	4,294,420
(b) Carry Forward Budget Reserve	1,765,785	186,726	(1,400,035)	552,476	1,490,881	0	(1,157,645)	333,236	1,821,785	1,275,156	(1,331,156)	1,765,785
(c) Community Development Reserve	1,307,489	33,457	(446,897)	894,049	1,239,603	32,617	0	1,272,220	1,209,141	98,348	0	1,307,489
(d) Dampier Drainage Reserve	10,488	275	0	10,763	10,510	276	0	10,786	10,231	257	0	10,488
(e) Economic Development Reserve	1,264,157	33,194	0	1,297,351	1,264,265	33,265	(400,000)	897,530	1,233,206	30,951	0	1,264,157
(f) Employee Entitlement Reserve	4,853,471	151,665	0	5,005,136	4,368,904	114,958	0	4,483,862	4,261,568	591,903	0	4,853,471
(g) Infrastructure Reserve	15,177,939	17,515,056	(10,056,310)	22,636,685	16,810,750	16,908,688	(14,585,419)	19,134,019	22,253,785	12,538,929	(19,614,775)	15,177,939
(h) Medical Services Assistance Package Reserve	386,352	10,145	0	396,497	386,386	10,167	(54,396)	342,157	376,893	9,459	0	386,352
(i) Mosquito Control Reserve	8,491	794	0	9,285	8,491	795	0	9,286	7,726	765	0	8,491
(j) Partnership Reserve	8,651,358	6,980,532	(5,686,097)	9,945,793	9,656,412	6,554,516	(7,194,049)	9,016,879	12,726,119	5,909,384	(9,984,145)	8,651,358
(k) Pilbara Underground Power Reserve	0	0	0	0	1,010,675	0	0	1,010,675	10,605,852	2,343,122	(12,948,974)	0
(l) Plant Replacement Reserve	837,194	21,983	0	859,177	400,335	10,533	0	410,868	816,697	20,497	0	837,194
(m) Restricted Funds Reserve	417,024	1,500,000	(23,189)	1,893,835	531,127	0	0	531,127	431,127	0	(14,103)	417,024
(n) Walkington Theatre Reserve	31,817	835	0	32,652	31,821	836	0	32,657	31,038	779	0	31,817
(o) Waste Management Reserve	21,955,873	565,422	(2,401,641)	20,119,654	23,088,628	1,404,162	0	24,492,790	22,826,019	569,924	(1,440,070)	21,955,873
(p) Workers Compensation Reserve	536,006	13,751	(164,911)	384,846	536,052	14,105	0	550,157	522,883	13,123	0	536,006
	61,497,864	27,114,282	(21,764,339)	66,847,807	64,388,775	25,133,750	(24,907,415)	64,615,110	85,720,687	23,562,863	(47,785,686)	61,497,864

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.

#### 4. RESERVES - CASH BACKED (Continued)

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

	<b>Name of Reserve</b>	<b>Anticipated date of use</b>	<b>Purpose of the reserve</b>
(a)	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.
(b)	Carry Forward Budget Reserve	Ongoing	This reserve is for the purpose of preserving projects funds carried over.
(c)	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.
(d)	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.
(e)	Economic Development Reserve	Ongoing	To fund economic development activities within the City, including Destination Marketing, Business Attraction, Property Development and Tourism.
(f)	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.
(g)	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.
(h)	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.
(i)	Mosquito Control Reserve	Ongoing	The purpose of this reserve is to fund mosquito control programmes inclusive of the purchase of replacement equipment as required.
(j)	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.
(k)	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.
(l)	Plant Replacement Reserve	Ongoing	The purposes of this reserve is to fund the capital purchase of plant and equipment.
(m)	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.
(n)	Walkington Theatre Reserve	Ongoing	The purpose of this reserve is to fund the operation and capital works of the Walkington Theatre.
(o)	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.
(p)	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.

## 5. TRADE AND OTHER RECEIVABLES

### Current

Rates receivable	
Sundry receivables	
Allowance for impairment of receivables	
Accrued Income	
Prepayments	
GST receivable	

### Non-current

Service Charge	
----------------	--

2019	2018
\$	\$
2,383,258	2,593,068
8,011,246	7,994,204
(1,347,908)	(1,355,831)
3,289,671	1,334,793
192,978	55,253
688,916	2,387,509
13,218,161	13,008,996
656,270	831,611
656,270	831,611

### Reconciliation of changes in the allowance for impairment of receivables:

Balance at start of period	
Restated balance at start of period	
Doubtful debts expense	
Expected credit losses expense	
Amounts written off during the period	

### Balance at end of period

2019	2018
\$	\$
1,355,831	303,182
1,355,831	303,182
-	1,052,649
19,315	-
(27,238)	-
1,347,908	1,355,831

## SIGNIFICANT ACCOUNTING POLICIES

### Trade and other receivables

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

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

### Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 25.

### Classification and subsequent measurement

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.

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

## 6. INVENTORIES

### Current

Fuel and Materials	328,638	347,611
Corporate Uniform	24,524	23,133
Food, Drinks & Merchandise Roebourne Aquatic Centre	243	408
Food, Drinks & Merchandise Youth Shed	3,056	5,920
Food, Drinks & Merchandise Wickham Recreation Precinct	1,371	2,183
Food, Drinks & Merchandise Karratha Leisureplex	3,469	2,519
Food, Drinks & Merchandise Red Earth Arts Precinct	14,164	20,004
Land held for resale - cost	35,893	0

### Non-current

Land held for resale - cost		
Cost of acquisition	488,358	524,251
	488,358	524,251

The following movements in inventories occurred during the year:

### Carrying amount at 1 July

Inventories expensed during the year	(28,654)	0
Additions to inventory	2,341	69,637
<b>Carrying amount at 30 June</b>	<b>899,716</b>	<b>926,029</b>

## SIGNIFICANT ACCOUNTING POLICIES

### General

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

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

### Land held for resale

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

### Land held for resale (Continued)

Borrowing costs and holding charges incurred after development is completed are expensed.

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

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

## 7. OTHER FINANCIAL ASSETS

### (a) Current assets

Other financial assets at amortised cost  
 Other loans and receivables

	2019	2018
	\$	\$
Other financial assets at amortised cost	42,291,566	48,705,863
Other loans and receivables	24,777	20,115
	<u>42,316,343</u>	<u>48,725,978</u>

#### Other financial assets at amortised cost

- Financial assets at amortised cost - term deposits

	42,291,566	48,705,863
	<u>42,291,566</u>	<u>48,705,863</u>

#### Other financial assets at amortised cost

- Loans receivable - clubs/institutions

	24,777	20,115
	<u>24,777</u>	<u>20,115</u>

### (b) Non-current assets

Financial assets at fair value through profit and loss  
 Other loans and receivables

Financial assets at fair value through profit and loss	122,620	0
Other loans and receivables	237,559	331,200
	<u>360,179</u>	<u>331,200</u>

#### Financial assets at fair value through profit and loss

- Unlisted equity investments

Financial assets at fair value through profit and loss - LG House Units

	122,620	0
	<u>122,620</u>	<u>0</u>

#### Other financial assets at amortised cost

- Loans receivable - clubs/institutions

	237,559	331,200
	<u>237,559</u>	<u>331,200</u>

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 14(b) as self supporting loans.

### SIGNIFICANT ACCOUNTING POLICIES

#### Other financial assets at amortised cost

The City classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

#### Financial assets at fair value through profit and loss

The City classifies the following financial assets at fair value through profit and loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the City has not elected to recognise fair value gains and losses through other comprehensive income.

Local Government House Units are held with a fair value as at 30 June 2018.

#### Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 25.

### SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Previous accounting policy: available for sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were either not suitable to be classified as 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.

#### Previous accounting policy: Loans and receivables

Non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and are solely payments of principal and interest were classified as loans and receivables and are subsequently measured at amortised cost, using the effective interest rate method.

Refer to Note 27 for explanations regarding the change in accounting policy and reclassification of available for sale financial assets to financial assets at fair value through profit and loss.

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8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings	Total land and buildings	Furniture and equipment	Plant	Equipment	Artwork & sculptures	Works In Progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	10,048,067	564,454	10,612,521	173,596,104	184,208,625	1,437,430	6,290,738	529,209	1,031,789	27,651,444	221,149,235
Additions	582,825	0	582,825	49,894,489	50,477,314	1,781,653	2,170,501	159,851	1,483,942	(16,845,800)	39,227,461
(Disposals)	0	0	0	0	0	(12,822)	(574,868)	(2,340)	(565)	0	(590,595)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	(1,143,506)	(1,143,506)	0	0	0	0	0	(1,143,506)
Revaluation (loss) / reversals transferred to profit or loss	0	0	0	0	0	0	0	0	(458,379)	0	(458,379)
Depreciation (expense)	0	0	0	(4,193,158)	(4,193,158)	(397,814)	(793,204)	(181,038)	(29,122)	0	(5,594,336)
Transfers	0	0	0	(455,675)	(455,675)	0	0	0	0	0	(455,675)
<b>Carrying amount at 30 June 2018</b>	10,630,892	564,454	11,195,346	217,698,254	228,893,600	2,808,447	7,093,167	505,682	2,027,665	10,805,644	252,134,205
<b>Comprises:</b>											
Gross carrying amount at 30 June 2018	34,436,975	564,454	35,001,429	255,359,420	290,360,849	3,819,980	8,402,954	815,926	2,027,665	10,805,644	316,233,018
Accumulated depreciation at 30 June 2018	0	0	0	(29,743,088)	(29,743,088)	(1,011,533)	(1,309,787)	(310,244)	0	0	(32,374,652)
Accumulated impairment loss at 30 June 2018	(23,806,083)	0	(23,806,083)	(7,918,078)	(31,724,161)	0	0	0	0	0	(31,724,161)
<b>Carrying amount at 30 June 2018</b>	10,630,892	564,454	11,195,346	217,698,254	228,893,600	2,808,447	7,093,167	505,682	2,027,665	10,805,644	252,134,205
Additions	470,000	0	470,000	20,259,302	20,729,302	725,060	2,352,649	118,031	41,605	(9,989,712)	13,976,935
(Disposals)	(215,030)	0	(215,030)	(205,787)	(420,817)	(2,706)	(343,839)	(612)	0	0	(767,974)
Asset Accounting Change - Regulation 17A	0	0	0	0	0	(102,302)	(3,085)	(17,434)	(167,849)	0	(290,670)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	0	0	(8,509)	149,221	16,825	0	0	157,537
Revaluation (loss) / reversals transferred to profit or loss	0	0	0	0	0	(20,173)	0	0	0	0	(20,173)
Depreciation (expense)	0	0	0	(5,001,857)	(5,001,857)	(672,913)	(771,761)	(184,122)	(40,842)	0	(6,671,495)
<b>Carrying amount at 30 June 2019</b>	10,885,862	564,454	11,450,316	232,749,912	244,200,228	2,726,904	8,476,352	438,370	1,860,579	815,932	258,518,365
<b>Comprises:</b>											
Gross carrying amount at 30 June 2019	34,691,945	564,454	35,256,399	275,352,744	310,609,143	2,726,904	8,476,352	438,370	1,898,024	815,932	324,964,725
Accumulated depreciation at 30 June 2019	0	0	0	(34,684,754)	(34,684,754)	0	0	0	(37,445)	0	(34,722,199)
Accumulated impairment loss at 30 June 2019	(23,806,083)	0	(23,806,083)	(7,918,078)	(31,724,161)	0	0	0	0	0	(31,724,161)
<b>Carrying amount at 30 June 2019</b>	10,885,862	564,454	11,450,316	232,749,912	244,200,228	2,726,904	8,476,352	438,370	1,860,579	815,932	258,518,365

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

### (b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>Land and buildings</b>					
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
<b>Furniture and equipment</b>	3	Market and Cost Approach using depreciated replacement cost	Independent and Management Valuation	June 2019	Measurements based on quoted prices in active markets for identical assets. Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3)
<b>Plant</b>	3	Market and Cost Approach using depreciated replacement cost	Independent and Management Valuation	June 2019	Measurements based on quoted prices in active markets for identical assets. Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3)
<b>Equipment</b>	3	Market and Cost Approach using depreciated replacement cost	Independent and Management Valuation	June 2019	Measurements based on quoted prices in active markets for identical assets. Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3)
<b>Artwork &amp; sculptures</b>	3	Market and Cost Approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Current condition and comparable market values achieved at auction houses and contact with artists

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.

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**9. INFRASTRUCTURE**

**(a) Movements in Carrying Amounts**

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

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Parks, Recreation and Open Space	Infrastructure - Aerodromes	Infrastructure - Miscellaneous Structures	Works In Progress	Infrastructure - Hardcourt Facilities	Infrastructure - Bridges & Culverts	Infrastructure - Boat Ramps & Jetties	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	347,170,678	29,885,889	1,694,412	4,536,899	61,455,125	21,033,605	24,525,809	7,314,453	25,853,459	4,484,324	527,954,653
Additions	10,654,926	2,678,751	299,302	17,965,651	13,292	826,764	(13,170,087)	0			19,268,599
(Disposals)	(4,072)	0	0	(14,736)	0	(4,582)	0	0	0	0	(23,390)
Revaluation increments / (decrements) transferred to revaluation surplus	(125,804,851)	3,915,264	(5,616,098)	(292,502)	(79,766)	(1,390,579)	161,042	0	0	0	(129,107,490)
Depreciation (expense)	(9,337,468)	(1,004,825)	(394,637)	(1,793,526)	(2,165,652)	(332,719)	0	0	0	0	(15,028,827)
Transfers	2,280,199	2,006,463	21,662,474	28,206,035	500	(16,047,760)		(7,314,453)	(25,853,459)	(4,484,324)	455,675
<b>Carrying amount at 30 June 2018</b>	224,959,412	37,481,542	17,645,453	48,607,821	59,223,499	4,084,729	11,516,764	0	0	0	403,519,220
<b>Comprises:</b>											
Gross carrying amount at 30 June 2018	262,773,692	50,119,622	21,682,750	64,306,488	78,297,306	9,029,897	11,516,764	0	0	0	497,726,519
Accumulated depreciation at 30 June 2018	(37,814,280)	(12,638,080)	(4,037,297)	(15,698,667)	(19,073,807)	(4,945,168)	0	0	0	0	(94,207,299)
<b>Carrying amount at 30 June 2018</b>	224,959,412	37,481,542	17,645,453	48,607,821	59,223,499	4,084,729	11,516,764	0	0	0	403,519,220
Additions	5,771,915	2,549,955	1,130,335	4,376,650	4,136,575	4,550,639	(3,000,269)	0	0	0	19,515,800
(Disposals)	(1,301,054)	(57,561)	0	(59,420)	0	0	0	0	0	0	(1,418,035)
Depreciation (expense)	(4,568,500)	(716,082)	(577,206)	(2,725,984)	(2,016,160)	(417,151)	0	0	0	0	(11,021,083)
<b>Carrying amount at 30 June 2019</b>	224,861,773	39,257,854	18,198,582	50,199,067	61,343,914	8,218,217	8,516,495	0	0	0	410,595,902
<b>Comprises:</b>											
Gross carrying amount at 30 June 2019	265,265,198	52,612,016	22,813,085	68,623,718	82,433,881	13,580,536	8,516,495	0	0	0	513,844,929
Accumulated depreciation at 30 June 2019	(40,403,425)	(13,354,162)	(4,614,503)	(18,424,651)	(21,089,967)	(5,362,319)	0	0	0	0	(103,249,027)
<b>Carrying amount at 30 June 2019</b>	224,861,773	39,257,854	18,198,582	50,199,067	61,343,914	8,218,217	8,516,495	0	0	0	410,595,902

## 9. INFRASTRUCTURE (Continued)

### (b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Footpaths	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Drainage	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Parks, Recreation and Open Space	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Aerodromes	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Miscellaneous Structures	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

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

## 10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

### SIGNIFICANT ACCOUNTING POLICIES

#### Fixed assets

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

#### Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost where the fair value of the asset at date of acquisition is equal to or above \$5,000. All assets are subsequently revalued in accordance with the mandatory measurement framework.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the 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, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

#### Revaluation

The fair value of fixed assets is determined at least every three years and no more than five years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

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

### AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

#### 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.

#### 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.

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**10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)**

**(a) Disposals of Assets**

	2019	2019	2019	2019	2019	2019	2019	2018	2018	2018	2018	
	Actual	Actual	2019	2019	Budget	Budget	Budget	Actual	Actual	Actual	Actual	
	Net Book	Sale	Actual	Actual	Net Book	Sale	Profit	Net Book	Sale	Actual	Actual	
	Value	Proceeds	Profit	Loss	Value	Proceeds	Profit	Value	Proceeds	Profit	Loss	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Land - freehold land	215,030	137,323	38,395	(116,102)	0	0	0	0	0	0	0	
Buildings	205,787	242,861	94,306	(57,232)	0	0	0	0	0	0	0	
Furniture and equipment	2,706	0	0	(2,706)	0	0	0	12,822	0	0	(12,822)	
Plant	343,839	264,272	269	(79,836)	555,462	497,750	2,416	(60,128)	574,868	511,254	32,812	(96,426)
Equipment	612	1,395	1,395	(612)	17,201	1,800	0	(15,401)	2,340	0	0	(2,340)
Artwork & sculptures	0	0	0	0	0	0	0	0	565	0	0	(565)
Infrastructure - Roads	1,301,054	0	0	(1,301,054)	0	0	0	0	4,072	0	0	(4,072)
Infrastructure - Footpaths	57,561	0	0	(57,561)	0	0	0	0	0	0	0	0
Infrastructure - Parks, Recreation and Open	59,420	0	0	(59,420)	0	0	0	0	14,736	0	0	(14,736)
Infrastructure - Miscellaneous Structures	0	0	0	0	0	0	0	0	4,582	0	0	(4,582)
	<b>2,186,009</b>	<b>645,851</b>	<b>134,365</b>	<b>(1,674,523)</b>	<b>572,663</b>	<b>499,550</b>	<b>2,416</b>	<b>(75,529)</b>	<b>613,985</b>	<b>511,254</b>	<b>32,812</b>	<b>(135,543)</b>

The following assets were disposed of during the year.

	2019	2019	2019	2019
	Actual	Actual	2019	2019
	Net Book	Sale	Actual	Actual
	Value	Proceeds	Profit	Loss
	\$	\$	\$	\$
<b>Land</b>				
<b>Housing</b>				
LAND000061 - 54 Sholl Street	155,000	38,898	0	(116,102)
LAND000059 - 9 Sing Place	60,030	98,425	38,395	0
	<b>215,030</b>	<b>137,323</b>	<b>38,395</b>	<b>(116,102)</b>
<b>Buildings</b>				
<b>Housing</b>				
SH000041 - 9 Sing Place	148,555	242,861	94,306	0
<b>Community amenities</b>				
BC000015 - Hearson Cove Toilet Block	37,653	0	0	(37,653)
BC000120 - Dodd Court Toilet Block	19,579	0	0	(19,579)
	<b>205,787</b>	<b>242,861</b>	<b>94,306</b>	<b>(57,232)</b>
<b>Furniture and Equipment</b>				
<b>Recreation and culture</b>				
30000871 - Chin/Dip Machine	578	0	0	(578)
30001507 - 7 x Spin Bikes	2,128	0	0	(2,128)
	<b>2,706</b>	<b>0</b>	<b>0</b>	<b>(2,706)</b>
<b>Plant</b>				
<b>Community amenities</b>				
40000486 - P8012 Komatsu Loader	85,877	61,818	0	(24,059)
<b>Recreation and culture</b>				
40000478 - P1055 Subaru Forester	12,166	12,000	0	(166)
<b>Transport</b>				
40000522 - P2044 Holden Colorado	14,731	15,000	269	0
40000369 - P8804 Fuso Fighter	59,565	27,272	0	(32,293)
40000417 - P8808 Komatsu Grader	86,268	84,545	0	(1,723)
40000420 - P8813 Prime Mover	85,232	63,637	0	(21,595)
	<b>343,839</b>	<b>264,272</b>	<b>269</b>	<b>(79,836)</b>
<b>Equipment</b>				
<b>Community amenities</b>				
20000613 - P3008 Air Compressor	0	280	280	0
<b>Recreation and culture</b>				
P5118 - Stihl Chainsaw	0	300	300	0
P5088 - Stihl Brushcutter	0	90	90	0
P4079 - Stihl Blower	0	50	50	0
20000641 - P3020 Bowling Green Mow Master	612	0	0	(612)
<b>Transport</b>				
20000268 - Instant Shade	0	0	0	0
P5067 - Stihl Chainsaw	0	175	175	0
P4068 - Honda Generator	0	200	200	0
P553 - Honda Mower	0	110	110	0
P3007 - Cement Mixer	0	190	190	0
	<b>612</b>	<b>1,395</b>	<b>1,395</b>	<b>(612)</b>
<b>Infrastructure</b>				
<b>Recreation and culture</b>				
PF001138 - Hearson Picnic Table	2,600	0	0	(2,600)
PF001141 - Hearson Picnic Table	3,000	0	0	(3,000)
OST00025 - Pegs Creek Oval Cricket Nets	24,941	0	0	(24,941)
BC000072 - RAC Pool Shed	28,879	0	0	(28,879)
<b>Transport</b>				
FP001763 - Footpath Welcome Park	20,682	0	0	(20,682)
FP001764 - Footpath Welcome Park	10,547	0	0	(10,547)
FP001653 - Footpath Point Samson	9,033	0	0	(9,033)
FP001775B - Footpath Welcome Road	17,299	0	0	(17,299)
IRIS Roads Disposal	1,301,054	0	0	(1,301,054)
	<b>1,418,035</b>	<b>0</b>	<b>0</b>	<b>(1,418,035)</b>
	<b>2,186,009</b>	<b>645,851</b>	<b>134,365</b>	<b>(1,674,523)</b>

## 10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(b) Depreciation	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
Buildings	5,001,857	4,782,761	4,193,158
Furniture and equipment	672,913	352,048	397,814
Plant	771,761	703,399	793,204
Equipment	184,122	231,765	181,038
Artwork & sculptures	40,842	21,606	29,122
Infrastructure - Roads	4,568,500	9,660,077	9,337,468
Infrastructure - Footpaths	716,082	0	1,004,825
Infrastructure - Drainage	577,206	0	394,637
Infrastructure - Parks, Recreation and Open Space	2,725,984	0	1,793,526
Infrastructure - Aerodromes	2,016,160	2,169,145	2,165,652
Infrastructure - Miscellaneous Structures	417,151	2,910,818	332,719
	17,692,578	20,831,619	20,623,163

### SIGNIFICANT ACCOUNTING POLICIES

#### Depreciation

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

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.

#### Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

Asset Class	Useful life
Artworks	50 years
Buildings	10 to 100 years
Furniture and equipment	3 to 10 years
Plant and equipment	2 to 15 years
Infrastructure	
- Roads	12 to 80 years
- Pathways and cycleways	10-80 years
- Aerodrome Assets	10 to 80 years
- Parks Developments	15 to 30 years
- Bridges	60 years
- Drains and Stormwater Network	40 to 80 years
- Miscellaneous Structures	15 to 100 years
- Boat ramps/jetties	25 years
- Street Lighting	15 to 20 years

#### Depreciation (Continued)

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

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

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11. REVALUATION SURPLUS

	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	2019 Total Movement on Revaluation	2019 Closing Balance	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	2018 Total Movement on Revaluation	2018 Transfer between Asset Class	2018 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	6,426,847	0	0	0	6,426,847	6,426,847	0	0	0	0	6,426,847
Revaluation surplus - Buildings	17,484,855	0	0	0	17,484,855	18,593,487	0	(1,143,508)	(1,143,508)	34,876	17,484,855
Revaluation surplus - Furniture and equipment	8,509	0	(8,509)	(8,509)	0	8,509	0	0	0	0	8,509
Revaluation surplus - Plant	47,001	149,221	0	149,221	196,222	47,001	0	0	0	0	47,001
Revaluation surplus - Equipment	0	16,825	0	16,825	16,825	0	0	0	0	0	0
Revaluation surplus - Infrastructure - Roads	148,060,533	0	0	0	148,060,533	272,056,356	0	(125,804,851)	(125,804,851)	1,809,028	148,060,533
Revaluation surplus - Infrastructure - Footpaths	30,637,280	0	0	0	30,637,280	24,543,432	3,915,264	0	3,915,264	2,178,584	30,637,280
Revaluation surplus - Infrastructure - Drainage	16,047,658	0	0	0	16,047,658	113,738	0	(5,616,098)	(5,616,098)	21,550,018	16,047,658
Revaluation surplus - Infrastructure - Parks, Recreation and Open Space	5,886,099	0	0	0	5,886,099	0	0	(292,502)	(292,502)	6,178,601	5,886,099
Revaluation surplus - Infrastructure - Aerodromes	17,008,351	0	0	0	17,008,351	15,030,675	(79,766)	0	(79,766)	2,057,442	17,008,351
Revaluation surplus - Infrastructure - Miscellaneous Structures	1,406,296	0	0	0	1,406,296	4,509,694	161,042	(1,390,579)	(1,229,537)	(1,873,861)	1,406,296
Revaluation surplus - Works In Progress	0	0	0	0	0	616,856	0	0	0	(616,856)	0
Revaluation surplus - Infrastructure - Hardcourt Facilities	0	0	0	0	0	27,654,868	0	0	0	(27,654,868)	0
Revaluation surplus - Infrastructure - Bridges & Culverts	0	0	0	0	0	3,662,964	0	0	0	(3,662,964)	0
	243,013,429	166,046	(8,509)	157,537	243,170,966	373,264,427	3,996,540	(134,247,538)	(130,250,998)	0	243,013,429

Movements on revaluation of property, plant and equipment (including infrastructure) 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.

## 12. INVESTMENT PROPERTIES

### Non-current assets - at fair value

Carrying balance at 1 July	20,004,800	20,004,800	20,004,800
Net gain/(loss) from fair value adjustment	1,745,200	0	0
Closing balance at 30 June	21,750,000	20,004,800	20,004,800

### Amounts recognised in profit or loss for investment properties

Rental income	2,453,688	1,900,002	1,882,722
Direct operating expenses from property that generated rental income	(1,301,861)	(1,117,275)	(1,281,950)
Fair value gain recognised in other income	1,745,200	0	0

### Leasing arrangements

Investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

Within one year	1,823,278	1,553,128	1,553,128
Later than one year but not later than 5 years	6,326,030	5,893,177	6,088,578
Later than 5 years	7,927,907	7,927,907	9,285,633
	16,077,215	15,374,212	16,927,339

### SIGNIFICANT ACCOUNTING POLICIES

#### Investment properties

Investment properties are principally freehold buildings, held for long-term rental yields and not occupied by the City. They are carried at fair value. Changes in the fair values are presented in profit or loss as a part of other revenue.

#### Fair value of investment properties

An independent valuation was performed to determine the fair value of investment properties. The main Level 3 inputs used in the valuation were discount rates, rental yields, expected vacancy rates and rental growth rates estimated based on comparable transactions and industry data.

### 13. TRADE AND OTHER PAYABLES

#### Current

Sundry creditors
Income Received In Advance
Accrued salaries and wages
Other Liabilities
Rentention Monies
Accrued Expenses

2019	2018
\$	\$
6,253,308	8,954,994
833,675	760,243
225,916	172,420
363,426	9,342
707,762	1,527,894
1,977,249	399,170
10,361,336	11,824,063

#### SIGNIFICANT ACCOUNTING POLICIES

##### 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

##### Trade and other payables (Continued)

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.

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**14. INFORMATION ON BORROWINGS**

**(a) Borrowings**

	2019	2018
	\$	\$
Current	83,439	81,408
Non-current	263,014	346,453
	346,453	427,861

**(b) Repayments - Borrowings**

Particulars	Loan Number	Institution	Interest Rate	Actual Principal	30 June 2019	30 June 2019	30 June 2019	Budget Principal	30 June 2019	30 June 2019	30 June 2019	Actual Principal	30 June 2018	30 June 2018	30 June 2018	30 June 2018	Actual Principal	
				1 July 2018	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	1 July 2018	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	1 July 2017	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding		
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Self Supporting Loans</b>																		
<b>General purpose funding</b>																		
Karratha Country Club	1	WATC	2.44%	347,861	66,240	8,079	281,622	347,861	66,239	8,086	281,622	412,513	0	64,652	9,525	347,861		
Karratha RSL	100	WATC	2.65%	80,000	15,169	1,840	64,831	80,000	15,169	2,020	64,831	0	80,000	0	178	80,000		
				427,861	81,409	9,919	346,453	427,861	81,408	10,106	346,453	412,513	80,000	64,652	9,703	427,861		
				427,861	81,409	9,919	346,453	427,861	81,408	10,106	346,453	412,513	80,000	64,652	9,703	427,861		

Self supporting loans are financed by payments from third parties. These are shown in Note 7 as other financial assets at amortised cost.  
 All other loan repayments were financed by general purpose revenue.

## 14. INFORMATION ON BORROWINGS (Continued)

	2019	2018
	\$	\$
<b>(c) Undrawn Borrowing Facilities</b>		
<b>Credit Standby Arrangements</b>		
Bank overdraft limit	1,000,000	1,000,000
Bank overdraft at balance date	0	0
Credit card limit	130,500	115,500
Credit card balance at balance date	(26,610)	(1,020)
<b>Total amount of credit unused</b>	<b>1,103,890</b>	<b>1,114,480</b>
<b>Loan facilities</b>		
Loan facilities - current	83,439	81,408
Loan facilities - non-current	263,014	346,453
<b>Total facilities in use at balance date</b>	<b>346,453</b>	<b>427,861</b>

### SIGNIFICANT ACCOUNTING POLICIES

#### Financial liabilities

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

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

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

#### Borrowing costs

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

#### Risk

Information regarding exposure to risk can be found at Note 25.

## 15. EMPLOYEE RELATED PROVISIONS

### Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
<b>Opening balance at 1 July 2018</b>			
Current provisions	2,522,884	1,566,048	4,088,932
Non-current provisions	0	761,567	761,567
	2,522,884	2,327,615	4,850,499
Additional provision	2,881,058	374,665	3,255,723
Amounts used	(3,024,917)	(380,032)	(3,404,949)
<b>Balance at 30 June 2019</b>	2,379,025	2,322,248	4,701,273
<b>Comprises</b>			
Current	2,379,025	1,743,963	4,122,988
Non-current		578,285	578,285
	2,379,025	2,322,248	4,701,273
<b>Amounts are expected to be settled on the following basis:</b>	<b>2019</b>	<b>2018</b>	
	\$	\$	
Less than 12 months after the reporting date	4,122,988	4,088,932	
More than 12 months from reporting date	578,285	761,567	
	4,701,273	4,850,499	

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees. Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

### SIGNIFICANT ACCOUNTING POLICIES

#### 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.

##### Other long-term employee benefits

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

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at

##### Other long-term employee benefits (Continued)

rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The 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.

##### 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.

## 16. NOTES TO THE STATEMENT OF CASH FLOWS

### Reconciliation of Cash

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	25,756,187	65,620,495	14,261,487

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

Net result	21,863,421	14,497,634	8,879,998
Non-cash flows in Net result:			
Adjustments to fair value of financial assets	290,670	0	0
Adjustments to fair value of investment property	(1,745,200)	0	0
Depreciation	17,692,578	20,831,619	20,623,163
(Profit)/loss on sale of asset	1,540,158	73,113	102,731
Loss on revaluation of fixed assets	20,173	0	458,379
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(33,823)	680,405	3,561,505
(Increase)/decrease in inventories	26,313	0	(69,825)
Increase/(decrease) in payables	(1,462,727)	617,982	880,651
Increase/(decrease) in provisions	(149,226)	0	588,931
Non -operating grants and contributions for the development of assets	(14,696,422)	(8,411,700)	(19,539,454)
Net cash from operating activities	23,345,915	28,289,053	15,486,079

## 17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
Governance	32,549,571	30,698,491
Law, order, public safety	2,619,914	2,703,589
Health	863,837	886,014
Education and welfare	3,112,677	3,227,131
Housing	20,092,884	20,425,563
Community amenities	23,634,832	19,354,535
Recreation and culture	199,398,181	188,073,358
Transport	396,906,985	386,385,615
Economic services	1,141,848	376,386
Other property and services	1,211,624	1,205,153
Unallocated	92,538,770	100,407,691
	<b>774,071,123</b>	<b>753,743,526</b>

The method to determine assets by function and activity was updated in 2019, 2018 values have also been reassessed and adjusted based on the new method. There has been no change to the total assets for 2018.

## 18. CONTINGENT LIABILITIES

### Contaminated Sites

In compliance with the Contaminated Sites Act 2003 Section 11, the City has listed sites to be possible sources of contamination. Details of these site are:

- Roebourne Airport
- Karratha Airport
- Karratha Depot

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

### Landfill Site

The City currently operates the Seven Mile Waste Disposal site. According to the City's current information this site has a life expectancy in excess of 20 years. The City is responsible to fully rehabilitate this site at the end of it's operation.

A post closure plan has been prepared with rehabilitation estimates for the Capping and Restoration of the cells currently in use being approximately \$13.7M. The City of Karratha has been in discussions with Department of Water and Environmental Regulation (DWER) and will be submitting the post closure plan for approval. The finalisation of the cost estimate will be dependent on DWER approval.

The site rehabilitation cost estimates will be accounted in the City's accounts in accordance with the relevant Australian Accounting Standards when DWER approve the rehabilitation submission. The DWER approval is expected within FY2020.

## 19. CAPITAL COMMITMENTS

### (a) Capital Expenditure Commitments

Contracted for:

	2019	2018
	\$	\$
Red Earth Arts Precinct	0	188,420
Wickham Community Hub	0	8,045,196
Wickham Community Hub - Skatescape	0	414,534
Waste Facility - Class III Cell Construction	0	3,141,245
Karratha Airport - LA31 Hangar Project	0	2,085,617
Dampier Palms	11,350,672	0
Dampier Pavilion	929	0
Balla Balla Road Renewal	829,721	0
	12,181,322	13,875,012

Payable:

- not later than one year	12,181,322	13,875,012
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## 20. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting Fees	345,292	345,000	344,058
Mayor's allowance	85,000	85,000	85,000
Deputy Mayor's allowance	21,250	21,250	21,134
Travelling expenses	40,581	30,000	48,260
Telecommunications allowance	38,209	38,496	38,391
Training expenses	35,719	55,000	55,987
Professional Development	0	33,000	1,319
Mayor's Discretionary Fund (Council Related Expenses)	573	2,000	1,045
	566,624	609,746	595,194

### Key Management Personnel (KMP) Compensation Disclosure

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

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	1,314,364	1,412,916
Post-employment benefits	137,847	135,552
Other long-term benefits	178,461	52,112
Termination benefits	14,403	0
	1,645,075	1,600,580

#### *Short-term employee benefits*

These amounts include all salary, 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 above. Short term employee benefits do not include elected member remuneration.

#### *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 annual leave and long service benefits accrued during the year.

#### *Termination benefits*

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

## 20. RELATED PARTY TRANSACTIONS (Continued)

### Transactions with related parties

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

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

The following transactions occurred with related parties:	2019 Actual	2018 Actual
	\$	\$
Sale of goods and services	10,146	33,370
Purchase of goods and services	37,793	218,751
<b>Amounts outstanding from related parties:</b>		
Trade and other receivables	490	0
<b>Amounts payable to related parties:</b>		
Trade and other payables	3,266	104,030

### Related Parties

*Sale of goods and services relate predominantly to regulatory functions such as building permits.  
 Purchase of goods and services relate predominantly to grant funding and photography services.*

### 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. Other Related Parties

The associate person of KMP was employed by the City under normal employment terms and conditions.

#### iii. 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.

## 21. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

### KARRATHA AIRPORT OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	2019	2019	2018
	2019	Budget	2018
	\$	\$	\$
<b>Revenue</b>			
Fees and Charges	15,978,167	17,617,989	14,471,612
Terminal Leases	358,370	318,000	1,171,596
Grants and Contributions	681,927	835,000	3,658,051
Other Revenue	2,955,203	3,176,797	99,051
	<u>19,973,667</u>	<u>21,947,786</u>	<u>19,400,310</u>
<b>Expenditure</b>			
Employee Costs	2,336,137	2,004,354	1,765,624
Materials & Contracts	4,994,526	5,068,651	3,852,441
Utilities	1,606,833	1,383,248	1,636,933
Insurance	403,962	380,177	490,877
Depreciation	2,935,576	3,066,866	3,072,620
Other Expenditure	50,937	48,391	766,158
	<u>12,327,971</u>	<u>11,951,687</u>	<u>11,584,653</u>
<b>Net Operating Result</b>	<u><b>7,645,696</b></u>	<u><b>9,996,099</b></u>	<u><b>7,815,657</b></u>
Capital Expenditure	2,273,581	4,798,806	4,187,502
<b>Total Net Trading Undertaking</b>	<u><b>5,372,115</b></u>	<u><b>5,197,293</b></u>	<u><b>3,628,155</b></u>
		<b>2019</b>	<b>2018</b>
		\$	\$
<b>CURRENT ASSETS</b>			
Trade and other receivables		4,217,237	3,342,270
Reserves - Cash Backed		2,809,608	4,294,420
		<u><b>7,026,845</b></u>	<u><b>7,636,690</b></u>
<b>NON CURRENT ASSETS</b>			
Buildings		43,552,464	41,025,962
Less Accumulated Depreciation		(5,710,881)	(4,789,316)
Infrastructure		83,936,720	78,297,305
Less Accumulated Depreciation		(20,259,457)	(19,073,807)
Plant		268,599	288,839
Less Accumulated Depreciation		0	(43,162)
Equipment		44,647	72,225
Less Accumulated Depreciation		0	(29,596)
Furniture & Equipment		245,387	361,992
Less Accumulated Depreciation		0	(90,540)
Artwork		185,200	184,000
Less Accumulated Depreciation		(3,704)	0
		<u><b>102,258,975</b></u>	<u><b>96,203,902</b></u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,185,444	1,331,288
		<u><b>1,185,444</b></u>	<u><b>1,331,288</b></u>
<b>NET ASSETS</b>		<u><b>108,100,376</b></u>	<u><b>102,509,304</b></u>
<b>EQUITY</b>			
Reserves - cash backed		2,809,608	4,294,420
Retained surplus		105,290,768	98,214,884
<b>TOTAL EQUITY</b>		<u><b>108,100,376</b></u>	<u><b>102,509,304</b></u>

The City operates the only public airport within the district and operates the aerodrome with the purpose of producing a profit.

## 21. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS (Continued)

### THE QUARTER OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	2019	2019 Budget	2018
	\$	\$	\$
<b>Revenue</b>			
Leases	1,533,232	1,521,394	1,414,287
Other Revenue	920,457	781,885	468,435
	<u>2,453,689</u>	<u>2,303,279</u>	<u>1,882,722</u>
<b>Expenditure</b>			
Employee Costs	0	0	0
Materials & Contracts	680,519	818,872	810,634
Utilities	328,677	274,060	267,252
Insurance	53,022	53,022	71,182
Other Expenditure	239,643	230,454	132,882
	<u>1,301,861</u>	<u>1,376,408</u>	<u>1,281,950</u>
<b>Net Operating Result</b>	<u><b>1,151,828</b></u>	<u><b>926,871</b></u>	<u><b>600,772</b></u>
Fair value adjustments to investment property	1,745,200	0	0
<b>Total Net Trading Undertaking</b>	<u><b>(593,372)</b></u>	<u><b>926,871</b></u>	<u><b>600,772</b></u>
		<b>2019</b>	<b>2018</b>
		\$	\$
<b>CURRENT ASSETS</b>			
Trade and other receivables		233,783	290,273
		<u><b>233,783</b></u>	<u><b>227,288</b></u>
<b>NON CURRENT ASSETS</b>			
Land		885,000	900,000
Buildings		20,865,000	19,104,800
		<u><b>21,750,000</b></u>	<u><b>20,004,800</b></u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		15,465	0
		<u><b>15,465</b></u>	<u><b>0</b></u>
<b>NET ASSETS</b>		<u><u><b>21,968,318</b></u></u>	<u><u><b>20,232,088</b></u></u>
<b>EQUITY</b>			
Retained surplus		21,968,318	20,232,088
<b>TOTAL EQUITY</b>		<u><u><b>21,968,318</b></u></u>	<u><u><b>20,232,088</b></u></u>

As part of Council's investment strategy, a commercial property 'The Quarter', was purchased in June 2017.

## 22. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received	Expended	Closing	Received	Expended	Closing		
	Balance (1)	(2)	(3)	Balance (1)	(2)	(3)	Balance		
	1/07/17	2017/18	2017/18	30/06/18	2018/19	2018/19	30/06/19		
	\$	\$	\$	\$	\$	\$	\$		
<b>Law, order, public safety</b>									
DFES Contribution - Wick/Roeb SES	10,063	0	0	10,063	0	(10,063)	0		
Rio Tinto - Wickham/Roebourne SES Facility	37,872	0	0	37,872	0	(37,872)	0		
Department of Industries - Safer Communities Fund	0	0	0	0	186,726	0	186,726	(2)	^
<b>Community amenities</b>									
Dept. of Planning - Coastal Management Strategy	3,050	0	0	3,050	1,600	(4,650)	0		#
PRC - Contribution to Sullage Point	2,380	0	0	2,380	0	0	2,380	(1)	#
PDC Hydrology Grant	40,000	0	0	40,000	0	0	40,000	(1)	*
<b>Recreation and culture</b>									
Rio Tinto - Eastern Corridor Youth Services	170,000	0	(120,000)	50,000	0	0	50,000	(1)	*
DLGC Grant - Community Development Initiative	20,000	0	(20,000)	0	0	0	0		
Pilbara Development Commission - Youth Services & Community Safety Initiative	250,000	0	0	250,000	0	(250,000)	0		
Dept Planning, Lands & Heritage - Roebourne Gaol Funding	0	0	0	0	1,500,000	0	1,500,000	(2)	^
Roebourne Community Recreation Assoc Inc	23,024	0	0	23,024	0	0	23,024	(1)	^
State Library of Western Australia	6,705	16,915	(17,527)	6,093	14,946	(11,607)	9,432	(3)	#
Rio Tinto -Wickham Recreation Facility Operations	123,755	2,403,967	(2,310,378)	217,344	2,466,536	(2,476,662)	207,218	(3)	*^
Rio Tinto - Wickham Facility Compliance Works	0	0	0	0	2,400,000	(1,016,046)	1,383,954	(2)	^
Rio Tinto - Wickham Community Hub	5,327,570	2,109,890	(6,786,141)	651,319	0	(651,319)	0		
Rio Tinto - Wickham Recreation and Community Facilities Project	185,155	0	0	185,155	0	(185,155)	0		
Rio Tinto -Wickham Community Hub Operations	0	0	0	0	500,000	0	500,000	(2)	^
Rio Tinto - Dampier Community Hub	894,372	0	0	894,372	0	0	894,372	(1)	*
Rio Tinto - Damiper Community Hub Operations	2,382,352	1,000,000	(665,305)	2,717,047	1,000,000	(478,923)	3,238,124	(3)	*^
Rio Tinto - Partnership Management Team	442,830	0	(62,616)	380,214	0	0	380,214	(1)	*
Rio Tinto - Community Development Services	204,300	0	0	204,300	0	0	204,300	(1)	*
Pilbara Industry Road Safety Alliance	63,236	0	0	63,236	0	(17,006)	46,230	(1)	*
Cossack Art Program - Sponsorships	94,000	0	(94,000)	0	0	0	0		
Dept. Sport and Recreation - Kidsport Program	2,749	0	(2,749)	0	0	0	0		
Rio Tinto - Karratha Leisureplex Program Support	3,274	50,000	0	53,274	0	0	53,274	(1)	*
Water Corporation - Tank Art	0	27,273	0	27,273	0	0	27,273	(1)	*
<b>Transport</b>									
Dept. of State Development - Murujuga Tourism Activation Agreement	177,393	0	0	177,393	0	(18,215)	159,178	(1)	*
Contributions-Beaches & Foreshore Works	5,960	0	(5,960)	0	0	0	0		
Contribution To Entry Statement Main Roads WA - Mooligunn Road Reconstruction	175,000	0	(14,103)	160,897	0	(13,126)	147,771	(1)	*
Education Department - Bus Shelter Construction	0	200,526	(85,672)	114,854	0	(114,854)	0		
	0	0	0	0	35,000	(10,040)	24,960	(2)	#
<b>Total</b>	<b>10,645,040</b>	<b>5,808,571</b>	<b>(10,184,451)</b>	<b>6,269,160</b>	<b>8,104,808</b>	<b>(5,295,538)</b>	<b>9,078,430</b>		

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 2018/19

(#) - Grants/contributions have been received in Municipal cash and are contained in Note 3 Restricted Cash.

## 23. RATING INFORMATION

### (a) Rates

RATE TYPE	Rate in \$	Number of Properties	2018/19 Actual Rateable Value \$	2018/19 Actual Rate Revenue \$	2018/19 Actual Interim Rates \$	2018/19 Actual Back Rates \$	2018/19 Actual Total Revenue \$	2018/19 Budget Rate Revenue \$	2018/19 Budget Interim Rate \$	2018/19 Budget Back Rate \$	2018/19 Budget Total Revenue \$	2017/18 Actual Total Revenue \$
<b>Differential general rate / general rate</b>												
<b>Gross rental valuations</b>												
Residential	0.115175	6,982	143,121,628	16,484,033	13,658	(6,591)	16,491,098	16,502,049	35,000	3,000	16,540,049	16,371,031
Commercial/Tourism/Town Centre/Other	0.097836	255	29,301,486	2,866,740	3,567	0	2,870,307	2,868,185	12,500	1,000	2,881,685	2,764,949
Industry/Mixed Business	0.099413	459	43,141,751	4,288,851	(64,342)	(25,327)	4,199,182	4,221,053	12,500	1,000	4,234,553	4,119,344
Airport/Strategic Industry	0.153391	17	8,490,470	1,302,362	0	0	1,302,362	1,302,362	150,000	0	1,452,362	1,283,023
Transient Workforce Accommodation/Work	0.379455	22	13,747,200	5,216,444	0	67,240	5,283,684	5,297,799	120,000	0	5,417,799	5,226,560
<b>Unimproved valuations</b>												
Pastoral	0.101606	10	2,713,590	275,717			275,717	275,717	0	0	275,717	270,172
Mining/Other	0.136414	187	5,680,044	774,838	47,738	(5,315)	817,261	771,002	0	0	771,002	749,228
Strategic Industry	0.176005	33	39,302,788	6,917,487	(287,185)	(321,474)	6,308,828	6,917,487	0	0	6,917,487	7,144,833
<b>Sub-Total</b>		7,965	285,498,957	38,126,472	(286,564)	(291,467)	37,548,439	38,155,654	330,000	5,000	38,490,654	37,929,140
<b>Minimum payment</b>	\$											
<b>Gross rental valuations</b>												
Residential	1,519	1,524	13,072,539	2,314,956			2,314,956	2,286,095	0	0	2,286,095	2,240,960
Commercial/Tourism/Town Centre/Other	1,519	221	2,078,320	335,699			335,699	335,699	0	0	335,699	320,350
Industry/Mixed Business	1,519	137	517,491	208,103			208,103	208,103	0	0	208,103	205,620
Airport/Strategic Industry	1,519	1	2,600	1,519			1,519	1,519	0	0	1,519	1,490
<b>Unimproved valuations</b>												
Mining/Other	319	173	169,165	55,187			55,187	54,868	0	0	54,868	46,324
Strategic Industry	319	10	10	3,190			3,190	3,190	0	0	3,190	3,756
<b>Sub-Total</b>		2,066	15,840,125	2,918,654	0	0	2,918,654	2,889,474	0	0	2,889,474	2,818,500
		10,031	301,339,082	41,045,126	(286,564)	(291,467)	40,467,093	41,045,128	330,000	5,000	41,380,128	40,747,640
Discounts/concessions (refer Note 23(c))							(29,380)				(29,380)	(355,216)
<b>Total amount raised from general rate</b>							40,437,713				41,350,748	40,392,424
Ex-gratia rates							50,459				49,044	50,897
<b>Totals</b>							40,488,172				41,399,792	40,443,321

### SIGNIFICANT ACCOUNTING POLICIES

#### Rates

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

CITY OF KARRATHA  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30TH JUNE 2019

23. RATING INFORMATION (Continued)

(b) Service Charges

Service Charges	Amount of Charge	2018/19 Actual Revenue Raised	2018/19 Actual Charges Applied to Costs	2018/19 Actual Charges Set Aside to Reserve	2018/19 Actual Reserve Applied to Costs	2018/19 Budget Revenue	2018/19 Budget Charges Applied to Costs	2018/19 Budget Charges Set Aside to Reserve	2018/19 Budget Reserve Applied to Costs	2017/18 Total Actual Revenue
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
PUPP HV Allocation	\$48.26 per kVa	(121)	0	0	0	0	0	0	0	(965)
PUPP LV Allocation	\$196.38 per kVa	982	0	0	0	0	0	0	0	(3,928)
PUPP Connection Charge	\$1,022.17 per Connection	0	0	0	0	0	0	0	0	(2,044)
		861	0	0	0	0	0	0	0	(6,937)

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

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

Waivers or Concessions

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

Type	Discount %	Discount \$	2019 Actual \$	2019 Budget \$	2018 Actual \$
Cossack (GRV)		1,469	29,380	29,380	27,360
Transient Workforce Accommodation / Workforce Accommodation (GRV)	Various		0	0	327,856
Fees and Charges	Waiver	As determined on application	128,410	58,107	111,740
Rates	Waiver	100.00%	39,287	39,287	41,295
Rates and Penalty interest	Write Off	As determined on application	18,859	0	0
Fees and Charges	Write Off	As determined on application	27,238	0	0
			243,174	126,774	508,251

CITY OF KARRATHA  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30TH JUNE 2019

23. RATING INFORMATION (Continued)

(c) Discounts, Incentives, Concessions, & Write-offs (Continued)

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 20 rateable properties within the Cossack Township	To provide rating relief to property owners in the Cossack Township.	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 out the 2016/17 concession for properties that remain eligible.	To phase in the impact of valuation changes in 2016/17.
	Waiver of Fees and Charges for local Sporting Groups where no commercial return is derived from the property	To assist local Not for Profit Community Organisations to remain viable.	To recognise the community benefit provided by local Not for Profit Community Organisations.
Fees and Charges	Fee Waivers for Economic Development purposes considered on an individual basis by Council or administratively by delegated authority	To encourage economic diversity and growth within the City of Karratha.	To ensure a diverse economy for the future prosperity of the City of Karratha.
	General Fee Waivers considered on an individual basis administratively by delegated authority	To ensure business continuity, administrative efficiency and marketing opportunities.	To minimise the administrative costs of the City and it's partners in doing business.
Rates	Fee Waivers for local Not for Profit and Community Organisations considered upon application for the use of the City's waste and recreational facilities.	To assist local sporting organisations to remain operational.	To recognise the community benefit provided by local sporting organisations.
Rates and Penalty interest	Considered on an individual basis by Council or administratively by delegated authority.	To ensure efficiency and cost effectiveness in pursuing rates debts.	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 ensure efficiency and cost effectiveness in pursuing sundry debts.	To manage the City's debt portfolio in an economically viable manner.

## 23. RATING INFORMATION (Continued)

### (d) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
<b>Option One</b>	03 Sep 2018	0	0.00%	11.00%
<b>Option Two</b>	03 Sep 2018	0	4.50%	11.00%
	05 Nov 2018	10.00	4.50%	11.00%
<b>Option Three</b>	03 Sep 2018	0	4.50%	11.00%
	05 Nov 2018	10.00	4.50%	11.00%
	07 Jan 2019	10.00	4.50%	11.00%
	11 Mar 2019	10.00	4.50%	11.00%

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Interest on unpaid rates	364,116	280,000	360,888
Interest on instalment plan	97,003	119,500	136,331
Deferred Pensioner Interest	641	350	352
Charges on instalment plan	72,150	82,000	72,840
Administration Fee - Adhoc Arrangement	270	1,000	100
Administration Fee - Direct Debit	670	500	760
	<b>534,850</b>	<b>483,350</b>	<b>571,271</b>

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
PUPP Penalty Interest	52,698	43,500	26,342
PUPP Instalment Interest	30,481	28,444	305,596
PUPP Instalment Charges	4,624	4,140	56,680
	<b>87,803</b>	<b>76,084</b>	<b>388,618</b>

## 24. RATE SETTING STATEMENT INFORMATION

		2018/19 Budget	2018/19
	2018/19 (30 June 2019 Carried Forward)	(30 June 2019 Carried Forward)	(1 July 2018 Brought Forward)
Note	\$	\$	\$
<b>(a) Non-cash amounts excluded from operating activities</b>			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .			
<b>Adjustments to operating activities</b>			
Less: Profit on asset disposals	10(a)	(134,365)	(32,812)
Less: Non-cash grants and contributions for assets		(122,620)	0
Less: Fair value adjustments to investment property	12	(1,745,200)	0
Movement in inventory (non-current)		35,893	0
Movement in employee benefit provisions (non-current)		(183,282)	12,845
Add: Loss on disposal of assets	10(a)	1,674,523	135,543
Add: Loss on revaluation of fixed assets	8(a)	20,173	458,379
Add: Change in accounting policies		290,670	0
Add: Depreciation on assets	10(b)	17,692,578	20,623,163
<b>Non cash amounts excluded from operating activities</b>		<b>17,528,370</b>	<b>21,197,118</b>
<b>(b) Surplus/(deficit) after imposition of general rates</b>			
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
<b>Adjustments to net current assets</b>			
Less: Reserves - restricted cash	3	(66,847,807)	(61,497,864)
Less: - Financial assets at amortised cost - self supporting loans	7(a)	(24,777)	(20,115)
Less: Movement in Accruals		784,971	851,993
Less: Provision for Doubtful Debts		(1,347,908)	(1,355,831)
Less: Movement in Restricted Surplus		(175,341)	(3,841,143)
Add: Current liabilities not expected to be cleared at end of year		0	4,277,227
Add: Borrowings	14(a)	83,439	81,408
Add: Cash - Restricted Unspent Grants		36,772	11,523
Add: Cash Backed Employee Provisions		4,122,988	4,088,932
Add: Restricted Surplus/(Deficit) June 30 b/fwd		831,611	4,672,754
Less: Restricted Surplus/(Deficit) June 30 c/fwd		(656,270)	(831,611)
<b>Total adjustments to net current assets</b>		<b>(63,192,322)</b>	<b>(57,839,954)</b>
<b>Net current assets used in the Rate Setting Statement</b>			
Total current assets		81,702,049	76,398,241
Less: Total current liabilities		(14,567,763)	(15,994,198)
Less: Total adjustments to net current assets		(63,192,322)	(57,839,954)
<b>Net current assets used in the Rate Setting Statement</b>		<b>3,941,964</b>	<b>2,564,089</b>

## 25. FINANCIAL RISK MANAGEMENT

This note explains the City's exposure to financial risks and how these risks could affect the City's future financial performance.

Risk	Exposure arising from	Measurement	Management
<b>Market risk - interest rate</b>	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
<b>Credit risk</b>	Cash and cash equivalents, trade receivables, financial assets and debt investments	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
<b>Liquidity risk</b>	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

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 finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

### (a) Interest rate risk

#### Cash and cash equivalents and financial assets

The City's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the City to cash flow interest rate risk. Short term overdraft facilities also have variable interest rates however these are repaid within 12 months, reducing the risk level to minimal.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the City to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents and term deposits held disclosed as financial assets at amortised cost are reflected in the table below.

	Weighted	Carrying	Interest rate exposure		
	Average		Fixed	Variable	Non Interest
	Interest Rate	Amounts	Interest Rate	Interest Rate	Bearing
	%	\$	\$	\$	\$
<b>2019</b>					
Cash and cash equivalents	2.09%	25,756,187	20,097,623	5,658,564	0
Financial assets - term deposits	2.67%	42,291,566	42,291,566	0	0
Financial assets at amortised cost - Self Supporting Loan	2.62%	262,336	262,336	0	0
<b>2018</b>					
Cash and cash equivalents	2.25%	14,261,487	5,116,087	9,145,400	0
Financial assets - term deposits	2.37%	48,705,863	48,705,863	0	0
Financial assets at amortised cost - Self Supporting Loan	2.62%	351,315	351,315	0	0

## 25. FINANCIAL RISK MANAGEMENT (Continued)

### Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

	2019	2018
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	56,586	91,454

\* Holding all other variables constant

### Borrowings

Borrowings are 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 City does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 14(b).

### (b) Credit risk

#### Trade Receivables

The City's major receivables comprise rates annual charges and user fees and charges. 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 applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The expected loss rates are based on the payment profiles of rates, fees and charges over a period of 36 months before 1 July 2018 or 1 July 2019 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for rates and sundry receivables.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
<b>30 June 2019</b>					
Rates receivable					
Expected credit loss	0.49%	0.72%	0.89%	9.87%	
Gross carrying amount	1,112,076	567,303	375,845	328,034	2,383,258
Loss allowance	5,413	4,080	3,359	32,364	45,216
<b>01 July 2018</b>					
Rates receivable					
Expected credit loss	0.12%	0.13%	5.34%	6.02%	
Gross carrying amount	1,489,549	642,081	328,368	133,068	2,593,066
Loss allowance	1,793	850	17,537	8,015	28,195

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for sundry receivables.

**25. FINANCIAL RISK MANAGEMENT (Continued)**

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2019</b>					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	64.30%	
Gross carrying amount	4,989,960	693,201	302,071	2,026,013	8,011,245
Loss allowance	0	0	0	1,302,692	1,302,692
<b>01 July 2018</b>					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	68.54%	
Gross carrying amount	3,463,338	2,565,637	28,261	1,936,968	7,994,204
Loss allowance	0	0	0	1,327,636	1,327,636

## 25. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

#### Payables, borrowings and financial assets

Payables, borrowings and financial assets are 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 and disclosed in Note 14(c).

The contractual undiscounted cash flows of the City's payables, borrowings and financial assets are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Maturity Dates			Nominal amount	Carrying amount
	Due within 1 year	Due between 1 & 5 years	Due after 5 years		
	\$	\$	\$	\$	\$
<b>2019</b>					
Payables	10,361,336	0	0	10,361,336	10,361,336
Borrowings	83,439	263,014	0	346,453	346,453
	<u>10,444,775</u>	<u>263,014</u>	<u>0</u>	<u>10,707,789</u>	<u>10,707,789</u>
Financial Assets - term deposits	42,291,566	0	0	42,291,566	42,291,566
Financial Assets at amortised cost - Self Supporting Loan	92,272	170,064	0	262,336	262,336
	<u>42,383,838</u>	<u>170,064</u>	<u>0</u>	<u>42,553,902</u>	<u>42,553,902</u>
<b>2018</b>					
Payables	11,464,018	0	0	11,464,018	11,464,018
Borrowings	81,408	346,453	0	427,861	427,861
	<u>11,545,426</u>	<u>346,453</u>	<u>0</u>	<u>11,891,879</u>	<u>11,891,879</u>
Financial Assets - term deposits	48,705,863	0	0	48,705,863	48,705,863
Financial Assets at amortised cost - Self Supporting Loan	90,176	261,139	0	351,315	351,315
	<u>48,796,039</u>	<u>261,139</u>	<u>0</u>	<u>49,057,178</u>	<u>49,057,178</u>

## 26. TRUST FUNDS

Funds held at balance date which are required to be held in trust and which are not included in the financial statements are as follows:

	1 July 2018	Amounts Received	Amounts Transferred to Municipal Fund	Amounts Paid	30 June 2019
	\$	\$		\$	\$
Public Open Space Contributions	853,833	0	0	0	853,833
Karratha Agistment Centre Compensation Funds	659,511	0	0	(436,729)	222,782
Planning Bonds	304,622	0	(304,622)	0	0
Unclaimed Monies	26,906	276		(24,236)	2,946
Airport ASIC Cards	15,150	1,250	(7,350)	(9,050)	0
Verge Bonds	12,000	0	0	(12,000)	0
Staff Travel Allowances	9,760	4,160	0	(1,360)	12,560
Airport Parking Cards	10,200	3,850	(11,900)	(2,150)	0
VAST	6,582	273	0	0	6,855
Facility Hire Bonds	3,700	44,750	(7,800)	(40,650)	0
Other Bonds & Guarantees	23,005	11,277	(300)	(11,634)	22,348
	1,925,269	65,836	(331,972)	(537,809)	1,121,324

In the previous years, all bonds and deposits were held as trust monies. From this year, all bonds and deposits not required by legislation or agreement to be held in trust are included in restricted cash at Note 3 and shown as a current liability at Note 13.

## 27. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

On the 8<sup>th</sup> February 2020, Cyclone Damien caused significant damage to City of Karratha assets. The City is undertaking preliminary assessments to assess the impact of the damage however at the date of this report, there are no reasonable estimates of the damage and resulting contribution by the City of Karratha.

## 28. INITIAL APPLICATION OF AUSTRALIAN 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 associated with the amendment of existing standards, the only new standard with material application is AASB 9 *Financial Instruments*.

### AASB 9 Financial instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The City applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies but no adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the City has not restated the comparative information which continues to be reported under AASB 139.

The effect of adopting AASB 9 as at 1 July 2018 was assessed as not material, therefore no adjustment was required to be recognised directly in retained surplus.

#### (a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the City's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the City's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact on the City. The following are the changes in the classification of the City's financial assets:

- Rates and Sundry receivables classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.
- The City did not designate any financial assets as at fair value through profit and loss.

## 28. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

In summary, upon the adoption of AASB 9, the City had the following reclassifications as at 1 July 2018:

	AASB 9 category amortised cost	Fair value through OCI	Fair value through P/L
	\$	\$	\$
<b>AASB 139 category</b>			
<b>Loans and receivables</b>			
Rates Receivables	2,593,068	0	0
Sundry Receivables	7,994,204	0	0
Carrying amount at end of period	10,587,272	0	0

### (b) Impairment

The adoption of AASB 9 has fundamentally changed the City's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the City to recognise an allowance for ECLs for all financial assets not held at fair value through P/L.

The effect of adopting AASB 9 as at 1 July 2018 was assessed as not material therefore no adjustments have been made to the amount recognised financial statements.

## 29. CHANGE IN ACCOUNTING POLICY

On 1 July 2018 Paragraph 17A (5) was inserted into Local Government (Financial Management) Regulations 1996.

The regulation stated an asset is to be excluded from the assets of a local government if the fair value of the asset at the date of acquisition by the local government is under \$5,000. The adoption of the regulation constitutes a change in accounting policy. Due to the effect on the financial statements not being material, the City did not retrospectively apply the changes in accounting policy arising from the new regulation and has not restated comparative figures.

During the year assets with a fair value at the date of acquisition of under \$5,000 and purchased prior to 1 July 2018 have been excluded from the assets of the City and written off in the Statement of Comprehensive Income.

The effect of the adjustment at 1 July 2018 is detailed below:

<b>Statement of Financial Position</b> (extract)	<u>01 July 2018</u> \$
<b>NON-CURRENT ASSETS</b>	
Property, plant and equipment	290,670
<b>NET ASSETS</b>	<u>290,670</u>
<b>EQUITY</b>	
Retained surplus	290,670
<b>TOTAL EQUITY</b>	<u><u>290,670</u></u>
<b>Statement of Comprehensive Income</b> (extract)	<u>01 July 2018</u> \$
<b>By Nature or Type</b>	
Loss on assets disposed	290,670
<b>By Program</b>	
Loss on assets disposed	290,670
Total Comprehensive income for the period	<u><u>290,670</u></u>

### 30. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS

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.

This note explains management's assessment of the new and amended pronouncements that are relevant to the City, the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*. These standards are applicable to future reporting periods and have not yet been adopted.

#### (a) Revenue from Contracts with Customers

The City will adopt AASB 15 *Revenue from Contracts with Customers* (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the City will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019.

A portion of the City's revenue from grants, contributions & reimbursements is likely to be deferred although the amount is not expected to be material.

#### (b) Leases

The City adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. On adoption of AASB 16, the impact is Nil as the City has no operating leases.

#### (c) Income For Not-For-Profit Entities

The City will adopt AASB 1058 *Income for Not-for-Profit Entities* (issued December 2016) on 1 July 2019 which will result in changes in accounting policies. In accordance with the transition provisions AASB 1058, the City will adopt the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods shall not be restated in accordance with AASB 1058 transition requirements.

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance give rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates will be recognised as a financial asset and a related amount recognised as a financial liability and no income recognised by the City. When the taxable event occurs the financial liability will be extinguished and the City will recognise income for the prepaid rates that have not been refunded.

Assets that were acquired for consideration, that were significantly less than fair value principally to enable the City to further its objectives, may have been measured on initial recognition under other Australian Accounting Standards at a cost that was significantly less than fair value. Such assets are not required to be remeasured at fair value.

Volunteer Services in relation to Volunteer Fire Services will be recognised in budgeted revenue and expenditure as the fair value of the services can be reliably estimated and the services would have been purchased if they had not been donated.

The financial impact of these are not expected to be material.

**31. OTHER SIGNIFICANT ACCOUNTING POLICIES**

**a) Goods and services tax (GST)**

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

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

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

**b) Current and non-current classification**

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

**c) Rounding off figures**

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

**d) Comparative figures**

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

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

**e) Budget comparative figures**

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

**f) Superannuation**

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

**g) Fair value of assets and liabilities**

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.

**h) Fair value hierarchy**

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

**Level 1**

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

**Level 2**

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

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

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

**Valuation techniques**

The 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.

**Income approach**

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

**Cost approach**

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

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the 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.

**i) Impairment of assets**

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

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

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

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

## 32. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
<b>GOVERNANCE</b> To provide a decision making process for the efficient allocation of scarce resources.	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.
<b>GENERAL PURPOSE FUNDING</b> To collect revenue to allow for the provision of services.	Rating (including ex-gratia contributions), interest revenues, investment property revenues and general purpose Government grant functions. Includes the Financial Assistance Grant received from the Local Government Grants Commission and all other rate income.
<b>LAW, ORDER, PUBLIC SAFETY</b> To provide services to help ensure a safer and environmentally conscious community.	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.
<b>HEALTH</b> To provide an operational framework for environmental and community 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.
<b>EDUCATION AND WELFARE</b> To provide services to disadvantaged persons, the elderly, children and youth.	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.
<b>HOUSING</b> To provide and maintain staff housing.	Maintenance and operational expenses associated with the provision of staff housing.
<b>COMMUNITY AMENITIES</b> To provide services required by the community.	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.
<b>RECREATION AND CULTURE</b> To establish and effectively manage infrastructure and resources which will help the social well being of the community.	Maintenance of halls, swimming pool, recreation centres, various reserves and operation of libraries. Expenditure includes the cost of the Karratha Leisureplex, Red Earth Arts Precinct and other pavilions, ovals and parks maintenance, Roebourne Swimming Pool, coastal rehabilitation, and four libraries. Expenses relating to the historical town of Cossack and JJJ radio re-broadcasting are also included in this function.
<b>TRANSPORT</b> To provide safe, effective and efficient transport services to the community.	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.
<b>ECONOMIC SERVICES</b> To help promote the local government and its economic wellbeing.	Tourism and administration of building controls. Expenditure includes operation of visitor services and the costs associated with camping grounds.
<b>OTHER PROPERTY AND SERVICES</b> To monitor and control operating accounts.	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.

### 33. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	11.87	5.21	1.53
Asset consumption ratio	0.81	0.84	0.92
Asset renewal funding ratio	1.13	1.00	1.00
Asset sustainability ratio	0.91	0.88	0.72
Debt service cover ratio	272.31	134.13	384.34
Operating surplus ratio	0.09	(0.13)	0.11
Own source revenue coverage ratio	0.90	0.79	0.95

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$
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	$\frac{\text{own source operating revenue}}{\text{operating expense}}$



# Auditor General

## INDEPENDENT AUDITOR'S REPORT

To the Councillors of the City of Karratha

Report on the Audit of the Financial Report

### **Opinion**

I have audited the annual financial report of the City of Karratha which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the City of Karratha:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the City for the year ended 30 June 2019 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

### **Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the City in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Emphasis of Matter – Basis of Accounting**

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

### **Emphasis of Matter – Contingent Liabilities**

I draw attention to Note 18 "Contingent Liabilities" of the annual financial report, which discloses a contingent liability for the City's rehabilitation of its waste disposal site. The City's site licence was varied in May 2017 to require site rehabilitation. My opinion is not modified in respect of this matter.

### **Responsibilities of the Chief Executive Officer and Council for the Financial Report**

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

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

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

***Auditor's Responsibility for the Audit of the Financial Report***

The objectives of my audit are to obtain reasonable assurance about whether the annual 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 my 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 annual financial report.

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

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

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

**Report on Other Legal and Regulatory Requirements**

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

- (i) All required information and explanations were obtained by me.
- (ii) All audit procedures were satisfactorily completed.
- (iii) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

**Other Matter**

The annual financial report of the City for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that annual financial report. The financial ratios for 2017 and 2018 in Note 33 of the audited annual financial report were included in the supplementary information and/or audited annual financial report for those years.

**Matters Relating to the Electronic Publication of the Audited Financial Report**

This auditor's report relates to the annual financial report of the City of Karratha for the year ended 30 June 2019 included on the City's website. The City's management is responsible for the integrity of the City's website. This audit does not provide assurance on the integrity of the City's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



CAROLINE SPENCER  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia  
17 February 2020