

# Financial Report 2014/15

City of Karratha financial report for  
the year ending 30 June 2015

2014  
/15

**CITY OF KARRATHA**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

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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 2015

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed as authorisation of issue on the 9<sup>th</sup> day of November 2015



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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 2015**

	NOTE	2015 \$	2015 Budget \$	2014 \$
<b>Revenue</b>				
Rates	21	40,113,563	40,580,172	35,769,877
Operating grants, subsidies and contributions	27	18,473,358	12,647,119	7,410,418
Fees and charges	26	44,143,892	45,085,103	47,162,921
Service charges	23	30,308,739	34,545,605	0
Interest earnings	2(a)	3,576,356	3,398,954	2,445,100
Other revenue	2(a)	2,633,866	555,039	1,482,487
		<u>139,249,774</u>	<u>136,811,992</u>	<u>94,270,803</u>
<b>Expenses</b>				
Employee costs		(33,608,639)	(36,407,290)	(33,353,872)
Materials and contracts		(31,298,849)	(47,197,845)	(23,682,567)
Utility charges		(3,946,511)	(4,175,242)	(4,275,811)
Depreciation on non-current assets	2(a)	(12,711,351)	(11,202,287)	(9,858,361)
Interest expenses	2(a)	0	(47,700)	(10,597)
Insurance expenses		(1,606,064)	(1,753,304)	(1,700,422)
Other expenditure		(3,891,524)	(3,845,795)	(2,321,215)
		<u>(87,062,938)</u>	<u>(104,629,463)</u>	<u>(75,202,845)</u>
		52,186,836	32,182,529	19,067,958
Non-operating grants, subsidies and contributions		11,508,482	6,682,101	16,392,796
Contributions of gifted assets		56,907,796	0	0
Loss on revaluation of artwork assets	6(a)	(57,730)	0	0
Loss on revaluation of infrastructure assets	7(a)	(11,317,387)	0	0
Profit on asset disposals	19	91,172	15,867	46,856
Loss on asset disposals	19	(653,680)	(597,456)	(2,125,558)
		<u>108,665,489</u>	<u>38,283,041</u>	<u>33,382,052</u>
<b>Other comprehensive income</b>				
Changes on revaluation of non-current assets		343,760,723	0	33,154,183
		<u>343,760,723</u>	<u>0</u>	<u>33,154,183</u>
<b>Total other comprehensive income</b>		<u>343,760,723</u>	<u>0</u>	<u>33,154,183</u>
<b>Total comprehensive income</b>		<u><u>452,426,212</u></u>	<u><u>38,283,041</u></u>	<u><u>66,536,235</u></u>

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 2015**

	NOTE	2015 \$	2015 Budget \$	2014 \$
<b>Revenue</b>				
Governance		1,115,882	176,088	1,006,843
General purpose funding		78,500,516	81,710,744	39,619,088
Law, order, public safety		1,451,026	1,138,026	915,039
Health		230,382	182,000	190,193
Education and welfare		58,900	58,900	152,082
Housing		301,999	349,356	246,833
Community amenities		11,349,795	12,658,688	13,330,106
Recreation and culture		20,237,270	11,497,536	8,494,979
Transport		24,215,843	28,024,722	28,600,060
Economic services		529,393	537,040	760,127
Other property and services		1,258,768	478,892	955,453
		<u>139,249,774</u>	<u>136,811,992</u>	<u>94,270,803</u>
<b>Expenses</b>				
Governance		(15,731,793)	(5,862,396)	(3,693,203)
General purpose funding		(10,621,027)	(20,431,500)	178,158
Law, order, public safety		(1,897,764)	(2,192,065)	(1,792,536)
Health		(1,374,758)	(1,343,165)	(1,532,582)
Education and welfare		(212,323)	(183,232)	(261,976)
Housing		(904,796)	(859,507)	(1,067,348)
Community amenities		(13,655,639)	(18,085,599)	(14,172,503)
Recreation and culture		(30,197,904)	(30,471,820)	(27,543,562)
Transport		(21,438,745)	(20,948,645)	(22,451,522)
Economic services		(2,098,247)	(2,255,048)	(2,055,892)
Other property and services		(305,059)	(1,948,786)	(799,282)
		<u>(98,438,055)</u>	<u>(104,581,763)</u>	<u>(75,192,248)</u>
<b>Finance costs</b>				
	2(a)			
General purpose funding		0	0	(10,597)
Economic services		0	(47,700)	0
		<u>0</u>	<u>(47,700)</u>	<u>(10,597)</u>
<b>Non-operating grants, subsidies and contributions</b>				
Law, order, public safety		1,170,048	227,310	314,430
Community amenities		2,540,100	30,000	270,000
Recreation and culture		1,380,274	4,471,419	14,740,116
Transport		63,325,856	1,953,372	1,068,250
	27	<u>68,416,278</u>	<u>6,682,101</u>	<u>16,392,796</u>
<b>Profit/(Loss) on disposal of assets</b>				
Governance		(10,466)	(3,632)	(1,727)
Law, order, public safety		(48,264)	(13,742)	410
Health		567	1,189	8,018
Education and welfare		0	0	(408,909)
Housing		(293,742)	0	0
Community amenities		(67,335)	(377,142)	(80,045)
Recreation and culture		(2,408)	(1,070)	(1,584,358)
Transport		(117,123)	(154,979)	(29,579)
Economic services		0	(3,556)	3,340
Other property and services		(23,737)	(28,657)	14,148
	19	<u>(562,508)</u>	<u>(581,589)</u>	<u>(2,078,702)</u>
<b>Net result</b>		<u>108,665,489</u>	<u>38,283,041</u>	<u>33,382,052</u>

**CITY OF KARRATHA  
STATEMENT OF COMPREHENSIVE INCOME  
BY PROGRAM  
FOR THE YEAR ENDED 30TH JUNE 2015**

	NOTE	2015 \$	2015 Budget \$	2014 \$
<b>Net result</b>		<b>108,665,489</b>	<b>38,283,041</b>	<b>33,382,052</b>
Changes on revaluation of non-current assets		343,760,723	0	33,154,183
<b>Total other comprehensive income</b>		<u><b>343,760,723</b></u>	<u><b>0</b></u>	<u><b>33,154,183</b></u>
<b>Total comprehensive income</b>		<u><u><b>452,426,212</b></u></u>	<u><u><b>38,283,041</b></u></u>	<u><u><b>66,536,235</b></u></u>

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

**CITY OF KARRATHA  
STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2015**

	NOTE	2015 \$	2014 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	85,384,687	62,930,475
Trade and other receivables	4	21,022,833	11,944,823
Inventories	5	1,012,437	401,889
<b>TOTAL CURRENT ASSETS</b>		<u>107,419,957</u>	<u>75,277,187</u>
<b>NON-CURRENT ASSETS</b>			
Other receivables	4	6,926,623	50,260
Property, plant and equipment	6	197,959,808	182,214,889
Infrastructure	7	531,091,475	127,062,962
<b>TOTAL NON-CURRENT ASSETS</b>		<u>735,977,906</u>	<u>309,328,111</u>
<b>TOTAL ASSETS</b>		<u>843,397,863</u>	<u>384,605,298</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	16,458,213	10,690,587
Provisions	9	3,750,143	3,390,759
<b>TOTAL CURRENT LIABILITIES</b>		<u>20,208,356</u>	<u>14,081,346</u>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	9	705,664	1,328,725
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>705,664</u>	<u>1,328,725</u>
<b>TOTAL LIABILITIES</b>		<u>20,914,020</u>	<u>15,410,071</u>
<b>NET ASSETS</b>		<u>822,483,843</u>	<u>369,195,227</u>
<b>EQUITY</b>			
Retained surplus		345,569,312	257,225,947
Reserves - cash backed	10	84,089,305	62,904,777
Revaluation surplus	11	392,825,226	49,064,503
<b>TOTAL EQUITY</b>		<u>822,483,843</u>	<u>369,195,227</u>

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

**CITY OF KARRATHA  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2015**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2013</b>		<b>244,064,164</b>	<b>42,684,508</b>	<b>15,910,320</b>	<b>302,658,992</b>
Comprehensive income					
Net result		33,382,052	0	0	33,382,052
Changes on revaluation of non-current assets	11	<u>0</u>	<u>0</u>	<u>33,154,183</u>	<u>33,154,183</u>
Total comprehensive income		33,382,052	0	33,154,183	66,536,235
Transfers from/(to) reserves	10	(20,220,269)	20,220,269	0	0
		<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Balance as at 30 June 2014</b>		<b>257,225,947</b>	<b>62,904,777</b>	<b>49,064,503</b>	<b>369,195,227</b>
Comprehensive income					
Net result		108,665,489	0	0	108,665,489
Adjustments to prior period transactions		(857)	0	0	(857)
Disposal of revalued non-current assets	11	726,866	0	(726,866)	0
Other adjustments to revalued non-current assets	11	136,395	0	(136,395)	0
Impairment to revalued non-current assets	11	0	0	(11,083,247)	(11,083,247)
Changes on revaluation of non-current assets	11	0	0	355,707,231	355,707,231
Rounding	11	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total comprehensive income		109,527,893	0	343,760,723	453,288,616
Transfers from/(to) reserves	10	(21,184,528)	21,184,528	0	0
		<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Balance as at 30 June 2015</b>		<b><u>345,569,312</u></b>	<b><u>84,089,305</u></b>	<b><u>392,825,226</u></b>	<b><u>822,483,843</u></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 2015**

	NOTE	2015 \$	2015 Budget \$	2014 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		40,576,230	38,823,388	35,428,282
Operating grants, subsidies and contributions		58,856,176	12,647,119	5,455,025
Fees and charges		44,143,892	45,085,103	47,162,921
Service charges		30,308,739	34,545,605	0
Interest earnings		3,576,356	3,398,954	2,445,100
Goods and services tax		214,555	0	6,441,587
Other revenue		2,633,866	555,039	1,482,487
		<u>180,309,814</u>	<u>135,055,208</u>	<u>98,415,402</u>
<b>Payments</b>				
Employee costs		(33,009,008)	(36,086,390)	(32,729,430)
Materials and contracts		(25,852,385)	(48,455,721)	(22,980,487)
Utility charges		(3,946,511)	(4,175,242)	(4,275,811)
Interest expenses		0	(47,700)	(11,633)
Insurance expenses		(1,606,064)	(1,753,304)	(1,700,422)
Goods and services tax		0	0	(6,319,619)
Other expenditure		(3,891,524)	(3,845,795)	(2,321,215)
		<u>(68,305,492)</u>	<u>(94,364,152)</u>	<u>(70,338,617)</u>
<b>Net cash provided by (used in) operating activities</b>	12(b)	<u>112,004,322</u>	<u>40,691,056</u>	<u>28,076,785</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for development of Land held for resale		(524,251)	0	0
Payments for purchase of property, plant & equipment	6(b)	(33,756,697)	(37,636,271)	(13,314,557)
Payments for construction of infrastructure	7(b)	(66,998,040)	(12,240,227)	(12,062,698)
Non-operating grants, Subsidies and contributions	27	11,508,482	6,682,101	16,392,796
Proceeds from sale of fixed assets	19	958,228	789,850	235,641
		<u>(88,812,278)</u>	<u>(42,404,547)</u>	<u>(8,748,818)</u>
<b>Net cash provided by (used in) investment activities</b>		<u>(88,812,278)</u>	<u>(42,404,547)</u>	<u>(8,748,818)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of debentures		0	(354,625)	(56,334)
Proceeds from self supporting loans		(3,143)	3,143	10,431
Advances to community groups		(970,047)	0	0
Proceeds from advances		235,358	221,863	0
Other loan principal income		0	0	0
Proceeds from new debentures		0	8,000,000	0
<b>Net cash provided by (used in) financing activities</b>		<u>(737,832)</u>	<u>7,870,381</u>	<u>(45,903)</u>
<b>Net increase (decrease) in cash held</b>		22,454,212	6,156,890	19,282,064
Cash at beginning of year		62,930,475	69,178,936	43,648,411
<b>Cash and cash equivalents at the end of the year</b>	12(a)	<u>85,384,687</u>	<u>75,335,826</u>	<u>62,930,475</u>

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

**CITY OF KARRATHA  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2015**

	NOTE	2015 Actual \$	2015 Budget \$	2014 Actual \$
<b>Revenue</b>				
Governance		1,119,962	176,088	1,006,843
General purpose funding		38,386,953	41,130,572	3,849,211
Law, order, public safety		2,622,400	1,365,336	1,234,912
Health		230,949	183,189	198,211
Education and welfare		58,900	58,900	152,082
Housing		301,999	349,356	246,833
Community amenities		13,905,048	12,688,688	13,600,106
Recreation and culture		21,624,236	15,976,278	23,241,511
Transport		87,600,464	29,985,449	29,677,801
Economic services		529,393	537,040	763,467
Other property and services		1,263,357	478,892	969,601
		<u>167,643,661</u>	<u>102,929,788</u>	<u>74,940,578</u>
<b>Expenses</b>				
Governance		(15,746,339)	(5,866,028)	(3,694,930)
General purpose funding		(10,621,027)	(20,431,500)	167,561
Law, order, public safety		(1,947,354)	(2,205,807)	(1,797,569)
Health		(1,374,758)	(1,343,165)	(1,532,582)
Education and welfare		(212,323)	(183,232)	(670,885)
Housing		(1,198,538)	(859,507)	(1,067,348)
Community amenities		(13,738,127)	(18,462,741)	(14,252,548)
Recreation and culture		(30,207,004)	(30,480,213)	(29,134,336)
Transport		(21,614,633)	(21,110,979)	(22,490,592)
Economic services		(2,098,247)	(2,306,304)	(2,055,892)
Other property and services		(333,385)	(1,977,443)	(799,282)
		<u>(99,091,735)</u>	<u>(105,226,919)</u>	<u>(77,328,403)</u>
<b>Net result excluding rates</b>		68,551,926	(2,297,131)	(2,387,825)
<b>Adjustments for cash budget requirements:</b>				
<b>Non-cash expenditure and revenue</b>				
Initial recognition of assets due to change to regulations				
- Land		0	0	(564,454)
(Profit)/Loss on asset disposals	19	562,508	581,589	2,078,702
Contributions of Gifted Assets		(56,907,796)	0	0
Loss on revaluation of fixed assets		11,375,117	0	0
Movement in Accrued Interest		0	0	(1,036)
Movement in accrued salaries and wages		229,373		486,070
Movement in employee benefit provisions (non-current)		(623,061)	220,900	811,942
Depreciation and amortisation on assets	2(a)	12,711,351	11,202,287	9,858,361
<b>Capital expenditure and revenue</b>				
Purchase land held for resale		(524,251)	0	0
Purchase of land and buildings	6(b)	(1,688,917)	(33,183,371)	(11,382,291)
Purchase equipment (external)	6(b)	(86,404)	0	(188,740)
Purchase furniture & equipment	6(b)	(626,676)	(632,900)	(693,893)
Purchase artwork and sculptures	6(b)	0	0	(132,727)
Purchase plant	6(b)	(2,464,309)	(3,820,000)	(1,074,248)
Purchase infrastructure assets		(5,319,134)	(12,240,227)	(12,062,698)
Purchase works in progress		(33,661,501)	0	0
Advances to community groups		(970,047)	0	0
Repayment of advances to community groups		235,358	0	0
Income Set Aside as Restricted Funds - Expense		(26,823)	0	(4,918)
Proceeds from disposal of fixed assets	19	958,228	789,850	235,641
Repayment of debentures	20(a)	0	(354,625)	(56,334)
Proceeds from new debentures	20(b)	0	8,000,000	0
Proceeds from self supporting loans		0	3,143	10,431
Other Loan Principal Income		0	221,863	0
Transfers to reserves (restricted assets)	10	(55,640,657)	(35,466,456)	(27,040,869)
Transfers from reserves (restricted assets)	10	34,456,129	25,282,386	6,820,600
ADD Estimated surplus/(deficit) July 1 b/fwd	21(b)	1,617,633	1,112,520	1,136,042
LESS Estimated restricted surplus/(deficit) June 30 c/fwd	21(b)	12,208,160	0	0
LESS Estimated unrestricted surplus/(deficit) June 30 c/fwd	21(b)	63,450	0	1,617,633
<b>Total amount raised from general rate</b>	21(a)	<u>(40,113,563)</u>	<u>(40,580,172)</u>	<u>(35,769,877)</u>

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

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

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

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

**Critical accounting estimates**

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

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

**The local government reporting entity**

All funds through which the City controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between Funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 18 to these financial statements.

**(b) 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.

**(c) Cash and Cash Equivalents**

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

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

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(d) Trade and Other Receivables**

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

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

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

**(e) Inventories**

**General**

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

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

**Land held for sale**

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

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

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

**(f) Fixed Assets**

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

**Mandatory requirement to revalue non-current assets**

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

The amendments allow for a phasing in of fair value in relation to fixed assets over three years as follows:

- (a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and
- (b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government -
  - (i) that are plant and equipment; and
  - (ii) that are -
    - (I) land and buildings; or-
    - (II) Infrastructure;

and

- (c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.

Thereafter, in accordance with the regulations, each asset class must be revalued at least every 3 years.

In 2013, the City commenced the process of adopting Fair Value in accordance with the Regulations.

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

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fixed Assets (Continued)**

***Land under control***

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

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

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

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

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

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

***Revaluation***

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

***Land under roads***

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

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

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

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

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

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fixed Assets (Continued)**

***Depreciation***

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

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

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

Major depreciation periods used for each class of depreciable asset for the 2014/15 financial year were:

Artwork/sculptures	50 years
Buildings:	
- Buildings	50 years
- Buildings fixtures/fittings	11 years
- Buildings on leased land	21 years
- Transportable building	15 years
Furniture & Internal Equipment:	
- Computers & peripherals	3 years
- Other electronic equipment	4 years
- Furniture	10 years
Plant:	
- Construction plant (e.g. prime movers and trailers)	12 years
- Construction vehicles (e.g. trucks)	8 years
- Light commercial vehicles	5 years
- Passenger vehicles	5 years
- Heavy plant	4 years
Equipment:	
- Heavy usage	2.5 years
- Light usage	5 years
Infrastructure:	
- Roads	28 years
- Paths and cycleways	21 years
- Aerodromes	28 years
- Parks and gardens	100 years
- Hard-court facility - bitumen	28 years
- Hard-court facility - concrete	42 years
- Bridges and culverts	21 years
- Drainage	56 years
- Miscellaneous structures	21 years
- Boat ramps/jetties	51 years

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

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fixed Assets (Continued)**

Through the revaluation of Council's Infrastructure Assets during the year ended 30 June 2015, Council officers also sought recommendations with regards to asset useful lives from the valuation provider. Based on these recommendations, major depreciation periods used for each sub class of depreciable infrastructure assets are as follows:

Infrastructure:

- Access Roads - Seal	20 years
- Airport Sealed Taxiway - Formation	80 years
- Airport Sealed Taxiway - Pavement	50 years
- Airport Water System - Hydrants & Valves	50 years
- Airport Water System - Pipework	80 years
- Airport Water System - Pumps	20 years
- Airport Water System - Tanks	60 years
- Ancillary Assets	30 years
- Boat Ramps/Jetties	50 years
- Bridges & Culverts	80 years
- Building & Structures	30 years
- Car Park Furniture	40 years
- Car Park Payment System	30 years
- Closed Circuit Television	20 years
- Effluent Ponds	60 years
- Effluent Reuse Supply Pipes	50 years
- Fencing - General	30 years
- Fencing - Specialised	40 years
- Footpaths	45 years
- Irrigation	30 years
- Kerbs	40 years
- Landfill Cell	50 years
- Lighting - General	30 years
- Lighting - Low output	30 years
- Lighting - Oval & Carpark	40 years
- Parks & Open Space Furniture	15 years
- Pedestrian Bridge	40 years
- Playground Equipment	15 years
- Pool Structures	40 years
- Power System	60 years
- Roads & Carparks - Surface	30 years
- Roads & Carparks - Pavement	70 years
- Sea Container - Specialised	40 years
- Sea Container - Standard	30 years
- Sealed Taxiways, Runways & Aprons - Seal	20 years
- Settlement Ponds	80 years
- Skate Parks & Courts	40 years
- Sports Courts, Pitches & Tracks	30 years
- Stormwater Network	80 years
- Street Furniture	30 years
- Structures	30 years
- Waste Ancillary Assets	40 years

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

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fixed Assets (Continued)**

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.

When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

***Capitalisation threshold***

Expenditure on items of equipment under \$5,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

**(g) Fair Value of Assets and Liabilities**

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

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

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

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

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

***Fair value hierarchy***

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

**Level 1**

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

**Level 2**

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

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(g) Fair Value of Assets and Liabilities (Continued)**

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 an asset at its current service capacity.

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

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years.

**(h) Financial Instruments**

***Initial recognition and measurement***

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

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

***Classification and subsequent measurement***

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

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Financial Instruments (Continued)**

Amortised cost is calculated as:

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

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

***Classification and subsequent measurement (continued)***

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

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

*(ii) Loans and receivables*

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

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

*(iii) Held-to-maturity investments*

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

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

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Financial Instruments (Continued)**

*(iv) Available-for-sale financial assets*

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

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

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

*(v) Financial liabilities*

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

***Impairment***

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

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

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

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

***Derecognition***

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

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

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(i) Impairment of Assets**

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

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

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

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

**(j) Trade and Other Payables**

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

**(k) Employee Benefits**

**Short-term employee benefits**

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

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

**Other long-term employee benefits**

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

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

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(k) Employee Benefits (Continued)**

Employee benefits are accrued on the basis of numbers of years employed (continuously) in Local Government as follows:

0-1 years	10% of normal accrual
1-2 years	15% of normal accrual
2-3 years	25% of normal accrual
3-4 years	40% of normal accrual
4-5 years	60% of normal accrual
5-6 years	80% of normal accrual
6-7 years	90% of normal accrual
7-10 years	100% of normal accrual

The City of Karratha's Enterprise Agreement 2012 permits employees to apply to take pro-rata Long Service Leave (6.5 weeks) on completion of each 5 years of continuous service with the City. Where an employee has reached a period of service with the City longer than 5 years but less than 7, employee benefits are accrued on the basis of numbers of years employed (continuously) with the City of Karratha as follows:

0-1 years	20% of normal accrual
1-2 years	30% of normal accrual
2-3 years	50% of normal accrual
3-4 years	70% of normal accrual
4-5 years	90% of normal accrual

**(l) 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.

**(m) 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.

**(n) Leases**

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

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

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

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

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

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(o) Investment in Associates**

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

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

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

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

**(p) Interests in Joint Arrangements**

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

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

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The City's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 15.

**(q) Rates, Grants, Donations and Other Contributions**

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

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

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

**(r) Superannuation**

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

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(s) Current and Non-Current Classification**

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

**(t) Rounding Off Figures**

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

**(u) Comparative Figures**

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

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

**(v) Budget Comparative Figures**

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

**CITY OF KARRATHA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the City, it is not anticipated the Standard will have any material effect.
(ii) AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)  [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	September 2012	1 January 2018	Nil - The revisions embodied in this Standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the City (refer (i) above).
(iii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2017	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.  The effect of this Standard will depend upon the nature of future transactions the City has with those third parties it has dealings with. It may or may not be significant.

**CITY OF KARRATHA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

	<b>Title</b>	<b>Issued / Compiled</b>	<b>Applicable <sup>(1)</sup></b>	<b>Impact</b>
(iv)	AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments  [Operative date: Part C Financial Instruments - 1 January 2015]	December 2013	Refer title column	Part C of this Standard makes consequential amendments to AASB 9 and numerous other Standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value.  As the bulk of changes relate either to editorial or reference changes it is not expected to have a significant impact on the City.
(v)	AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations  [AASB 1 & AASB 11]	August 2014	1 January 2016	This Standard amends AASB 11: <i>Joint Arrangements</i> to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: <i>Business Combinations</i> , to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.  Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the City's financial statements.
(vi)	AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation  [AASB 116 & 138]	August 2014	1 January 2016	This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.  Given the City currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.

**CITY OF KARRATHA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(vii) AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	December 2014	1 January 2017	<p>Consequential changes to various Standards arising from the issuance of AASB 15.</p> <p>It will require changes to reflect the impact of AASB 15.</p>
(viii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101  [AASB 7, 101, 134 & 1049]	January 2015	1 January 2016	<p>This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements.</p> <p>This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column.</p> <p>It is not anticipated it will have any significant impact on disclosures.</p>
(ix) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality	January 2015	1 July 2015	<p>This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing it to be completely withdrawn.</p> <p>It is not anticipated it will have a significant impact as the principles of materiality remain largely unchanged.</p>

**CITY OF KARRATHA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(x) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities  [AASB 10, 124 & 1049]	March 2015	1 July 2016	The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.  The Standard is expected to have a significant disclosure impact on the financial report of the City as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.

Notes:

<sup>(1)</sup> Applicable to reporting periods commencing on or after the given date.

**(x) Adoption of New and Revised Accounting Standards**

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

These new and revised Standards were:

- AASB 2011-7
- AASB 2012-3
- AASB 2013-3
- AASB 2013-8
- AASB 2013-9 Parts A & B

Most of the Standards adopted had a minimal effect on the accounting and reporting practices of the City as they did not have a significant impact on the accounting or reporting practices or were either not applicable, largely editorial in nature, were revisions to help ensure consistency with presentation, recognition and measurement criteria of IFRSs or related to topics not relevant to operations.

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

<b>2. REVENUE AND EXPENSES</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Net Result</b>		
The Net result includes:		
(i) Charging as an expense:		
<b>Auditors remuneration</b>		
- Audit of the annual financial report	36,205	25,000
- Other services	826	13,575
<b>Depreciation</b>		
Buildings	2,630,995	1,908,400
Equipment (External)	129,397	178,257
Furniture & Equipment	784,293	663,118
Artwork and Sculptures	20,220	17,686
Plant	1,872,621	1,723,558
Roads	2,693,304	1,880,250
Footpaths	489,640	266,994
Aerodromes	2,056,395	1,944,710
Parks & Gardens	128,900	118,341
Hardcourt Facilities	147,309	125,916
Bridges & Culverts	277,135	84,508
Drainage	37,646	21,768
Boat Ramps & Jetties	175,480	124,976
Miscellaneous Structures	1,268,016	799,879
	<u>12,711,351</u>	<u>9,858,361</u>
<b>Interest expenses (finance costs)</b>		
Debentures	0	10,597
	<u>0</u>	<u>10,597</u>
<b>Rental charges</b>		
- Operating leases	7,394	97,526
	<u>7,394</u>	<u>97,526</u>
(ii) Crediting as revenue:		
<b>Other revenue</b>		
Other	2,633,866	1,482,487
	<u>2,633,866</u>	<u>1,482,487</u>

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**2. REVENUE AND EXPENSES (Continued)**

	<b>2015 Actual \$</b>	<b>2015 Budget \$</b>	<b>2014 Actual \$</b>
<b>Interest earnings</b>			
<b>Earnings on Reserve Funds</b>			
Employee Entitlement Reserve	75,045	74,184	68,128
Aerodrome Reserve	218,368	705,024	416,963
Dampier Drainage Reserve	0	24	657
Walkington Theatre Reserve	915	204	583
Plant Replacement Reserve	70,338	72,756	72,931
Workers Compensation Reserve	21,030	23,328	19,076
Waste Management Reserve	573,975	687,612	519,318
Infrastructure Reserve	657,101	529,056	240,659
Housing Reserve	0	0	1
Aged Persons Unit Reserve	2,404	2,664	2,213
Junior Sport Reserve	0	60	2,246
Public Open Space Reserve	0	0	698
History & Cultural Publications Reserve	1,695	2,028	1,662
Mosquito Control Reserve	180	180	142
Medical Services Assistance Package Reserv	8,677	8,424	7,923
Royalties for Regions Reserve	0	0	0
Community Development Reserve	7,162	32,412	27,162
Carry Forward Budget Reserve	0	0	0
Restricted Funds Reserve	0	0	(28)
Heavy Haulage Reserve	0	0	0
Partnership Reserve	262,056	158,748	0
Pilbara Underground Power Reserve	284,141	522,000	0
<b>Earnings on Municipal Funds</b>			
- Other funds	497,287	430,250	680,313
- Other interest revenue (refer note 25)	895,982	150,000	384,453
	<u>3,576,356</u>	<u>3,398,954</u>	<u>2,445,100</u>

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**2. REVENUE AND EXPENSES (Continued)**

**(b) Statement of Objective**

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

**COMMUNITY VISION**

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

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

**GOVERNANCE**

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

**GENERAL PURPOSE FUNDING**

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

**LAW, ORDER, PUBLIC SAFETY**

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

**HEALTH**

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

**EDUCATION AND WELFARE**

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

**HOUSING**

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

**CITY OF KARRATHA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**2. REVENUE AND EXPENSES (Continued)**

**(b) Statement of Objective (Continued)**

**COMMUNITY AMENITIES**

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

**RECREATION AND CULTURE**

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

**TRANSPORT**

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

**ECONOMIC SERVICES**

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

**OTHER PROPERTY AND SERVICES**

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

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**2. REVENUE AND EXPENSES (Continued)**

**(c) Conditions Over Grants/Contributions**

<b>Grant/Contribution</b>	<b>Opening Balance <sup>(1)</sup> 1/07/13 \$</b>	<b>Received <sup>(2)</sup> 2013/14 \$</b>	<b>Expended <sup>(3)</sup> 2013/14 \$</b>	<b>Closing Balance <sup>(1)</sup> 30/06/14 \$</b>	<b>Received <sup>(2)</sup> 2014/15 \$</b>	<b>Expended <sup>(3)</sup> 2014/15 \$</b>	<b>Closing Balance 30/06/15 \$</b>		
Roebourne Community Recreation Assoc Inc	23,024	0	0	23,024	0	0	23,024	(1)	*
PDC Hydrology Grant	40,000	0	0	40,000	0	0	40,000	(1)	*
Walking Paths Network - Landcorp	6,407	0	(6,407)	0	0	0	0		
FESA - BFB Operating Grant funding 11/12	4,312	0	(4,312)	0	0	0	0		
Landcorp Regional Development Assistance Program (RDAP)	75,026	0	(75,026)	0	0	0	0		
Financial Assistance Grant 13/14	1,787,346	0	(1,787,346)	0	0	0	0		
Rio Tinto - Wickham Recreation and Community Facilities Project	132,087	300,000	(246,932)	185,155	0	0	185,155	(1)	*
Rio Tinto - Dampier Community Hub	447,556	4,000,000	(636,350)	3,811,206	6,000,000	(2,142,662)	7,668,544	(2)	*
Woodside Energy Ltd - 2013 Youth Leadership Network Program	17,543	0	(17,543)	0	0	0	0		
Attorney General Dept - CCTV/Graffiti Act	90,000	0	0	90,000	0	(90,000)	0	(3)	
WA Police - Karratha CCTV	25,000	0	0	25,000	0	0	25,000	(1)	*
Community Crime Prevention Grant - Lighting the Park	25,000	0	0	25,000	0	(25,000)	0	(3)	
Rio Tinto - Wickham / Roebourne SES Facility	0	200,000	0	200,000	200,000	(336,184)	63,816	(2)	*
Rio Tinto - Partnership Management Team	0	756,000	(702,949)	53,051	2,793,800	(2,793,191)	53,660	(2)	*
Rio Tinto - Community Development Services	0	0	0	0	1,352,000	(624,714)	727,286	(2)	*
Curtin University - Tobacco Control	0	5,000	(2,880)	2,120	0	(2,120)	0	(3)	
Department Of Health (Mosquito Control) - FIMMWA	0	5,600	(2,802)	2,798	0	(2,798)	0	(3)	
Pilbara Youth Justice Service	0	5,000	0	5,000	0	0	5,000	(1)	*
Woodside Energy Ltd - Cleansweep Taskforce Initiative	0	90,000	(70,000)	20,000	0	(20,000)	0	(3)	
Pilbara Industry Road Safety Alliance	0	88,200	(24,394)	63,806	60,000	(15,446)	108,360	(2)	*
PDC - Roebourne Community Aquatic Centre	0	0	0	0	20,000	0	20,000	(2)	#
Fleetwood Corporation - Searipple Precinct Foreshore Works	0	0	0	0	44,825	0	44,825	(2)	*
Landcorp - Effluent Reuse Scheme	0	0	0	0	1,985,000	0	1,985,000	(2)	*
WaterCorp - Karratha Water Recycling Scheme	0	0	0	0	500,000	0	500,000	(2)	*
PRC - Contribution to Sullage Point	0	0	0	0	11,100	(7,500)	3,600	(2)	#
DSC - VisAbility Grant	0	0	0	0	12,000	(8,777)	3,223	(2)	#
<b>Total</b>	<b>2,673,301</b>	<b>5,449,800</b>	<b>(3,576,941)</b>	<b>4,546,160</b>	<b>12,978,725</b>	<b>(6,068,392)</b>	<b>11,456,493</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 but have been transferred to Restricted Reserve cash funds in 2014/15

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

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

	Note	2015 \$	2014 \$
<b>3. CASH AND CASH EQUIVALENTS</b>			
Unrestricted		0	0
- Cash on Hand		18,705	18,455
- Cash at Municipal Bank		1,249,854	2,325
Restricted - Municipal (Unspent Grants/Contributions)		26,823	4,918
Restricted - Reserves		<u>84,089,305</u>	<u>62,904,777</u>
		<u>85,384,687</u>	<u>62,930,475</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Employee Entitlement Reserve	10	3,786,466	2,299,046
Aerodrome Reserve	10	4,703,106	14,722,172
Walkington Theatre Reserve	10	29,500	28,457
Plant Replacement Reserve	10	1,856,646	2,448,687
Workers Compensation Reserve	10	487,806	644,269
Waste Management Reserve	10	18,491,943	18,552,708
Infrastructure Reserve	10	27,101,159	18,132,785
Housing Reserve	10	315,000	0
Aged Persons Unit Reserve	10	76,384	73,651
Public Open Space Reserve	10	0	730
History & Cultural Publications Reserve	10	0	55,919
Mosquito Control Reserve	10	6,234	5,462
Medical Services Assistance Package Reserve	10	275,666	265,803
Community Development Reserve	10	549,449	1,149,692
Carry Forward Budget Reserve	10	4,223,638	0
Restricted Funds Reserve	10	275,982	275,982
Partnership Reserve	10	11,932,058	4,249,414
Pilbara Underground Power Reserve	10	9,978,268	0
Unspent grants	2(c)	<u>26,823</u>	<u>4,918</u>
		<u>84,116,128</u>	<u>62,909,695</u>

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

	Note	2015 \$	2014 \$
<b>4. TRADE AND OTHER RECEIVABLES</b>			
<b>Current</b>			
Rates Outstanding		2,100,461	2,597,895
- Service Charge		5,829,349	0
- Rubbish		1,020,799	1,158,350
- Fees and Charges for Services		425,360	62,510
- Private Works		3,487	3,487
- Income from Property		55,153	56,641
- Aerodrome		5,421,862	6,063,358
- Grants and Contributions		5,501,758	1,171,183
- Reimbursements and General		(476,407)	53,813
- Excess Rates Receipts		(413,592)	(1,410,616)
Staff Housing Bonds		67,085	129,961
Self Supporting Loans		0	3,143
Pensioner Rebates Unclaimed		34,767	0
Accrued Income		1,574,633	1,343,336
Prepayments		106,245	333,855
Less Provision for Doubtful Debts		(703,254)	(68,352)
GST receivable		231,704	446,259
Loans - clubs/institutions		243,423	0
		<u>21,022,833</u>	<u>11,944,823</u>
<b>Non-current</b>			
Loans - clubs/institutions		547,812	50,260
Service Charge		6,378,811	0
		<u>6,926,623</u>	<u>50,260</u>
<b>5. INVENTORIES</b>			
<b>Current</b>			
Fuel and materials		480,173	391,802
Food, Drinks & Merchandise Roebourne Aquatic Centre		876	1,267
Food, Drinks & Merchandise Youth Shed		3,356	2,584
Food, Drinks & Merchandise Wickham Recreation Precinct		606	0
Food, Drinks & Merchandise Karratha Leisureplex		3,175	6,236
Land held for resale - cost			
Cost of acquisition		524,251	0
		<u>1,012,437</u>	<u>401,889</u>
<b>Non-current</b>			
Land held for resale - cost			
Cost of acquisition		0	0
Development costs		0	0
		<u>0</u>	<u>0</u>

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>6 (a). PROPERTY, PLANT AND EQUIPMENT</b>		
Land and buildings		
Freehold land at:		
- Independent valuation 2013 - level 2	29,782,661	34,009,000
- Additions after valuation - cost	<u>1,574</u>	<u>615,000</u>
	<u>29,784,235</u>	<u>34,624,000</u>
Land vested in and under the control of Council at:		
- Independent valuation 2014 - level 3	395,000	395,000
- Management Valuation 2014	<u>169,454</u>	<u>169,454</u>
	<u>564,454</u>	<u>564,454</u>
<b>Total Land</b>	<u><b>30,348,689</b></u>	<u><b>35,188,454</b></u>
Buildings at:		
- Independent valuation 2013 - level 2	119,791,141	75,603,000
- Additions after valuation - cost	1,643,435	51,171,846
Less: accumulated depreciation	<u>(4,442,194)</u>	<u>(1,908,400)</u>
	<u>116,992,382</u>	<u>124,866,446</u>
Equipment (External) at:		
- Management valuation 2013 - level 3 at:	3,253,968	3,100,507
- Additions after valuation - cost at:	86,404	220,628
Less accumulated depreciation	<u>(3,019,491)</u>	<u>(2,957,263)</u>
	<u>320,881</u>	<u>363,872</u>
Furniture & Equipment at:		
- Management valuation 2013 - level 2	6,372,496	5,412,538
- Additions after valuation - cost	626,676	1,059,580
Less accumulated depreciation	<u>(4,425,054)</u>	<u>(3,716,603)</u>
	<u>2,574,118</u>	<u>2,755,515</u>
Artwork and Sculptures at:		
- Management valuation 2015 - level 3	865,250	0
- Cost	0	1,019,235
Less accumulated depreciation	<u>0</u>	<u>(54,566)</u>
	<u>865,250</u>	<u>964,669</u>
Plant at:		
- Management valuation 2013 - level 1	13,065,126	13,747,353
- Additions after valuation - cost	2,464,309	1,074,248
Less accumulated depreciation	<u>(6,289,814)</u>	<u>(5,428,738)</u>
	<u>9,239,621</u>	<u>9,392,863</u>
Works in Progress	37,618,867	8,683,070
	<u><b>197,959,808</b></u>	<u><b>182,214,889</b></u>

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

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(b) Movements in Carrying Amounts**

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

	<u>Fair Value Hierarchy</u>	<u>Balance at the Beginning of the Year \$</u>	<u>Additions \$</u>	<u>(Disposals) \$</u>	<u>Revaluation Increments/ (Decrements) \$</u>	<u>Impairment (Losses)/ Reversals \$</u>	<u>Depreciation (Expense) \$</u>	<u>Transfers \$</u>	<u>Carrying Amount at the End of Year \$</u>
Freehold land	Level 2	34,624,000	1,574	(450,000)	0	(4,389,765)	0	(1,574)	29,784,235
Land vested in and under the control of Council	Level 3	564,454	0	0	0	0	0	0	564,454
<b>Total land</b>		<b>35,188,454</b>	<b>1,574</b>	<b>(450,000)</b>	<b>0</b>	<b>(4,389,765)</b>	<b>0</b>	<b>(1,574)</b>	<b>30,348,689</b>
Buildings	Level 2	124,866,446	1,687,343	(193,096)	0	(6,693,482)	(2,630,995)	(43,834)	116,992,382
<b>Total buildings</b>		<b>124,866,446</b>	<b>1,687,343</b>	<b>(193,096)</b>	<b>0</b>	<b>(6,693,482)</b>	<b>(2,630,995)</b>	<b>(43,834)</b>	<b>116,992,382</b>
<b>Total land and buildings</b>		<b>160,054,900</b>	<b>1,688,917</b>	<b>(643,096)</b>	<b>0</b>	<b>(11,083,247)</b>	<b>(2,630,995)</b>	<b>(45,408)</b>	<b>147,341,071</b>
Equipment (External)	Level 3	363,872	86,404	0	0	0	(129,397)	2	320,881
Furniture & Equipment	Level 2	2,755,515	626,676	(23,777)	0	0	(784,293)	(3)	2,574,118
Artwork and Sculptures	Level 3	964,669	0	(21,469)	(57,730)	0	(20,220)	0	865,250
Plant	Level 1	9,392,863	2,464,309	(744,930)	0	0	(1,872,621)	0	9,239,621
Works in Progress		8,683,070	28,890,391	0	0	0	0	45,406	37,618,867
Rounding		0	0	0	0	0	0	3	3
<b>Total property, plant and equipment</b>		<b>182,214,889</b>	<b>33,756,697</b>	<b>(1,433,272)</b>	<b>(57,730)</b>	<b>(11,083,247)</b>	<b>(5,437,526)</b>	<b>0</b>	<b>197,959,811</b>

The revaluation of artwork assets resulted in a decrease on revaluation of \$57,730 in the net value of artworks. All of this decrease was recognised as fair value adjustments to financial assets at fair value through profit or loss in the Statement of Comprehensive Income.

The impairment of land and building marketable assets resulted in an impairment of \$11,083,247 in the net value of land and buildings. This impairment was debited to the revaluation surplus in the City's equity (refer Note 11).

**CITY OF KARRATHA**  
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	2015 \$	2014 \$
<b>7 (a). INFRASTRUCTURE</b>		
Roads		
- Management valuation 2015 - level 3	357,077,603	0
- Cost	0	73,120,984
Less accumulated depreciation	<u>0</u>	<u>(50,899,587)</u>
	357,077,603	22,221,397
Footpaths		
- Management valuation 2015 - level 3	30,813,725	0
- Cost	0	10,048,633
Less accumulated depreciation	<u>0</u>	<u>(4,351,582)</u>
	30,813,725	5,697,051
Aerodromes		
- Independent valuation 2015 - level 3	63,697,864	0
- Management valuation 2015 - level 3	136,564	0
- Cost	0	57,337,795
Less accumulated depreciation	<u>0</u>	<u>(12,858,759)</u>
	63,834,428	44,479,036
Parks & Gardens		
- Independent valuation 2015 - level 3	5,197,030	0
- Cost	0	12,899,586
Less accumulated depreciation	<u>0</u>	<u>(1,246,275)</u>
	5,197,030	11,653,311
Hardcourt Facilities		
- Independent valuation 2015 - level 3	7,957,736	0
- User defined	0	7,460,595
Less accumulated depreciation	<u>0</u>	<u>(1,268,542)</u>
	7,957,736	6,192,053
Bridges & Culverts		
- Independent valuation 2015 - level 3	28,509,920	0
- Cost	0	5,141,228
Less accumulated depreciation	<u>0</u>	<u>(4,284,366)</u>
	28,509,920	856,862
Drainage		
- Independent valuation 2015 - level 3	1,576,431	0
- Cost	0	2,850,394
Less accumulated depreciation	<u>0</u>	<u>(564,428)</u>
	1,576,431	2,285,966
Boat Ramps & Jetties		
- Independent valuation 2015 - level 3	4,009,768	0
- Cost	0	2,415,002
Less accumulated depreciation	<u>0</u>	<u>(1,804,486)</u>
	4,009,768	610,516
Miscellaneous Structures		
- Independent valuation 2015 - level 3	16,935,083	0
- Management valuation 2015 - level 3	2,350	0
- Cost	0	26,141,830
Less accumulated depreciation	<u>0</u>	<u>(3,564,441)</u>
	16,937,433	22,577,389

**CITY OF KARRATHA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>7 (a). INFRASTRUCTURE (Continued)</b>		
Works in Progress	15,177,401	10,489,381
	<u>531,091,475</u>	<u>127,062,962</u>

The fair value of infrastructure is determined at least every three years in accordance with legislative requirements. Additions since the date of valuation are shown as cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and, where appropriate, the fair value is updated to reflect current market conditions.

This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires infrastructure to be shown at fair value.

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**7. INFRASTRUCTURE (Continued)**

**(b) Movements in Carrying Amounts**

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

	Balance as at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of the Year \$
Roads	22,221,397	57,255,952	0	272,265,766	0	(2,693,304)	8,027,792	357,077,603
Footpaths	5,697,051	1,947,781	0	24,543,432	0	(489,640)	(884,899)	30,813,725
Aerodromes	44,479,036	580,384	0	22,340,114	0	(2,056,395)	(1,508,711)	63,834,428
Parks & Gardens	11,653,311	1,019,012	0	(11,317,387)	0	(128,900)	3,970,994	5,197,030
Hardcourt Facilities	6,192,053	174,098	0	616,856	0	(147,309)	1,122,038	7,957,736
Bridges & Culverts	856,862	104,782	(85,546)	27,654,868	0	(277,135)	256,089	28,509,920
Drainage	2,285,966	0	0	113,738	0	(37,646)	(785,627)	1,576,431
Boat Ramps & Jetties	610,516	406,537	0	3,662,964	0	(175,480)	(494,769)	4,009,768
Miscellaneous Structures	22,577,389	738,384	0	4,509,493	0	(1,268,016)	(9,619,817)	16,937,433
Transfers to/ (from) WIP	10,489,381	4,771,110	0	0	0	0	(83,090)	15,177,401
Rounding	0	0	0	0	0	0	0	0
<b>Total infrastructure</b>	<b><u>127,062,962</u></b>	<b><u>66,998,040</u></b>	<b><u>(85,546)</u></b>	<b><u>344,389,844</u></b>	<b><u>0</u></b>	<b><u>(7,273,825)</u></b>	<b><u>0</u></b>	<b><u>531,091,475</u></b>

The revaluation of infrastructure assets resulted in an increase on revaluation of \$344,389,844 in the net value of infrastructure.

Increases totalling \$355,707,232 were credited to the revaluation surplus in the City's equity (refer Note 11) and were recognised as Changes on Revaluation of non-current assets in the Statement of Comprehensive Income. Decreases in value totalling (\$11,317,387) for Parks & Gardens were recognised in profit and loss.

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**7. INFRASTRUCTURE (Continued)**

**(c) Fair Value Measurements**

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

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

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

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>8. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Sundry creditors	8,882,020	8,831,597
Other Liabilities	46,155	(17,008)
Retention Monies	248,402	261,915
Accrued Expenses	395,315	(23,038)
Accrued salaries and wages	1,078,772	849,399
ATO liabilities	(77)	33
Income Received in Advance	5,668,528	777,896
Net Trust Liabilities	139,098	9,793
	<u>16,458,213</u>	<u>10,690,587</u>

The City did not have any long term borrowings at the reporting date.

**9. PROVISIONS**

	<b>Provision for Annual Leave \$</b>	<b>Provision for Long Service Leave \$</b>	<b>Total \$</b>
<b>Opening balance at 1 July 2014</b>	2,358,354	1,032,405	3,390,759
Non-current provisions	0	1,328,725	1,328,725
	<u>2,358,354</u>	<u>2,361,130</u>	<u>4,719,484</u>
Additional provision	2,999,362	(458,984)	2,540,378
Amounts used	(2,748,254)	(175,245)	(2,923,499)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	20,852	98,592	119,444
<b>Balance at 30 June 2015</b>	<u>2,630,314</u>	<u>1,825,493</u>	<u>4,455,807</u>
<b>Comprises</b>			
Current	2,630,314	1,119,829	3,750,143
Non-current	0	705,664	705,664
	<u>2,630,314</u>	<u>1,825,493</u>	<u>4,455,807</u>

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

	2015 \$	2015 Budget \$	2014 \$
<b>10. RESERVES - CASH BACKED</b>			
<b>(a) Employee Entitlement Reserve</b>			
Opening balance	2,299,046	2,060,821	2,240,849
Amount set aside / transfer to reserve	1,487,420	74,184	58,197
Amount used / transfer from reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>3,786,466</u>	<u>2,135,005</u>	<u>2,299,046</u>
<b>(b) Aerodrome Reserve</b>			
Opening balance	14,722,172	19,584,133	12,997,991
Amount set aside / transfer to reserve	780,883	705,024	1,724,181
Amount used / transfer from reserve	<u>(10,799,949)</u>	<u>(9,492,459)</u>	<u>0</u>
	<u>4,703,106</u>	<u>10,796,698</u>	<u>14,722,172</u>
<b>(c) Dampier Drainage Reserve</b>			
Opening balance	0	529	26,765
Amount set aside / transfer to reserve	0	24	661
Amount used / transfer from reserve	<u>0</u>	<u>0</u>	<u>(27,426)</u>
	<u>0</u>	<u>553</u>	<u>0</u>
<b>(d) Walkington Theatre Reserve</b>			
Opening balance	28,457	5,639	5,087
Amount set aside / transfer to reserve	1,043	204	23,370
Amount used / transfer from reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>29,500</u>	<u>5,843</u>	<u>28,457</u>
<b>(e) Plant Replacement Reserve</b>			
Opening balance	2,448,687	2,020,917	2,384,844
Amount set aside / transfer to reserve	81,265	1,774,056	63,843
Amount used / transfer from reserve	<u>(673,306)</u>	<u>(1,192,000)</u>	<u>0</u>
	<u>1,856,646</u>	<u>2,602,973</u>	<u>2,448,687</u>
<b>(f) Workers Compensation Reserve</b>			
Opening balance	644,269	647,993	627,977
Amount set aside / transfer to reserve	23,908	23,328	16,292
Amount used / transfer from reserve	<u>(180,371)</u>	<u>0</u>	<u>0</u>
	<u>487,806</u>	<u>671,321</u>	<u>644,269</u>
<b>(g) Waste Management Reserve</b>			
Opening balance	18,552,708	19,100,332	17,323,878
Amount set aside / transfer to reserve	1,271,224	6,144,849	1,228,830
Amount used / transfer from reserve	<u>(1,331,989)</u>	<u>(6,110,466)</u>	<u>0</u>
	<u>18,491,943</u>	<u>19,134,715</u>	<u>18,552,708</u>
<b>(h) Infrastructure Reserve</b>			
Opening balance	18,132,785	14,696,573	2,880,775
Amount set aside / transfer to reserve	11,412,165	7,343,491	17,593,647
Amount used / transfer from reserve	<u>(2,443,791)</u>	<u>(4,836,588)</u>	<u>(2,341,637)</u>
	<u>27,101,159</u>	<u>17,203,476</u>	<u>18,132,785</u>
<b>(i) Housing Reserve</b>			
Opening balance	0	0	0
Amount set aside / transfer to reserve	315,000	0	0
Amount used / transfer from reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>315,000</u>	<u>0</u>	<u>0</u>

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

	2015 \$	2015 Budget \$	2014 \$
<b>10. RESERVES - CASH BACKED (CONTINUED)</b>			
<b>(j) Aged Persons Unit Reserve</b>			
Opening balance	73,651	74,077	71,756
Amount set aside / transfer to reserve	2,733	2,664	1,895
Amount used / transfer from reserve	0	0	0
	<u>76,384</u>	<u>76,741</u>	<u>73,651</u>
<b>(k) Junior Sport Reserve</b>			
Opening balance	0	1,800	93,363
Amount set aside / transfer to reserve	0	60	2,260
Amount used / transfer from reserve	0	(1,800)	(95,623)
	<u>0</u>	<u>60</u>	<u>0</u>
<b>(l) Public Open Space Reserve</b>			
Opening balance	730	698	0
Amount set aside / transfer to reserve	0	0	730
Amount used / transfer from reserve	(730)	0	0
	<u>0</u>	<u>698</u>	<u>730</u>
<b>(m) History &amp; Cultural Publications Reserve</b>			
Opening balance	55,919	56,244	54,498
Amount set aside / transfer to reserve	0	2,028	1,421
Amount used / transfer from reserve	(55,919)	(56,244)	0
	<u>0</u>	<u>2,028</u>	<u>55,919</u>
<b>(n) Mosquito Control Reserve</b>			
Opening balance	5,462	4,939	4,792
Amount set aside / transfer to reserve	772	180	670
Amount used / transfer from reserve	0	0	0
	<u>6,234</u>	<u>5,119</u>	<u>5,462</u>
<b>(o) Medical Services Assistance Package Reserve</b>			
Opening balance	265,803	234,005	259,026
Amount set aside / transfer to reserve	9,863	8,424	6,777
Amount used / transfer from reserve	0	(56,000)	0
	<u>275,666</u>	<u>186,429</u>	<u>265,803</u>
<b>(p) Royalties for Regions Reserve</b>			
Opening balance	0	0	630
Amount set aside / transfer to reserve	0	0	0
Amount used / transfer from reserve	0	0	(630)
	<u>0</u>	<u>0</u>	<u>0</u>
<b>(q) Community Development Reserve</b>			
Opening balance	1,149,692	900,251	871,775
Amount set aside / transfer to reserve	314,365	563,912	1,975,739
Amount used / transfer from reserve	(914,608)	(531,500)	(1,697,822)
	<u>549,449</u>	<u>932,663</u>	<u>1,149,692</u>

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

	2015 \$	2015 Budget \$	2014 \$
<b>10. RESERVES - CASH BACKED (CONTINUED)</b>			
<b>(r) Carry Forward Budget Reserve</b>			
Opening balance	0	0	1,787,346
Amount set aside / transfer to reserve	4,223,638	0	0
Amount used / transfer from reserve	0	0	(1,787,346)
	<u>4,223,638</u>	<u>0</u>	<u>0</u>
<b>(s) Restricted Funds Reserve</b>			
Opening balance	275,982	183,040	1,053,156
Amount set aside / transfer to reserve	0	0	92,942
Amount used / transfer from reserve	0	0	(870,116)
	<u>275,982</u>	<u>183,040</u>	<u>275,982</u>
<b>(t) Partnership Reserve</b>			
Opening balance	4,249,414	4,409,765	0
Amount set aside / transfer to reserve	16,594,259	158,748	4,249,414
Amount used / transfer from reserve	(8,911,615)	(3,005,329)	0
	<u>11,932,058</u>	<u>1,563,184</u>	<u>4,249,414</u>
<b>(u) Pilbara Underground Power Reserve</b>			
Opening balance	0	0	0
Amount set aside / transfer to reserve	19,122,119	18,665,280	0
Amount used / transfer from reserve	(9,143,851)	0	0
	<u>9,978,268</u>	<u>18,665,280</u>	<u>0</u>
<b>TOTAL RESERVES</b>	<u><u>84,089,305</u></u>	<u><u>74,165,826</u></u>	<u><u>62,904,777</u></u>
Total Opening balance	62,904,777	63,981,756	42,684,508
Total Amount set aside / transfer to reserve	55,640,657	35,466,456	27,040,869
Total Amount used / transfer from reserve	(34,456,129)	(25,282,386)	(6,820,600)
<b>TOTAL RESERVES</b>	<u><u>84,089,305</u></u>	<u><u>74,165,826</u></u>	<u><u>62,904,777</u></u>

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

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**10. Amount used / transfer from reserve (CONTINUED)**

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

**(a) Employee Entitlement Reserve**

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.

**(b) Aerodrome Reserve**

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.

**(c) Dampier Drainage Reserve**

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.

**(d) Walkington Theatre Reserve**

The purpose of this reserve is to fund the operation and capital works of the Walkington Theatre.

**(e) Plant Replacement Reserve**

The purposes of this reserve is to fund the capital purchase of plant and equipment.

**(f) Workers Compensation Reserve**

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.

**(g) Waste Management Reserve**

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.

**(h) Infrastructure Reserve**

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.

**(i) Housing Reserve**

The purpose of this reserve is to fund the maintenance, refurbishment, replacement and construction of staff housing inclusive of the purchase. This reserve is funded by annual allocations from the Municipal Fund and from sale of Staff Housing.

**(j) Aged Persons Unit Reserve**

The purposes of this reserve is to assist in the transfer of Seniors from the current senior's village on Welcome Road to the new village provisioned by the State Government. As this project has been finalised, the remainder of these funds will be transferred to municipal funds in the 2015/16 year.

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**10. Amount used / transfer from reserve (CONTINUED)**

**(k) Junior Sport Reserve**

The purpose of this Reserve is to fund the development of junior sport within the City of Karratha including infrastructure.

This Reserve was budgeted to be closed in the 2014/15 Financial Year.

**(l) Public Open Space Reserve**

The purpose of this Reserve is to fund future developments of public open spaces funded by proceeds from the undertaking of Land Transactions and Community Contributions received for the purpose of Public Open Space.

This Reserve was budgeted to be closed in the 2014/15 Financial Year.

**(m) History & Cultural Publications Reserve**

The purpose of this Reserve is to fund future history and cultural publications. The income is generated from the sale of these publications.

This Reserve was budgeted to be closed in the 2014/15 Financial Year.

**(n) Mosquito Control Reserve**

The purpose of this Reserve is to fund mosquito control programmes inclusive of the purchase of replacement equipment as required.

**(o) Medical Services Assistance Package Reserve**

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.

**(p) Royalties for Regions Reserve**

The purpose of this reserve is to hold unexpended grant revenues, and associated interest, from the State Government's Royalties for Regions programme.

**(q) Community Development Reserve**

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.

**(r) Carry Forward Budget Reserve**

This reserve is for the purpose of preserving projects funds carried over.

**(s) Restricted Funds Reserve**

This reserve is for the purpose of holding Unexpended or prepaid Grants (other than Royalties for Regions) and Capital Contributions provided for specific purposes.

**(t) Heavy Haulage Reserve**

This reserve is for the purpose of funding the maintenance of Heavy Haulage Roads

Please note that not funds have been received to date.

**(t) Partnership Reserve**

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 agreement.

**(u) Pilbara Underground Power Reserve**

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.

**CITY OF KARRATHA**  
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**FOR THE YEAR ENDED 30TH JUNE 2015**

<b>11. REVALUATION SURPLUS</b>	<b>2015</b>	<b>2014</b>
Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:		
<b>(a) Land and buildings</b>		
Opening balance	48,927,908	15,910,120
Revaluation increment	(2)	34,843,598
Disposal of Revalued Assets	(726,866)	(1,825,810)
Impairment of Revalued Assets	(11,083,247)	0
Rounding	1	0
	<u>37,117,794</u>	<u>48,927,908</u>
<b>(b) Infrastructure</b>		
Opening balance	136,395	0
Revaluation increment	355,707,232	136,395
Disposal Of Revalued Assets	(136,395)	0
	<u>355,707,232</u>	<u>136,395</u>
<b>(c) Other Infrastructure</b>		
Opening balance	200	0
Revaluation increment	0	200
Revaluation decrement	0	0
	<u>200</u>	<u>200</u>
<b>TOTAL ASSET REVALUATION SURPLUS</b>	<u><u>392,825,226</u></u>	<u><u>49,064,503</u></u>

**CITY OF KARRATHA**  
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**12. NOTES TO THE STATEMENT OF CASH FLOWS**

**(a) Reconciliation of Cash**

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

	2015 \$	2015 Budget \$	2014 \$
Cash and cash equivalents	<u>85,384,687</u>	<u>75,335,826</u>	<u>62,930,475</u>

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

Net result	108,665,489	38,283,041	33,382,052
Non-cash flows in Net result:			
Depreciation	12,711,351	11,202,287	9,858,361
(Profit)/Loss on sale of asset	562,508	581,589	2,078,702
Loss on revaluation of fixed assets	11,375,117	0	0
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(15,216,541)	(2,000,000)	(2,175,020)
(Increase)/Decrease in inventories	(86,297)	0	47,372
Increase/(Decrease) in payables	5,764,854	(1,207,876)	1,139,744
Increase/(Decrease) in provisions	(263,677)	514,116	138,370
Grants contributions for the development of assets	(11,508,482)	(6,682,101)	(16,392,796)
Net cash from operating activities	<u>112,004,322</u>	<u>40,691,056</u>	<u>28,076,785</u>

	2015 \$	2014 \$
<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	185,000	200,000
Credit card balance at balance date	(57,456)	(60,625)
<b>Total amount of credit unused</b>	<u>1,127,544</u>	<u>1,139,375</u>
<b>Loan facilities</b>		
Loan facilities - current	0	0
Loan facilities - non-current	0	0
<b>Total facilities in use at balance date</b>	<u>0</u>	<u>0</u>
<b>Unused loan facilities at balance date</b>	<u>NIL</u>	<u>NIL</u>

**CITY OF KARRATHA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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**13. CONTINGENT LIABILITIES**

In late June, Council received notification of mediation between the property owners of a property rated as Transient Workforce Accommodation and the Valuer General. At the time of production of this document, the financial impact of this mediation remained yet to be determined.

As part of the Pilbara Underground Power Project, Council entered into a funding agreement with Horizon Power for the purpose of managing and implementing the program. The funding agreement was for the lesser of 25% of the total expended amount and \$34,550,000, with associated expenses to be recognised as incurred. At the time of production of this document the project was ongoing and therefore the final amount is unable to be determined.

<b>14. CAPITAL AND LEASING COMMITMENTS</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but		
Payable:		
- not later than one year	231,823	130,400
- later than one year but not later than five years	0	1,057,530
- later than five years	0	0
	<u>231,823</u>	<u>1,187,930</u>
<b>(b) Capital Expenditure Commitments</b>		
Karratha Arts & Community Precinct	1,613,917	342,265
Karratha Leisureplex	0	5,000
Karratha/Wickham/Roebourne SES	0	311,178
Karratha Youth Shed	0	8,084
Karratha Water Infrastructure Upgrade	0	115,130
Effluent Systems Upgrade	7,603,765	72,538
Dampier Community Hub	11,036,338	212,366
Karratha Airport Terminal	3,647,251	26,111,903
Road Reseals & Upgrades	2,358,003	0
Wickham Community Hub	883,362	0
Plant Purchases	759,190	0
7 Mile Building Improvements	0	95,239
Skate park Program	302,815	20,000
Roebourne Skate Park	0	91,673
Various Outstanding Purchase Orders	696,296	0
	<u>28,900,937</u>	<u>27,385,376</u>

**CITY OF KARRATHA**  
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**15. JOINT VENTURE ARRANGEMENTS**

The City is not involved in any joint venture arrangements.

**16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Governance	100,613,591	559
General purpose funding	10,613,209	10,613,209
Law, order, public safety	1,146,634	1,621,457
Health	983,170	983,170
Education and welfare	2,593,500	2,593,500
Housing	43,230,327	42,849,568
Community amenities	38,004,311	10,944,176
Recreation and culture	139,152,141	129,817,772
Transport	432,581,524	100,703,177
Economic services	494,340	448,224
Other property and services	9,479,226	8,703,037
Unallocated	64,505,890	75,327,449
	<u>843,397,863</u>	<u>384,605,298</u>

**17. FINANCIAL RATIOS**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Current ratio	1.45	1.09	1.01
Asset sustainability ratio	0.71	1.22	1.79
Debt service cover ratio	N/A*	401.28	1.94
Operating surplus ratio	0.82	0.20	0.26
Own source revenue coverage ratio	1.19	1.10	1.12

\* Due to Council having nil debt, the debt service cover ratio is not applicable

The above ratios are calculated as follows:

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

**Notes:**

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 59 of this document.

**CITY OF KARRATHA**  
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**18. TRUST FUNDS**

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

	Balance 1 July 2014 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30 June 2015 \$
Building/Kerb Deposits	7,450	0	0	7,450
Hall Hire Bonds	11,555	3,501	(4,001)	11,055
Verge Bonds	431,000	169,050	(143,000)	457,050
Retention Funds	21,860	0	0	21,860
Staff Housing Bonds	1,392	4,647	(6,039)	0
Staff Airport Parking Cards	650	1,450	0	2,100
Staff Travel Allowances	68,893	37,480	(38,789)	67,584
Other Deposits				
Bonds & Guarantees	2,536,859	74,373	(418,658)	2,192,574
Airport ASIC Cards	3,550	1,300	(250)	4,600
Bonds & Guarantees (old)	2,520	0	0	2,520
Kerb Deposits (old)	2,800	0	0	2,800
Stale Cheques	3,915	0	0	3,915
ATM Monies	820	0	0	820
Unclaimed Wages	37	0	0	37
NADC Research Funds	805	0	0	805
	<u>3,094,106</u>			<u>2,775,170</u>

**19. DISPOSALS OF ASSETS - 2014/15 FINANCIAL YEAR**

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>Artwork</b>						
Governance						
30000041 Artwork/Sculpture	563	0	0	0	(563)	0
80000003 Reproduction Photo	111	0	0	0	(111)	0
80000004 Reproduction Photo	111	0	0	0	(111)	0
80000005 Reproduction Photo	296	0	0	0	(296)	0
80000006 Reproduction Photo	296	0	0	0	(296)	0
80000007 Reproduction Photo	296	0	0	0	(296)	0
80000008 Reproduction Photo	296	0	0	0	(296)	0
80000009 Reproduction Photo	296	0	0	0	(296)	0
80000010 Reproduction Photo	296	0	0	0	(296)	0
80000011 Reproduction Photo	296	0	0	0	(296)	0
80000012 Reproduction Photo	445	0	0	0	(445)	0
80000023 Artwork/Sculpture	2,960	0	0	0	(2,960)	0
80000025 Artwork/Sculpture	89	0	0	0	(89)	0
80000026 Artwork/Sculpture	185	0	0	0	(185)	0
80000027 Reproduction Photo	296	0	0	0	(296)	0
80000028 Reproduction Photo	296	0	0	0	(296)	0

**CITY OF KARRATHA**  
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**19. DISPOSALS OF ASSETS - 2014/15 FINANCIAL YEAR (Continued)**

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
80000029 Reproduction Photo	296	0	0	0	(296)	0
80000030 Reproduction Photo	296	0	0	0	(296)	0
80000031 Reproduction Photo	296	0	0	0	(296)	0
80000032 Reproduction Photo	296	0	0	0	(296)	0
80000033 Reproduction Photo	296	0	0	0	(296)	0
80000034 Reproduction Photo	296	0	0	0	(296)	0
80000035 Reproduction Photo	296	0	0	0	(296)	0
80000036 Reproduction Photo	185	0	0	0	(185)	0
80000037 Reproduction Photo	185	0	0	0	(185)	0
80000038 Reproduction Object	3,700	0	0	0	(3,700)	0
80000043 Artwork/Sculpture	994	0	0	0	(994)	0
80000054 Artwork/Sculpture	282	0	0	0	(282)	0
<b>Recreation and culture</b>						
80000039 Didactic boards	667	0	0	0	(667)	0
80000040 Didactic boards	1,184	0	0	0	(1,184)	0
<b>Transport</b>						
80000041 Aboriginal Artefacts	3,246	0	0	0	(3,246)	0
80000060 Artwork/Sculpture	536	0	0	0	(536)	0
80000061 Artwork/Sculpture	1,283	0	0	0	(1,283)	0
<b>Land</b>						
<b>Housing</b>						
212 Richardson Way	450,000	0	238,938		(211,062)	0
<b>Buildings</b>						
<b>Housing</b>						
212 Richardson Way	143,398	0	76,062	0	(67,336)	0
8 McRae Court (Partial)	0	0	0	0	0	0
54 Sholl Street (Partial)	0	0	0	0	0	0
5A Leonard Way (Partial)	7,441	0	0	0	(7,441)	0
7A Leonard Way (Partial)	7,164	0	0	0	(7,164)	0
7B Leonard Way (Partial)	0	0	0	0	0	0
7B Peterson Court (Partial)	739	0	0	0	(739)	0
<b>Community amenities</b>						
Weigbridge Office	11,545	0	2,431	0	(9,114)	0
Weigbridge	0	0	7,294	0	7,294	0
<b>Other property and services</b>						
Roebourne Depot Workshop	23,946	0	0	0	(23,946)	0
Roebourne Depot Office	958	0	0	0	(958)	0
<b>Equipment</b>						
<b>Recreation and culture</b>						
20000526 (P7503)	0	0	2,610	0	2,610	0
20000561 (P7002)	0	0	3,240	0	3,240	0

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**19. DISPOSALS OF ASSETS - 2014/15 FINANCIAL YEAR (Continued)**

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>Furniture</b>						
Recreation and culture						
30000716 Treadmill	0	0	500	0	500	0
30000202 Gym Equipment	0	0	200	0	200	0
30001390 Thermal Printer	125	0	0	0	(125)	0
30001389 Thermal Printer	125	0	0	0	(125)	0
30000122 Gym Equipment	0	0	100	0	100	0
30000247 Bench	0	0	30	0	30	0
30001413 Dishwasher	1,318	0	0	0	(1,318)	0
56391612 Fan	0	0	4	0	4	0
56392602 Pin Board	0	0	8	0	8	0
Transport						
30001363 Freezer	6,268	0	3,072	0	(3,196)	0
30001496 TV	987	0	0	0	(987)	0
30001502 Chiller	3,871	0	660	0	(3,211)	0
30000881 Umbrellas	3,716	0	0	0	(3,716)	0
30001501 Oven	2,092	0	1,042	0	(1,050)	0
30001572 Dishwasher	3,999	0	1,927	0	(2,072)	0
30001340 Glass Washer	1,276	0	0	0	(1,276)	0
<b>Plant and Equipment</b>						
Governance						
20000616 (P4024)	0	0	248	0	248	0
40000329 (P1001)	15,406	13,408	19,238	11,500	3,832	(1,908)
40000327 (P1003)	0	26,724	0	25,000	0	(1,724)
Law, order, public safety						
40000394 (P1008)	16,012	16,019	17,338	11,500	1,326	(4,519)
40000395 (P1017)	0	20,723	0	11,500	0	(9,223)
40000187 (P294)	41,235	0	0	0	(41,235)	0
40000502 (P502)	8,355	0	0	0	(8,355)	0
	0		0		0	0
Health						
40000323 (P105)	16,058	10,311	16,625	11,500	567	1,189
	0	0	0	0	0	0
Community amenities						
40000332 (P2003)	0	14,760	0	11,500	0	(3,260)
40000339 (P8802)	0	130,819	0	45,000	0	(85,819)
40000334 (P8000)	0	116,577	0	70,000	0	(46,577)
40000404 (P8811)	0	181,632	0	105,000	0	(76,632)
40000336 (P8002)	273,374	311,566	200,000	150,000	(73,374)	(161,566)
40000333 (P2004)	0	13,023	0	11,500	0	(1,523)
40000330 (P1004)	22,505	26,765	30,364	25,000	7,859	(1,765)
Recreation and culture						
40000307 (P050)	13,359	8,160	9,738	11,000	(3,621)	2,840
20000526 (P7503)	0	0	0	750	0	750
40000344 (P2000)	0	10,729	0	10,000	0	(729)
40000345 (P2001)	13,002	13,107	11,875	10,000	(1,127)	(3,107)

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**19. DISPOSALS OF ASSETS - 2014/15 FINANCIAL YEAR (Continued)**

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Recreation and culture						
40000346 (P2009)	0	11,691	0	10,000	0	(1,691)
40000347 (P2010)	0	14,366	0	11,500	0	(2,866)
20000561 (P7002)	0	0	0	3,500	0	3,500
40000353 (P7501)	8,771	4,767	7,838	5,000	(933)	233
Transport						
40000418 (P8009)	0	182,694	0	30,000	0	(152,694)
40000370 (P8805)	0	24,437	0	17,000	0	(7,437)
40000361 (P8807)	0	33,735	0	40,000	0	6,265
40000171 (P897)	41,961	23,910	37,375	25,000	(4,586)	1,090
40000326 (P1002)	24,588	25,364	28,738	25,000	4,150	(364)
40000372 (P2012)	9,614	7,439	7,790	5,600	(1,824)	(1,839)
40000128 (P952)	1,446	0	713	0	(733)	0
40000364 (P8006)	79,035	0	16,409	0	(62,626)	0
40000408 (P8812)	104,519	0	141,698	0	37,179	0
40000328 (P2008)	22,530	0	30,875	0	8,345	0
27500036 Power Supply	0	0	9,091	0	9,091	0
Economic services						
40000379 (P1007)	0	12,556	0	9,000	0	(3,556)
	0	0	0	0	0	0
Other property and services						
40000378 (P1006)	10,504	12,398	7,082	9,000	(3,422)	(3,398)
40000349 (P2002)	0	13,326	0	11,500	0	(1,826)
40000374 (P2006)	0	13,499	0	9,500	0	(3,999)
40000367 (P2005)	0	14,225	0	11,500	0	(2,725)
40000375 (P2007)	0	15,753	0	11,500	0	(4,253)
40000327 (P2008)	22,486	25,771	27,075	25,000	4,589	(771)
40000455 (P2025)	0	21,185	0	9,500	0	(11,685)
<b>Infrastructure</b>						
Recreation and culture						
Various Culverts	22,763	0	0	0	(22,763)	0
Transport						
Various Bridges	62,783	0	0	0	(62,783)	0
	<b>1,520,736</b>	<b>1,371,439</b>	<b>958,228</b>	<b>789,850</b>	<b>(562,508)</b>	<b>(581,589)</b>

Profit	91,172	15,867
Loss	(653,680)	(597,456)
	<u>(562,508)</u>	<u>(581,589)</u>

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**20. INFORMATION ON BORROWINGS**

(a) Repayments - Debentures

Particulars	Principal 1 July 2014 \$	New Loans \$	Principal Repayments		Principal 30 June 2015		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>General purpose funding</b>								
Pilbara Underground Power	0	0	0	354,625	0	2,645,375	0	47,700
<b>Transport</b>								
Karratha Airport Terminal	0	0	0	0	0	5,000,000	0	0
	0	0	0	354,625	0	7,645,375	0	47,700

(\*) Self supporting loan financed by payments from third parties.  
 All other loan repayments were financed by general purpose revenue.

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**20. INFORMATION ON BORROWINGS (Continued)**

(b) New Debentures - 2014/15

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate %	Amount Used		Balance Unspent
	Actual \$	Budget \$						Actual \$	Budget \$	
Pilbara Underground Power	0	3,000,000				0		0	3,000,000	0
Karratha Airport Terminal	0	5,000,000				0		0	5,000,000	0
	0	8,000,000				0		0	8,000,000	0

(c) Unspent Debentures

The City did not have any unspent debentures as at 30 June 2015.

(d) Overdraft

Council established an overdraft facility of \$1,000,000 with Westpac Banking Corporation to assist with short term liquidity requirements. The balance of the bank overdraft at 30 June 2015 was \$0 (2014 was \$0). The facility was renewed for 12 months.

**CITY OF KARRATHA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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**21. RATING INFORMATION - 2014/15 FINANCIAL YEAR**

**(a) Rates**

<b>RATE TYPE</b>	<b>Rate in \$</b>	<b>Number of Properties</b>	<b>Rateable Value \$</b>	<b>Rate Revenue \$</b>	<b>Interim Rates \$</b>	<b>Back Rates \$</b>	<b>Total Revenue \$</b>	<b>Budget Rate Revenue \$</b>	<b>Budget Interim Rate \$</b>	<b>Budget Back Rate \$</b>	<b>Budget Total Revenue \$</b>
<b>Differential General Rate</b>											
GRV Residential	0.028832	6,457	488,761,411	14,091,969	208,181	18,002	14,318,152	14,111,170	450,000	28,800	14,589,970
GRV Commercial/Tourism/Town Centre/Industry/Mixed Business	0.057664	724	111,368,254	6,421,939	8,942	(11,967)	6,418,914	6,054,416	150,000	9,600	6,214,016
GRV Airport/Workforce Accommodation/Strategic Industry	0.100911	16	11,745,172	1,185,217	0	0	1,185,217	1,185,217	0	0	1,185,217
GRV Transient Workforce Accommodation	0.115328	24	68,872,772	7,942,959	(68,442)	9,745	7,884,262	8,210,401	0	0	8,210,401
Interim Rates			0	0	0	0	0	0	0	0	0
Back Rates			0	0	0	0	0	0	0	0	0
<b>Unimproved Value Valuations</b>											
UV Pastoral	0.065918	11	4,089,600	269,578	(78)	(939)	268,561	269,578	0	0	269,578
UV General Unimproved (Mining & Other)	0.131836	190	7,965,461	1,050,135	44,928	9,465	1,104,528	859,440	0	0	859,440
UV General Unimproved (UV Strategic Industry)	0.164795	28	25,473,380	4,197,886	1,104,127	76,598	5,378,611	5,306,379	0	0	5,306,379
Interim Rates			0	0	0	0	0	0	150,000	0	150,000
Back Rates			0	0	0	0	0	0	0	9,600	9,600
<b>Sub-Totals</b>		<b>7,450</b>	<b>718,276,050</b>	<b>35,159,683</b>	<b>1,297,658</b>	<b>100,904</b>	<b>36,558,245</b>	<b>35,996,601</b>	<b>750,000</b>	<b>48,000</b>	<b>36,794,601</b>
<b>Minimum payment</b>	<b>Minimum \$</b>										
<b>Gross rental value valuations</b>											
<b>Minimum Payment</b>											
GRV Residential	1,400	1,931	0	2,703,400	0	0	2,703,400	2,692,200	0	0	2,692,200
GRV Commercial/Tourism/Town Centre/Industry/Mixed Business	1,400	329	0	460,600	0	0	460,600	469,000	0	0	469,000
GRV Airport/Workforce Accommodation/Strategic Industry	1,400	1	0	1,400	0	0	1,400	1,400	0	0	1,400
GRV Transient Workforce Accommodation	1,400	0	0	0	0	0	0	0	0	0	0
Interim Rates			0	0	0	0	0	0	0	0	0
<b>Unimproved value valuations</b>											
UV Pastoral	312	0	0	0	0	0	0	0	0	0	0
UV General Unimproved (Mining & Other)	312	189	0	58,968	0	0	58,968	58,968	0	0	58,968
UV General Unimproved (UV Strategic Industry)	1,400	19	0	26,600	0	0	26,600	26,600	0	0	26,600
Interim Rates			0	0	0	0	0	0	0	0	0
Back Rates			0	0	0	0	0	0	0	0	0
<b>Sub-Totals</b>		<b>2,469</b>	<b>0</b>	<b>3,250,968</b>	<b>0</b>	<b>0</b>	<b>3,250,968</b>	<b>3,248,168</b>	<b>0</b>	<b>0</b>	<b>3,248,168</b>
Ex-gratia rates							39,809,213				40,042,769
Discounts/concessions (refer note 24)							330,000				567,500
							(25,650)				(30,097)
<b>Total amount raised from general rate</b>							<b>40,113,563</b>				<b>40,580,172</b>
Specified Area Rate (refer note 22)							0				0
<b>Totals</b>							<b>40,113,563</b>				<b>40,580,172</b>

**CITY OF KARRATHA**  
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**21. RATING INFORMATION - 2014/15 FINANCIAL YEAR (Continued)**

**(b) Information on Surplus/(Deficit) Brought Forward**

	2015 (30 June 2015 Carried Forward) \$	2015 (1 July 2014 Brought Forward) \$	2014 (30 June 2014 Carried Forward) \$
<b>Surplus/(Deficit) 1 July 14 brought forward</b>	<u>63,450</u>	<u>1,617,633</u>	<u>1,617,633</u>
<b><u>Comprises:</u></b>			
Cash and cash equivalents			
Unrestricted	1,268,559	20,780	20,780
Restricted - Municipal (Unspent Grants/Contributions)	26,823	4,918	4,918
Restricted - Reserves	84,089,305	62,904,777	62,904,777
Receivables			
Rates Outstanding	2,100,461	2,597,895	2,597,895
Sundry Debtors	24,826,056	8,897,526	8,897,526
GST receivable	231,704	446,259	446,259
Loans - clubs/institutions	243,423	3,143	3,143
Inventories			
Fuel and materials	488,186	401,889	401,889
Land held for resale - cost			
Cost of acquisition	524,251	0	0
<b><u>Less:</u></b>			
Trade and other payables			
Sundry creditors	(8,882,020)	(8,831,597)	(8,831,597)
Other Liabilities	(46,155)	17,008	17,008
Retention Monies	(248,402)	(261,915)	(261,915)
Accrued Expenses	(395,315)	23,038	23,038
Accrued interest on debentures	0	0	0
Accrued salaries and wages	(1,078,772)	(849,399)	(849,399)
ATO liabilities	77	(33)	(33)
Income Received in Advance	(5,668,528)	(777,896)	(777,896)
Net Trust Liabilities	(139,098)	(9,793)	(9,793)
Provisions			
Provision for annual leave	(2,630,314)	(2,358,354)	(2,358,354)
Provision for long service leave	(1,119,829)	(1,032,405)	(1,032,405)
<b>Net current assets</b>	<u><b>93,590,412</b></u>	<u><b>61,195,841</b></u>	<u><b>61,195,841</b></u>
<b><u>Less:</u></b>			
Reserves - restricted cash	(84,089,305)	(62,904,777)	(62,904,777)
Land held for resale - cost			
Cost of acquisition	(524,251)	0	0
Loans - Clubs/Institutions	(243,423)	(3,143)	(3,143)
Movement in Accruals	229,373	485,034	485,034
Cash - Restricted Unspent Grants	26,823	4,918	4,918
Gifted Assets		0	0
<b><u>Add:</u></b>			
Cash Backed employee provisions	3,281,981	2,302,189	2,302,189
Current Provisions funded through salaries budget	0	537,571	537,571
<b>Restricted Surplus/(deficit)</b>	12,208,160	0	0
<b>Unrestricted Surplus/(deficit)</b>	<u><b>63,450</b></u>	<u><b>1,617,633</b></u>	<u><b>1,617,633</b></u>

**Difference**

There was no difference between the surplus/(deficit) 1 July 2014 brought forward position used in the 2015 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2014 audited financial report.

**CITY OF KARRATHA**  
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**22. SPECIFIED AREA RATE - 2014/15 FINANCIAL YEAR**

The City did not impose any Specified Area Rates.

**23. SERVICE CHARGES - 2014/15 FINANCIAL YEAR**

	Amount of Charge \$	Revenue Raised \$	Budget Revenue \$	Applied to Service Costs \$	Budget Applied to Costs \$
High Voltage Service Charge (per kVa)	48.26	7,607,584	7,945,489	2,162,000	4,600,000
Low Voltage Service Charge (per kVa)	196.38	18,962,058	21,625,549	5,884,400	12,520,000
Connection Charge (per connection)	1,022.17	3,739,097	4,974,567	1,353,600	2,880,000
		30,308,739	34,545,605	9,400,000	20,000,000

The City of Karratha introduced a service charge for the 2014/15 financial year in relation to the Pilbara Underground Power Project.

The proceeds of the service charge were to be applied in full to the costs of implementation over the life of the project. Service charges paid prior to the end of the 2014/15 financial year were to be transferred to the Pilbara Underground Power Reserve to fund expenditure over the remaining years of the project.

Service charge amounts remaining unpaid at the end of the 2014/15 financial year are unable to be transferred to the Pilbara Underground Power Reserve and therefore represent a restricted surplus amount.

An instalment interest rate of 5.5% was incurred where property owners elect to make payment via the instalment options provided of up to four years. Penalty Interest of 11% is incurred on overdue service charges.

At a Special Council Meeting held on the 24 September 2014, Council resolved (Resolution No. 152961) to reduce the interest rate for payment of service charges by instalments from 5.5% to 4.5%. Council also resolved to offer non-residential properties (excluding those owned by Government organisations) with a power capacity of greater than 10 kVA and less than 200 kVA the option of payment by 40 instalments over ten years rather than 16 instalments over four years.

As part of the Project, Council entered into a funding agreement with Horizon Power for the purpose of managing and implementing the program. This funding agreement is included as a contingent liability in Note 13 of this document.

**24. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS**  
**- 2014/15 FINANCIAL YEAR**

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
Cossack Rate Concession	Concession	N/A	25,650	30,097
			0	0
			0	0
			25,650	30,097

No discount on rates were granted to rate payers in the 2014/15 financial year.

The above concessions & rates write-offs were granted to rate payers in the 2014/15 financial year as per Council Resolution 152891.

Rate payers who paid their rates and rubbish collection charges in full by the due date (35 days from date of issue) were eligible for the rates incentive scheme as outlined in our 2014/15 Budget Note 12.

**CITY OF KARRATHA**  
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**25. INTEREST CHARGES AND INSTALMENTS - 2014/15 FINANCIAL YEAR**

	<b>Interest Rate %</b>	<b>Admin. Charge \$</b>	<b>Revenue \$</b>	<b>Budgeted Revenue \$</b>
Rates Instalment Charges		\$10.00	0	120,000
Rates Instalment Interest	4.50%		186,398	30,000
Rates Penalty Interest	11.00%		418,030	0
PUPP Instalment Charges		\$10.00	56,250	0
PUPP Instalment Interest	5.50%		22,346	0
PUPP Penalty Interest	11.00%		360,324	0
Sundry Debtors Penalty Interest	11.00%		117,628	162,000
			<u>1,160,976</u>	<u>312,000</u>

<b>26. FEES &amp; CHARGES</b>	<b>2015 \$</b>	<b>2014 \$</b>
Governance	115,135	122,343
General purpose funding	100,628	211,262
Law, order, public safety	88,857	89,260
Health	122,660	120,247
Education and welfare	58,900	58,900
Housing	301,569	246,833
Community amenities	9,927,202	13,039,161
Recreation and culture	4,217,471	4,268,018
Transport	28,698,793	27,683,609
Economic services	459,935	725,740
Other property and services	52,742	597,548
	<u>44,143,892</u>	<u>47,162,921</u>

During the financial year ended 30th June 2015, Council resolved (Res No: 153023) to amend the 2014/15 Adopted Fees and charges for the following Waste Services Fees and Charges:

	<b>Effective July 2014</b>	<b>Effective January 2015</b>
Commercial and Industrial General Waste (Per tonne, Minimum charge one tonne)	\$79.00 (GST incl)	\$90.00 (GST incl)
Commercial Biological Liquid Waste - Septage etc. (Per tonne, Minimum charge one tonne)	\$86.00 (GST incl)	\$66.00 (GST incl)

During the financial year ended 30th June 2015, Council also resolved (Res No: 152896) to impose a new fee for the "K" local authority plates with effect from 1 August 2014 whereby \$80 is to be set aside to fund a cenotaph at the new Arts and Community Precinct.

	<b>Effective July 2014</b>	<b>Effective August 2015</b>
Contribution to War Memorial	NIL	\$80.00

**CITY OF KARRATHA**  
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**27. GRANT REVENUE**

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

<b>By Nature or Type:</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Operating grants, subsidies and contributions	18,473,358	7,410,418
Non-operating grants, subsidies and contributions	68,416,278	16,392,796
	<u>86,889,636</u>	<u>23,803,214</u>
<b>By Program:</b>		
Governance	35,980	15,760
General purpose funding	4,313,824	1,239,562
Law, order, public safety	2,507,317	1,131,023
Health	107,722	69,946
Education and welfare	0	93,182
Community amenities	3,757,317	480,202
Recreation and culture	17,278,831	18,946,384
Transport	58,856,999	1,801,737
Economic services	31,646	25,418
	<u>86,889,636</u>	<u>23,803,214</u>

**28. EMPLOYEE NUMBERS**

The number of full-time equivalent employees at balance date

<u>283</u>	<u>260</u>
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**29. ELECTED MEMBERS REMUNERATION**

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

	<b>2015</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
		<b>\$</b>	
Mayor at \$45,000 per year	45,000	45,000	45,195
Deputy Mayor at \$30,000 per year	30,000	30,000	28,404
9 Councillors at \$30,000 per year	256,973	270,000	260,707
<b>Local Government Allowance</b>			
Mayor at \$85,000 per year	85,000	85,000	85,194
Deputy Mayor at \$21,250 per year (25% of President's Allowance)	21,250	21,250	21,226
<b>ICT Allowance</b>			
10 Councillors at \$3,500 per year	36,381	37,500	36,927
<b>Other Expenses</b>			
Childcare (actual costs or \$20/hour whichever is lower)	0	0	0
Travelling expenses (as per Local Govt Officers Award)	0	30,000	14,271
Training Expenses (11 Councillors at \$5,000 per year)	11,236	55,000	0
Councillors receive a Professional Development Allowance of \$5,500 which covers costs associated with Conferences	11,724	60,500	21,612
President's Discretionary Fund (Council Related Expenses)	1,722	4,000	2,366
	<u>499,286</u>	<u>638,250</u>	<u>515,902</u>

**CITY OF KARRATHA  
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**30. MAJOR LAND TRANSACTIONS**

**Karratha LazyLands**

(a) Details

Council commenced in 2013/14 the development phase of a Major Land Transaction associated with the Lazy Lands initiative for future residential infill development within the Karratha townsite.

Five (5) Lots are under consideration being:

<b>Site</b>	<b>Legal and general land description</b>	<b>Reserve Status</b>	<b>Lot Area</b>
<b>1</b>	Lot 602 on Deposited Plan 70632 and wholly contained within Certificate of Crown Land Volume LR3161, Folio 550 Lot 602 Pelusey Way, Nickol	Parklands & Drainage	913m2
<b>2</b>	Lot 611 on Deposited Plan 70632 and wholly contained within Certificate of Crown Land Volume LR3161, Folio 551 Lot 611 Mayo Court, Nickol	Parklands & Drainage	2,389m2
<b>3</b>	Lot 612 on Deposited Plan 70632 and wholly contained within Certificate of Crown Land Volume LR3161 Lot 612 Boyd Close, Nickol	Parklands & Drainage	767m2
<b>5</b>	Lot 683 on Deposited Plan 71342 and wholly contained within Certificate of Crown Land Volume LR3161, Folio 575 683 Gregory Way, Bulgarra	Parkland, Recreation, Drainage & Public Infrastructure	1.4ha
<b>7</b>	Lot 651 on Deposited Plan 71341 and wholly contained within Certificate of Crown Land Volume LR3161 L651 Hancock Way, Bulgarra	Parkland, Recreation, Drainage & Public Infrastructure	1.11ha

**CITY OF KARRATHA**  
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**30. MAJOR LAND TRANSACTIONS (Continued)**

(b) Current year transactions	2015 \$	2015 Budget \$	2014 \$
<b>Operating income</b>			
- Profit on sale	0	0	0
- Funding from 3rd Parties	0	0	0
<b>Capital income</b>			
- Sale proceeds	0	0	0
- Transfer from Reserve	561,590	199,287	193,651
<b>Capital expenditure</b>			
- Purchase of land	(524,251)	0	0
- Reserve Reimbursement	0		
- Development costs	(12,515)	(199,287)	(193,651)
	<u>24,824</u>	<u>0</u>	<u>0</u>

Projected profit of \$610,685 are anticipated to be received in the 2015/16 for the sale of lots 1, 2 & 3. Council resolved in June via resolution #153173 to develop sites 1,2 & 3 subject to funding application and to consider the future development of lots 5 & 7 in response to satisfactory changes in market conditions. Infrastructure Reserve funds utilised will be returned to Reserve from sale proceeds. Any profit derived from the sale of land is required to be placed in Trust for the purpose of capital improvements to other Recreation Reserves in the locality.

(c) Expected Future Cash Flows

	2016 \$	2017 \$	2018 \$	2019 \$	Total \$
<b>Cash outflows</b>					
- Development costs	(831,491)	0	0	0	(831,491)
- Reserve reimbursement	(565,993)	0	0	0	(565,993)
	<u>(1,397,484)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,397,484)</u>
<b>Cash inflows</b>					
- Reserve funding	10,988	0	0	0	10,988
- External funding	820,503	0	0	0	820,503
- Sale proceeds	610,685	0	0	0	610,685
	<u>1,442,176</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,442,176</u>
<b>Net cash flows</b>	<u>44,692</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>44,692</u>

**31. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

The City did not participate in any trading undertakings or major trading undertakings during the 2014/15 financial year.

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**32. FINANCIAL RISK MANAGEMENT**

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

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

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

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

	<b>Carrying Value</b>		<b>Fair Value</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>				
Cash and cash equivalents	85,384,687	62,930,475	85,384,687	62,930,475
Receivables	27,949,456	11,995,083	27,949,456	11,995,083
	<u>113,334,143</u>	<u>74,925,558</u>	<u>113,334,143</u>	<u>74,925,558</u>
<b>Financial liabilities</b>				
Payables	16,458,213	10,690,587	16,458,213	10,690,587
Borrowings	0	0	0	0
	<u>16,458,213</u>	<u>10,690,587</u>	<u>16,458,213</u>	<u>10,690,587</u>

Fair value is determined as follows:

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

**CITY OF KARRATHA**  
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**32. FINANCIAL RISK MANAGEMENT (Continued)**

**(a) Cash and Cash Equivalents**

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

**Available-for-sale financial assets**

**Held-to-maturity investments**

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

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

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

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

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

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Impact of a 10% <sup>(1)</sup> movement in price of investments		
- Equity	8,713,383	6,646,915
- Statement of Comprehensive Income	8,713,383	6,646,915
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash		
- Equity	853,847	629,305
- Statement of Comprehensive Income	853,847	629,305

*Notes:*

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

**CITY OF KARRATHA  
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**32. FINANCIAL RISK MANAGEMENT (Continued)**  
**(b) Receivables**

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

Credit risk on rates and annual charges and Pilbara Underground Power Project service 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 and Pilbara Underground Power Project service charges at higher than market rates, which further encourages payment.

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

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

Payment instalment options for either 4 or 10 years were offered to property owners for payment of their Pilbara Underground Power Project service charges. Where property owners are up to date with their instalment payments, the remaining balance is considered current. Where property owners have not opted to pay by instalments the full outstanding balance is considered overdue.

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

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

	<b>2015</b>	<b>2014</b>
Percentage of rates and annual charges		
- Current	0%	16%
- Overdue	100%	84%
Percentage of Pilbara Underground Power Project service charges		
- Current	70%	-
- Overdue	30%	-
Percentage of other receivables		
- Current	95%	90%
- Overdue	5%	10%

**CITY OF KARRATHA**  
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**32. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Payables**  
**Borrowings**

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

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

	<b>Due within 1 year \$</b>	<b>Due between 1 &amp; 5 years \$</b>	<b>Due after 5 years \$</b>	<b>Total contractual cash flows \$</b>	<b>Carrying values \$</b>
<b><u>2015</u></b>					
Payables	16,458,213	0	0	16,458,213	16,458,213
Borrowings	0	0	0	0	0
	<u>16,458,213</u>	<u>0</u>	<u>0</u>	<u>16,458,213</u>	<u>16,458,213</u>
<b><u>2014</u></b>					
Payables	10,690,587	0	0	10,690,587	10,690,587
Borrowings	0	0	0	0	0
	<u>10,690,587</u>	<u>0</u>	<u>0</u>	<u>10,690,587</u>	<u>10,690,587</u>

**CITY OF KARRATHA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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**32. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Payables  
Borrowings (continued)**

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

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

	<b>&lt;1 year</b>	<b>&gt;1&lt;2 years</b>	<b>&gt;2&lt;3 years</b>	<b>&gt;3&lt;4 years</b>	<b>&gt;4&lt;5 years</b>	<b>&gt;5 years</b>	<b>Total</b>	<b>Weighted Average Effective Interest Rate</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
<b><u>Year ended 30 June 2015</u></b>								
<b>Borrowings</b>								
<b>Fixed rate</b>								
Debentures	0	0	0	0	0	0	0	0.00%
Weighted average Effective interest rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
<b><u>Year ended 30 June 2014</u></b>								
<b>Borrowings</b>								
<b>Fixed rate</b>								
Debentures	0	0	0	0	0	0	0	0.00%
Weighted average Effective interest rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		





**CITY OF KARRATHA  
SUPPLEMENTARY RATIO INFORMATION  
FOR THE YEAR ENDED 30TH JUNE 2015**

**RATIO INFORMATION**

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

	2015	2014	2013
<b>Asset consumption ratio</b>	0.797	0.765	0.644

The asset consumption ratio is calculated as follows:

Asset consumption ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
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The asset consumption ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost. A ratio in excess of 0.50 indicates that a Local Government has met the standard recommended by the Department of Local Government and Communities. A ratio between 0.60 and 0.75 indicates that a Local Government is improving upon the standard recommended by the Department of Local Government and Communities.

The City's asset consumption ratio of 0.797 reflects an increased level of expenditure on new assets as well as upgrades on existing assets in accordance with planned capital expenditure in the City's Long Term Financial Plan. The result is also reflective of infrastructure assets revalued to fair value in accordance with Local Government (Financial Management) Regulation 17A (2). Future Annual Financial Statements will include depreciation based on the Fair Value of Infrastructure assets. Council maintains an Infrastructure Reserve in order to fund future capital maintenance and renewal requirements.

<b>Asset renewal funding ratio</b>	1	1	1
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The asset renewal funding ratio is calculated as follows:

Asset renewal funding ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
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The asset renewal funding ratio measures the ability of a Local Government to fund its projected asset renewal and replacements in the future. A ratio between 0.75 and 0.95 indicates that a Local Government has met the standard recommended by the Department of Local Government and Communities. A ratio between 0.95 and 1.05, with a asset sustainability ratio of between 0.90 and 1.10, and an asset consumption ratio of between 0.50 and 0.75, indicates that a Local Government is improving upon the standard recommended by the Department of Local Government and Communities.

The City's asset renewal funding ratio of 1 demonstrates a level of planned capital renewal expenditure equal to the level of capital expenditure required to maintain its existing assets. The capital expenditure program included in the City's Long Term Financial Plan also includes a number of new facilities as well as upgrades to existing facilities which will require maintenance in future periods.