

**CITY OF KARRATHA**  
**BUDGET**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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

	NOTE	2016/17 Budget \$	2015/16 Actual \$	2015/16 Budget \$
<b>Revenue</b>				
Rates	8	42,096,685	38,190,694	41,263,058
Operating grants, subsidies and contributions		9,066,938	9,138,556	10,900,815
Fees and charges	14	42,618,883	41,247,981	44,906,454
Service charges	11	0	(48,804)	0
Interest earnings	2(a)	3,327,528	2,810,464	3,333,891
Other revenue	2(a)	372,510	723,265	500,239
		<u>97,482,544</u>	<u>92,062,156</u>	<u>100,904,457</u>
<b>Expenses</b>				
Employee costs		(32,878,935)	(33,200,780)	(36,502,549)
Materials and contracts		(23,247,425)	(25,260,559)	(25,355,482)
Utility charges		(4,724,195)	(4,277,666)	(3,793,942)
Depreciation on non-current assets	2(a)	(21,762,467)	(19,547,523)	(11,116,452)
Interest expenses	2(a)	(11,222)	0	0
Insurance expenses		(1,545,116)	(1,422,188)	(1,396,264)
Other expenditure		(3,789,903)	(4,666,454)	(3,458,421)
		<u>(87,959,263)</u>	<u>(88,375,170)</u>	<u>(81,623,110)</u>
		9,523,281	3,686,986	19,281,347
Non-operating grants, subsidies and contributions		22,736,006	29,410,674	22,873,255
Profit on asset disposals	6	4,640	30,960	39,058
Loss on asset disposals	6	(193,347)	(90,636)	(31,610)
<b>NET RESULT</b>		<b>32,070,580</b>	<b>33,037,984</b>	<b>42,162,050</b>
<b>Other comprehensive income</b>				
Changes on revaluation of non-current assets		0	0	0
<b>Total other comprehensive income</b>		<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u><b>32,070,580</b></u>	<u><b>33,037,984</b></u>	<u><b>42,162,050</b></u>

**Notes:**

All fair value adjustments relating to remeasurement of financial assets at fair value through profit or loss (if any) and changes on revaluation of non-current assets are impacted upon by external forces and are not able to be reliably estimated at the time of budget adoption.

Fair value adjustments relating to the re-measurement of financial assets at fair value through profit or loss will be assessed at the time they occur with compensating budget amendments made as necessary.

It is anticipated, in all instances, any changes upon revaluation of non-current assets will relate to non-cash transactions and as such, have no impact on this budget document.

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 30 JUNE 2017**

	NOTE	2016/17 Budget	2015/16 Actual	2015/16 Budget
		\$	\$	\$
<b>Revenue (Refer Notes 1,2,8,10 to 14)</b>				
Governance		214,010	238,678	251,151
General purpose funding		47,142,628	42,566,805	47,926,146
Law, order, public safety		823,668	298,707	382,365
Health		171,100	191,942	165,200
Education and welfare		58,920	67,550	58,920
Housing		400,434	397,471	449,046
Community amenities		10,328,128	10,082,941	10,376,978
Recreation and culture		11,257,932	11,497,828	11,739,312
Transport		26,562,094	25,927,801	29,107,149
Economic services		381,230	381,440	442,790
Other property and services		142,400	410,993	5,400
		<u>97,482,544</u>	<u>92,062,156</u>	<u>100,904,457</u>
<b>Expenses Excluding Finance Costs Refer Notes 1, 2 &amp; 15)</b>				
Governance		(4,039,340)	(3,788,540)	(3,184,985)
General purpose funding		(4,244,200)	(3,851,596)	(4,434,504)
Law, order, public safety		(1,825,345)	(1,802,239)	(1,722,225)
Health		(1,279,492)	(1,259,690)	(1,275,319)
Education and welfare		(168,573)	(175,310)	(181,526)
Housing		(489,163)	(294,211)	(474,793)
Community amenities		(13,744,962)	(13,825,712)	(14,741,404)
Recreation and culture		(29,433,025)	(31,884,399)	(31,042,214)
Transport		(29,899,174)	(29,570,277)	(21,444,435)
Economic services		(2,657,292)	(2,326,581)	(2,893,724)
Other property and services		(167,475)	403,385	(227,981)
		<u>(87,948,041)</u>	<u>(88,375,170)</u>	<u>(81,623,110)</u>
<b>Finance Costs (Refer Notes 2 &amp; 7(a))</b>				
General purpose funding		(11,222)	0	0
		<u>(11,222)</u>	<u>0</u>	<u>0</u>
<b>Non-operating Grants, Subsidies and Contributions</b>				
Governance		1,164,874	0	0
Law, order, public safety		0	65,410	165,000
Housing		0	0	820,053
Community amenities		0	7,163,374	9,577,000
Recreation and culture		18,318,408	18,450,279	8,660,000
Transport		3,252,724	3,731,611	3,651,202
		<u>22,736,006</u>	<u>29,410,674</u>	<u>22,873,255</u>

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

	NOTE	2016/17 Budget \$	2015/16 Actual \$	2015/16 Budget \$
<b>Profit/(Loss) On Disposal Of Assets (Refer Note 6)</b>				
Governance		(3,443)	(2,572)	(2,135)
General purpose funding		0	0	0
Law, order, public safety		(6,059)	0	0
Health		500	0	0
Education and welfare		0	0	0
Housing		0	0	0
Community amenities		(117,699)	(6,446)	(1,749)
Recreation and culture		(36,186)	(5,796)	(3,442)
Transport		(26,720)	(26,788)	19,575
Economic services		0	(14,728)	(132)
Other property and services		900	(3,346)	(4,669)
		<u>(188,707)</u>	<u>(59,676)</u>	<u>7,448</u>
<b>NET RESULT</b>		<b>32,070,580</b>	<b>33,037,984</b>	<b>42,162,050</b>
<b>Other comprehensive income</b>				
Changes on revaluation of non-current assets		0	0	0
<b>Total other comprehensive income</b>		<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b><u>32,070,580</u></b>	<b><u>33,037,984</u></b>	<b><u>42,162,050</u></b>

**Notes:**

All fair value adjustments relating to remeasurement of financial assets at fair value through profit or loss (if any) and changes on revaluation of non-current assets are impacted upon by external forces and are not able to be reliably estimated at the time of budget adoption.

Fair value adjustments relating to the remeasurement of financial assets at fair value through profit or loss will be assessed at the time they occur with compensating budget amendments made as necessary.

It is anticipated, in all instances, any changes upon revaluation of non-current assets will relate to non-cash transactions and as such, have no impact on this budget document.

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

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

	<b>NOTE</b>	<b>2016/17 Budget \$</b>	<b>2015/16 Actual \$</b>	<b>2015/16 Budget \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		42,060,977	38,190,694	41,263,058
Operating grants, subsidies and contributions		12,969,865	14,126,257	11,625,210
Fees and charges		42,618,883	41,247,981	44,906,454
Service charges		0	(48,804)	4,166,336
Interest earnings		3,327,528	2,810,464	3,333,891
Goods and services tax		0	77	94,182
Other revenue		372,510	723,265	500,239
		<u>101,349,763</u>	<u>97,049,934</u>	<u>105,889,370</u>
<b>Payments</b>				
Employee costs		(32,778,935)	(32,022,008)	(36,202,549)
Materials and contracts		(22,334,806)	(25,167,386)	(27,108,878)
Utility charges		(4,724,195)	(4,277,666)	(3,793,942)
Interest expenses		(11,222)	0	0
Insurance expenses		(1,545,116)	(1,422,188)	(1,396,264)
Goods and services tax		0	0	(185,091)
Other expenditure		(3,789,903)	(4,666,454)	(3,458,421)
		<u>(65,184,177)</u>	<u>(67,555,702)</u>	<u>(72,145,145)</u>
<b>Net cash provided by (used in) operating activities</b>	3(b)	<u>36,165,586</u>	<u>29,494,232</u>	<u>33,744,225</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment	5	(31,593,543)	(23,388,755)	(28,150,381)
Payments for construction of infrastructure	5	(18,524,172)	(20,465,017)	(15,903,573)
Non-operating grants, subsidies and contributions used for the development of assets plant & equipment	6	22,736,006 333,670	29,410,674 787,333	22,873,255 841,000
<b>Net cash provided by (used in) investing activities</b>		<u>(27,048,039)</u>	<u>(13,655,765)</u>	<u>(20,339,699)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of debentures	7	(63,103)	0	0
Advances to community groups		0	(475,616)	6,166
Repayment of self supporting loans		63,207	0	0
Other Loan Principal Income				237,260
Proceeds from new debentures	7	<u>0</u>	<u>475,616</u>	<u>0</u>
<b>Net cash provided by (used in) financing activities</b>		<u>104</u>	<u>0</u>	<u>243,426</u>
<b>Net increase (decrease) in cash held</b>		9,117,651	15,838,467	13,647,952
Cash at beginning of year		<u>101,223,154</u>	<u>85,384,687</u>	<u>89,658,374</u>
<b>Cash and cash equivalents at the end of the year</b>	3(a)	<u><u>110,340,805</u></u>	<u><u>101,223,154</u></u>	<u><u>103,306,326</u></u>

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

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

	NOTE	2016/17 Budget \$	2015/16 Actual \$	2015/16 Budget \$
<b>Net current assets at start of financial year - surplus/(deficit)</b>	4	<b>7,807,337</b>	<b>12,271,610</b>	<b>13,933,339</b>
<b>Revenue from operating activities (excluding rates and non-operating grants, subsidies and contributions)</b>	1,2			
Governance		214,010	238,678	252,530
General purpose funding		5,045,943	4,376,111	6,663,088
Law, order, public safety		823,668	298,707	382,365
Health		171,600	191,942	165,200
Education and welfare		58,920	67,550	58,920
Housing		400,434	397,471	449,046
Community amenities		10,328,628	10,105,982	10,376,978
Recreation and culture		11,258,557	11,497,978	11,740,565
Transport		26,564,209	25,934,568	29,143,575
Economic services		381,230	382,442	442,790
Other property and services		143,300	410,993	5,400
		<u>55,390,499</u>	<u>53,902,422</u>	<u>59,680,457</u>
<b>Expenditure from operating activities</b>	1,2			
Governance		(4,042,783)	(3,791,112)	(3,188,499)
General purpose funding		(4,255,422)	(3,851,596)	(4,434,504)
Law, order, public safety		(1,831,404)	(1,802,239)	(1,722,225)
Health		(1,279,492)	(1,259,690)	(1,275,319)
Education and welfare		(168,573)	(175,310)	(181,526)
Housing		(489,163)	(294,211)	(474,793)
Community amenities		(13,863,161)	(13,855,199)	(14,743,153)
Recreation and culture		(29,469,836)	(31,890,345)	(31,046,909)
Transport		(29,928,009)	(29,603,832)	(21,461,286)
Economic services		(2,657,292)	(2,342,311)	(2,893,856)
Other property and services		(167,475)	400,039	(232,650)
		<u>(88,152,610)</u>	<u>(88,465,806)</u>	<u>(81,654,720)</u>
<b>Operating activities excluded from budget</b>				
(Profit)/Loss on asset disposals	6	188,707	59,676	(7,448)
Loss on revaluation of non current assets		0	0	0
<b>Amount attributable to operating activities</b>		<b>(3,003,600)</b>	<b>(2,684,575)</b>	<b>3,068,080</b>
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions		22,736,006	29,410,674	22,873,255
Purchase land held for resale	5	0	0	0
Purchase property, plant and equipment	5	(31,593,543)	(23,388,755)	(28,150,381)
Purchase and construction of infrastructure	5	(18,524,172)	(20,465,017)	(15,903,573)
Proceeds from disposal of assets	6	333,670	787,333	841,000
<b>Amount attributable to investing activities</b>		<b>(27,048,039)</b>	<b>(13,655,765)</b>	<b>(20,339,699)</b>
<b>FINANCING ACTIVITIES</b>				
Repayment of debentures	7	(63,103)	0	0
Proceeds from new debentures	7	0	475,616	0
Advance to Community Groups		0	(475,616)	0
Other Loan Principal Income		63,207	748,625	243,426
Transfers to cash backed reserves (restricted assets)	9	(29,546,232)	(48,549,977)	(42,862,762)
Transfers from cash backed reserves (restricted assets)	9	23,405,207	33,758,335	26,989,571
<b>Amount attributable to financing activities</b>		<b>(6,140,921)</b>	<b>(14,043,017)</b>	<b>(15,629,765)</b>
<b>Budgeted deficiency before general rates</b>		<b>(36,192,560)</b>	<b>(30,383,357)</b>	<b>(32,901,384)</b>
<b>Estimated amount to be raised from general rates</b>	8	<b>42,096,685</b>	<b>38,190,694</b>	<b>41,263,058</b>
<b>Net current assets at end of financial year - surplus/(deficit)</b>	4	<b>5,904,125</b>	<b>7,807,337</b>	<b>8,361,674</b>

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

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

<b>Composition of Estimated Surplus/(Deficit) June 30 C/Fwd</b>	<b>NOTE</b>	<b>2016/17 Budget \$</b>	<b>2015/16 Actual \$</b>	<b>2015/16 Budget \$</b>
Less: Estimated Restricted Surplus/(Deficit) June 30 C/Fwd		<u>5,863,920</u>	<u>7,220,459</u>	<u>8,332,673</u>
Estimated Restricted Surplus/(Deficit) June 30 C/Fwd		5,863,920	7,220,459	8,332,673
Estimated Unrestricted Surplus/(Deficit) June 30 C/Fwd		40,205	586,878	29,001
Estimated Surplus/(Deficit) June 30 C/Fwd		<u><u>5,904,125</u></u>	<u><u>7,807,337</u></u>	<u><u>8,361,674</u></u>

**Composition of Estimated Surplus/(Deficit)  
July 1 B/Fwd**

Estimated Unrestricted Surplus/(Deficit) July 1 B/Fwd		586,878	63,450	1,434,330
Estimated Restricted Surplus/(Deficit) July 1 B/Fwd		7,220,459	12,208,160	12,499,009
Estimated Surplus/(Deficit) July 1 B/Fwd		<u><u>7,807,337</u></u>	<u><u>12,271,610</u></u>	<u><u>13,933,339</u></u>

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

Service charges paid prior to the end of the 2015/16 financial year will 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 2015/16 financial year are unable to be transferred to the Pilbara Underground Power Reserve and therefore represent a restricted surplus amount.

Due to the restricted nature of the associated asset, this amount has been excluded from the calculation of the net Current Asset Position.

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

**1. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

The budget has been prepared in accordance with applicable Australian Accounting Standards (as they apply to local government 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 budget are presented below and have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the budget has also 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.

**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 budget.

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 16 to this budget document.

**(b) 2015/16 Actual Balances**

Balances shown in this budget as 2015/16 Actual are as forecast at the time of budget preparation and are subject to final adjustments.

**(c) Rounding Off Figures**

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

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

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

or, where earlier, upon receipt of the rates.

**(e) 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.

**(f) Superannuation**

The City contributes to a number of superannuation funds on behalf of employees.

All funds to which the City contributes are defined contribution plans.



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

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

**(g) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks, 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 shown as short term borrowings in current liabilities in Note 4 - Net Current Assets.

**(h) 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.

**(i) 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 Resale***

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

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

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

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

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

**(j) Fixed Assets**

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

***Initial Recognition and Measurement between Mandatory Revaluation Dates***

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework 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 of 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 BUDGET**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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

**(j) 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.

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

Artwork/sculptures	50 years
Buildings:	
- Buildings	50 years
- Buildings fixtures/fittings	11 years
- Buildings on leased land	21 years
- Transportable building	15 years
Furniture and 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	80 years
- Drainage	56 years
- Miscellaneous structures	21 years
- Boat ramps/jetties	50 years
- Access Roads - Seal (Landfill & Transfer Station)	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 (Leisureplex 50m Pool Boom)	30 years
- Building & Structures	30 years
- Car Park Furniture	40 years

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

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

**(j) Fixed Assets (Continued)**

- 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
- Irrigation	30 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
- 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 are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss in the period which they arise.

***Capitalisation Threshold***

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

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

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

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

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

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

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

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

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

***Fair Value Hierarchy***

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

**Level 1**

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

**Level 2**

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

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

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

***Valuation techniques***

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

**Market approach**

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

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

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

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

**Income approach**

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

**Cost approach**

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

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the City gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability and 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.

The mandatory measurement framework imposed by the *Local Government (Financial Management) Regulations* requires, as a minimum, all assets to be revalued at least every 3 years. Relevant disclosures, in accordance with the requirements of Australian Accounting Standards have been made in the budget as necessary.

**(l) 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 (ie 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 cost.

Amortised cost is calculated as:

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

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

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

**(I) Financial Instruments (Continued)**

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.

*(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. Assets in this category are classified as current assets. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

*(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 management has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

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

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

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

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

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

*(v) Financial liabilities*

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

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

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

**(l) Financial Instruments (Continued)**

***Impairment***

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has 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 for 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.

**(m) Impairment of Assets**

In accordance with Australian Accounting Standards the City 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 revaluation decrease in accordance with that other standard.



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

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

**(m) Impairment of Assets (Continued)**

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.

At the time of adopting this budget, it is not possible to estimate the amount of impairment losses (if any) as at 30 June 2017.

In any event, an impairment loss is a non-cash transaction and consequently, has no impact on this budget document.

**(n) 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.

**(o) 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 or 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 BUDGET**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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

**(p) 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.

**(q) Provisions**

Provisions are recognised when the City has a 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.

**(r) 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.

**(s) 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 18.

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

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

**(t) 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.

**(u) Comparative Figures**

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

**(v) Budget Comparative Figures**

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

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

	2016/17 Budget \$	2015/16 Actual \$	2015/16 Budget \$
<b>2. REVENUES AND EXPENSES</b>			
(a) <b>Net Result</b>			
The net result includes:			
(i) Charging as an expense:			
<b>Auditors remuneration</b>			
Audit services	31,130	27,027	32,000
Other services	14,080	0	5,000
<b>Depreciation By Program</b>			
Governance	0	43	72
General purpose funding	467,678	479,195	500,091
Law, order, public safety	143,914	141,180	83,795
Health	21,539	21,671	21,971
Education and welfare	53,346	53,638	54,217
Housing	463,993	470,972	481,404
Community amenities	768,231	564,704	131,107
Recreation and culture	3,824,621	3,158,977	3,085,948
Transport	14,144,356	12,615,730	4,720,271
Economic services	11,824	11,895	20,713
Other property and services	1,862,965	2,029,518	2,016,863
	<u>21,762,467</u>	<u>19,547,523</u>	<u>11,116,452</u>
<b>Depreciation By Asset Class</b>			
Artwork	17,298	17,448	59,604
Land and buildings	4,350,224	2,584,062	2,588,555
Furniture and equipment	726,463	755,801	705,331
Plant and equipment	2,115,698	2,214,424	2,188,221
Roads, Footpaths, Drainage	10,284,071	10,075,733	2,340,432
Aerodromes	2,322,639	2,186,472	2,049,216
Infrastructure Other	1,946,074	1,713,583	1,185,093
	<u>21,762,467</u>	<u>19,547,523</u>	<u>11,116,452</u>
<b>Interest Expenses (Finance Costs)</b>			
- Debentures (refer note 7(a))	11,222	0	0
	<u>11,222</u>	<u>0</u>	<u>0</u>
(ii) Crediting as revenues:			
<b>Interest Earnings</b>			
Investments			
- Reserve funds	2,748,528	2,020,764	2,556,316
- Other funds	274,000	274,000	489,575
Other interest revenue (refer note 12)	305,000	515,700	288,000
	<u>3,327,528</u>	<u>2,810,464</u>	<u>3,333,891</u>
(iii) <b>Other Revenue</b>			
Reimbursements and recoveries	64,460	68,443	69,460
Other	308,050	654,822	430,779
	<u>372,510</u>	<u>723,265</u>	<u>500,239</u>

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

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

**(b) Statement of Objective**

In order to discharge its responsibilities to the community, Council has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the Shire'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.

**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.

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

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

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

**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 & SERVICES**

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

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

**3. 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. Estimated cash at the end of the reporting period is as follows:

	<b>2016/17 Budget \$</b>	<b>2015/16 Actual \$</b>	<b>2015/16 Budget \$</b>
Cash - unrestricted	5,292,010	2,315,384	7,473,769
Cash - restricted	<u>105,048,795</u>	<u>98,907,770</u>	<u>95,832,557</u>
	<u><u>110,340,805</u></u>	<u><u>101,223,154</u></u>	<u><u>103,306,326</u></u>

The following restrictions have been imposed by regulation or other externally imposed requirements:

Employee Entitlement Reserve	5,488,058	5,328,074	4,719,483
Aerodrome Reserve	1,324,476	2,740,639	5,075,915
Dampier Drainage Reserve	46,823	36,823	20,000
Walkington Theatre Reserve	31,148	30,236	30,352
Plant Replacement Reserve	2,098,211	2,464,583	3,048,254
Workers Compensation Reserve	579,937	563,005	750,000
Waste Management Reserve	21,389,274	19,609,975	18,543,027
Infrastructure Reserve	52,060,327	39,685,428	38,649,587
Housing Reserve	331,719	322,059	326,028
Aged Persons Unit Reserve	0	0	0
Mosquito Control Reserve	7,734	6,960	5,724
Medical Services Assistance Package Reserve	406,505	394,649	331,581
Community Development Reserve	239,142	227,226	173,517
Carry Forward Budget Reserve	1,910,125	6,729,145	9,214,000
Restricted Funds Reserve	275,982	275,982	275,982
Partnership Reserve	7,709,053	9,656,198	2,779,104
Pilbara Underground Power Reserve	<u>11,150,281</u>	<u>10,836,788</u>	<u>11,890,003</u>
	<u><u>105,048,795</u></u>	<u><u>98,907,770</u></u>	<u><u>95,832,557</u></u>

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

Net result	32,070,580	33,037,984	42,162,050
Depreciation	21,762,467	19,547,523	11,116,452
(Profit)/loss on sale of asset	188,707	59,676	(7,448)
Loss on revaluation of non current assets	0	0	0
(Increase)/decrease in receivables	3,867,219	4,987,701	4,799,822
(Increase)/decrease in inventories	(6,579)	93,173	0
Increase/(decrease) in payables	919,198	1,078,849	(1,753,396)
Increase/(decrease) in employee provisions	100,000	100,000	300,000
Grants/contributions for the development of assets	<u>(22,736,006)</u>	<u>(29,410,674)</u>	<u>(22,873,255)</u>
<b>Net Cash from Operating Activities</b>	<u><u>36,165,586</u></u>	<u><u>29,494,232</u></u>	<u><u>33,744,225</u></u>

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

**3. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)**

	<b>2016/17 Budget \$</b>	<b>2015/16 Actual \$</b>	<b>2015/16 Budget \$</b>
<b>(c) Undrawn Borrowing Facilities</b>			
<b>Credit Standby Arrangements</b>			
Bank overdraft limit	1,000,000	1,000,000	1,000,000
Bank overdraft at balance date	0	0	0
Credit card limit	200,000	200,000	200,000
Credit card balance at balance date	(50,000)	(50,000)	(100,000)
<b>Total Amount of Credit Unused</b>	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,100,000</u>
 <b>Loan Facilities</b>			
Loan facilities in use at balance date	<u>412,513</u>	<u>475,616</u>	<u>0</u>
 Unused loan facilities at balance date	<u>0</u>	<u>0</u>	<u>0</u>

	<b>Note</b>	<b>2016/17 Budget \$</b>	<b>2015/16 Actual \$</b>
<b>4. NET CURRENT ASSETS</b>			
<b>Composition of estimated net current assets</b>			
<b>CURRENT ASSETS</b>			
Cash - unrestricted	3(a)	5,292,010	2,315,384
Cash - restricted reserves	3(a)	105,048,795	98,907,770
Receivables		12,165,595	16,031,254
Inventories		401,592	919,264
		<u>122,907,992</u>	<u>118,173,672</u>
 <b>LESS: CURRENT LIABILITIES</b>			
Trade and other payables		(16,842,998)	(15,923,800)
Short term borrowings		0	0
Long term borrowings		(64,652)	(63,103)
Provisions		(3,950,143)	(3,850,143)
		<u>(20,857,793)</u>	<u>(19,837,046)</u>
 <b>Unadjusted net current assets</b>		<b>102,050,199</b>	<b>98,336,626</b>
Differences between the net current assets at the end of each financial year in the rate setting statement and net current assets detailed above arise from amounts which have been excluded when calculating the budget deficiency in accordance with FM Reg 32 as movements for these items have been funded within the budget estimates. These differences are disclosed as adjustments below.			
<b>Adjustments</b>			
Less: Cash - restricted reserves	3(a)	(105,048,795)	(98,907,770)
Less: Land held for resale		0	524,251
Less: Current loans - clubs / institutions		(308,190)	(306,630)
Add: Current portion of debentures		64,652	63,103
Add: Current liabilities not expected to be cleared at end of year		9,146,259	8,097,757
<b>Adjusted net current assets - surplus/(deficit)</b>		<u><b>5,904,125</b></u>	<u><b>7,807,337</b></u>



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

**5. ACQUISITION OF ASSETS**

The following assets are budgeted to be acquired during the year.

Asset Class	Reporting Program											2016/17 Budget Total \$	2015/16 Actual Total \$
	Governance \$	General Purpose Funding \$	Law, Order, Public Safety \$	Health \$	Education and Welfare \$	Housing \$	Community Amenities \$	Recreation and Culture \$	Transport \$	Economic Services \$	Other Property and Services \$		
<i>Property, Plant and Equipment</i>													
Land and buildings	19,071,730	0	15,000	0	0	500,000	0	8,445,229	1,684,584	0	0	29,716,543	21,226,308
Furniture and equipment	260,000	0	0	0	0	0	0	164,000	0	0	0	424,000	96,176
Plant and equipment	0	0	45,000	0	0	0	832,000	308,000	228,000	0	40,000	1,453,000	2,066,271
	<b>19,331,730</b>	<b>0</b>	<b>60,000</b>	<b>0</b>	<b>0</b>	<b>500,000</b>	<b>832,000</b>	<b>8,917,229</b>	<b>1,912,584</b>	<b>0</b>	<b>40,000</b>	<b>31,593,543</b>	<b>23,388,755</b>
<i>Infrastructure</i>													
Roads	0	0	0	0	0	0	0	0	4,180,396	0	0	4,180,396	5,842,991
Footpaths	0	0	0	0	0	0	0	0	1,550,766	0	0	1,550,766	1,108,762
Aerodromes	0	0	0	0	0	0	0	0	2,638,058	0	0	2,638,058	440,520
Parks & Gardens	0	0	0	0	0	0	0	210,000	0	0	0	210,000	80,000
Hardcourt Facilities	0	0	0	0	0	0	0	20,000	0	0	0	20,000	25,000
Drainage	0	0	0	0	0	0	0	0	250,000	0	0	250,000	294,400
Boat Ramps & Jetties	0	0	0	0	0	0	0	1,995,569		0	0	1,995,569	1,797,893
Miscellaneous Structures	250,000	0	0	0	0	0	1,940,576	3,318,500	2,170,307	0	0	7,679,383	10,875,451
	<b>250,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,940,576</b>	<b>5,544,069</b>	<b>10,789,527</b>	<b>0</b>	<b>0</b>	<b>18,524,172</b>	<b>20,465,017</b>
<b>Total Acquisitions</b>	<b>19,581,730</b>	<b>0</b>	<b>60,000</b>	<b>0</b>	<b>0</b>	<b>500,000</b>	<b>2,772,576</b>	<b>14,461,298</b>	<b>12,702,111</b>	<b>0</b>	<b>40,000</b>	<b>50,117,715</b>	<b>43,853,772</b>

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

**6. DISPOSALS OF ASSETS**

The following assets are budgeted to be disposed of during the year.

<b><u>By Program</u></b>	<b>2016/17 Budget</b>			
	<b>Net Book Value</b>	<b>Sale Proceeds</b>	<b>Profit</b>	<b>Loss</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Governance	12,443	9,000	0	(3,443)
Law, Order, Public Safety	16,059	10,000	0	(6,059)
Health	0	500	500	0
Community Ammenities	229,149	111,450	500	(118,199)
Recreation and Culture	96,706	60,520	625	(36,811)
Transport	158,020	131,300	2,115	(28,835)
Other Property and Services	10,000	10,900	900	0
	<b>522,377</b>	<b>333,670</b>	<b>4,640</b>	<b>(193,347)</b>

<b><u>By Class</u></b>	<b>2016/17 Budget</b>			
	<b>Net Book Value</b>	<b>Sale Proceeds</b>	<b>Profit</b>	<b>Loss</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Plant and Equipment	522,377	333,670	4,640	(193,347)
	<b>522,377</b>	<b>333,670</b>	<b>4,640</b>	<b>(193,347)</b>

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE BUDGET**

**7. INFORMATION ON BORROWINGS**

**(a) Debenture Repayments**

Movement in debentures and interest between the beginning and the end of the current financial year.

Particulars	Principal 1-Jul-16	New Loans	Principal Repayments		Principal Outstanding		Interest Repayments	
			2016/17 Budget \$	2015/16 Actual \$	2016/17 Budget \$	2015/16 Actual \$	2016/17 Budget \$	2015/16 Actual \$
<b><u>Self Supporting Loans</u></b>								
Karratha Country Club	475,616	0	63,103	0	412,513	475,616	11,222	0
	<b>475,616</b>	<b>0</b>	<b>63,103</b>	<b>0</b>	<b>412,513</b>	<b>475,616</b>	<b>11,222</b>	<b>0</b>

All debenture repayments will be financed by general purpose revenue.

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

**8. RATING INFORMATION - 2016/17 FINANCIAL YEAR**

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	2016/17 Budgeted Rate Revenue \$	2016/17 Budgeted Interim Rates \$	2016/17 Budgeted Back Rates \$	2016/17 Budgeted Total Revenue \$	2015/16 Actual \$
<b>Differential general rate or general rate</b>								
GRV Residential	0.065211	7,038	249,180,256	16,249,292			16,249,292	15,836,812
Interim rates					60,000		60,000	143,148
Back rates						5,000	5,000	16,200
GRV Commercial/Tourism/Town Centre/Other	0.074517	260	35,757,433	2,664,537			2,664,537	2,734,140
Interim rates					120,000		120,000	31,632
Back rates						10,000	10,000	(142,512)
GRV Industry/Mixed Business	0.057244	465	71,450,990	4,090,140			4,090,140	3,955,474
Interim rates					20,000		20,000	47,103
Back rates						0		8,324
GRV Airport/Strategic Industry	0.128666	16	9,742,980	1,253,590			1,253,590	1,232,633
Interim rates					0			0
Back rates						0		0
GRV Transient Workforce Accommodation/Workforce	0.321484	23	22,065,100	7,093,577			7,093,577	7,139,587
Interim rates					(328,275)		(328,275)	(1,438,542)
Back rates						0		(997,085)
UV Pastoral	0.098627	11	2,852,650	281,348			281,348	280,281
Interim rates					0			(3,637)
Back rates						0		(1,444)
UV Mining/Other	0.136288	161	5,153,279	702,330			702,330	1,142,961
Interim rates					(20,000)		(20,000)	(121,698)
Back rates						0		(5,787)
UV Strategic Industry	0.171072	32	44,196,469	7,560,778			7,560,778	5,910,227
Interim rates					0			(227,466)
Back rates						0		(13,996)
<b>Sub-Totals</b>		8,006	440,399,157	39,895,593	(148,275)	15,000	39,762,318	35,526,357
<b>Minimum payment</b>	<b>Minimum \$</b>							
GRV Residential	1475	1,392		2,053,200			2,053,200	1,970,550
GRV Commercial/Tourism/Town Centre/Other	1475	216		318,600			318,600	265,350
GRV Industry/Mixed Business	1475	139		205,025			205,025	201,550
GRV Airport/Strategic Industry	1475	1		1,475			1,475	1,450
GRV Transient Workforce Accommodation/Workforce								
Accommodation	1475	0		0			0	1,450
UV Pastoral	340	0		0			0	0
UV Mining/Other	340	157		53,380			53,380	74,664
UV Strategic Industry	340	13		4,420			4,420	6,528
<b>Sub-Totals</b>		1,918	0	2,636,100	0	0	2,636,100	2,521,542
Ex-gratia Rates							47,644	169,395
Cossack Concessions							(27,075)	(26,600)
TWA Concessions							(322,302)	0
<b>Total amount raised from general rates</b>							42,096,685	38,190,694
Specified area rates (Note 10)							0	0
<b>Total Rates</b>							42,096,685	38,190,694



## **OBJECTS AND REASONS FOR PROPOSED DIFFERENTIAL RATES FOR THE YEAR ENDING 30 JUNE 2017**

In accordance with Section 6.36 of the *Local Government Act 1995*, the City of Karratha is required to publish its Objects and Reasons for implementing Differential Rates.

### **OVERALL OBJECTIVE**

The purpose of the levying of rates is to meet Council's budget requirements in each financial year in order to deliver services and community infrastructure.

Property valuations provided by the Valuer General are used as the basis for the calculation of rates each year. Section 6.33 of the *Local Government Act 1995* provides the ability to differentially rate properties based on zoning and/or land use as determined by the City of Karratha. The application of differential rating maintains equity in the rating of properties across the City.

Council has considered the Key Values contained within the Rating Policy Differential Rates (s.6.33) March 2016 released by the Department of Local Government and Communities, being:

- Objectivity
- Fairness and Equity
- Consistency
- Transparency and administrative efficiency

A copy of the policy can be obtained from <https://www.dlqc.wa.gov.au/Publications/Pages/Rating-Policy-Differential-Rates.aspx>.

Council has determined its required rates yield after reviewing all revenue sources, expenditure and efficiency measures as part of its budget deliberations.

The Rate in the Dollar applied to the valuations to determine property rates has been increased to reflect Council's objective of raising a total of \$42.2 million in rates based on a predominant increase in the rate for individual properties of 1.70% apart from UV Strategic Industry (rate in the dollar increase of 12.51%) and Transient Workforce Accommodation/Workforce Accommodation (rate in the dollar increase of 48.50%). This will ensure an equitable distribution of the required rates yield from one year to the next consistent with Council's approach in previous years.

The rate yield of \$42.2 million is in line with the revenue requirements of Council's Long Term Financial Plan (LTFP) of \$42.8 million for the 2016/17 financial year and provides for Capital Works and Programs which includes:

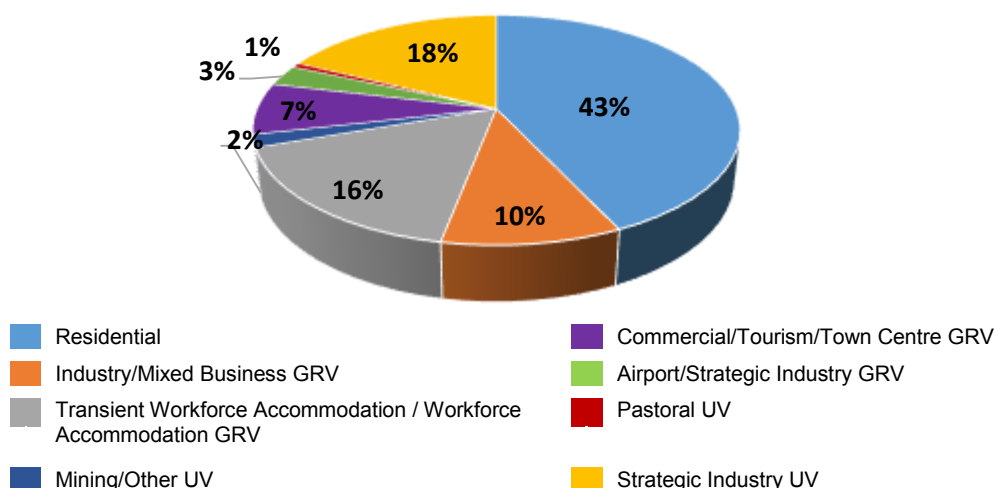
- Commencement of the Karratha Arts and Community Precinct
- Tambrey Pavilion construction
- Road reseal/Gravel re-sheeting program
- Continuation of Footpath/Cycleway/Lighting initiatives
- Playground renewal program

Council has reviewed its expenditure and considered efficiency measures as part of its budget deliberations. In particular, to improve efficiency and reduce expenditure Council has:

- negotiated a new Enterprise Agreement;
- reviewed the need for and remuneration of each position as vacancies arise;
- reduced the number of houses leased for staff housing;
- outsourced cleaning services for major facilities;
- commenced providing regulatory services to other local governments on a fee for service basis;
- deferred capital expenditure on plant;
- installed energy efficient fixtures and equipment;
- implemented Vendor Marketplace (eQuotes) for procurement below the tender threshold;
- disposed of under-utilised light fleet and plant;
- negotiated reduced pricing for bulk fuel purchases;
- insourced road shoulder grading;
- commenced review of options for insurance renewals;
- brought forward tender for renewal of panel contracts;
- implemented replacement/upgrade of effluent reuse system;
- deferred replacement of IT hardware; and
- negotiated the introduction of State funded Transkarratha public transport services.

Table 1 represents the total 2016/17 rates to be levied by land use / zoning.

**Table 1: Indicative Percentage Rates Contribution by Land Use / Zoning**



The 2016/17 Rating Year utilises the most recent general revaluation effective 1 July 2015, with valuations assessed as at August 2014 by the Valuer General's office.

### DIFFERENTIAL GENERAL RATES THAT DIFFER FROM THOSE ADVERTISED

As part of its Annual Budget process, Council considered the differential rates model for the 2016/17 financial year at its Ordinary Council Meeting held 18 April 2016. Council resolved to advertise the differential rates model that included a rate in the dollar of more than twice the lowest rate in the dollar. The advertised rate represented a 1.7% increase in the rate in the dollar for all categories apart from UV Strategic Industry (rate in the dollar increase of 12.51%) and Transient Workforce Accommodation/Workforce Accommodation (rate in the dollar increase of 48.50%).

On 30 May 2016, Council considered submissions regarding the 2016/17 differential rates model adopted for advertising by Council at the 18 April 2016 Ordinary Council Meeting. Following the review of submissions Council resolved to apply for Ministerial approval for the proposed differential rates model.

Subsequent to the advertising of the differential rates model, Council was advised of further decreases in valuation in the Transient Workforce Accommodation/Workforce Accommodation differential rating category. These decreases have necessitated an increase in the rate in the dollar in order to maintain the desired 1.7% increase in rate yield.

Following discussions with the Department of Local Government and Communities, Council resolved at the 20 June 2016 Ordinary Council Meeting to amend its application and seek Ministerial approval of the higher Transient Workforce Accommodation/Workforce Accommodation differential rate. Council further resolved to apply a concession to ratepayers in the category that did not experience a net valuation decrease, to cap their year on year rates increase to 20%.

Council has also been advised of valuation increases in the UV Strategic Industry differential rating category subsequent to advertising the differential rates model and this has allowed a lower rate in the dollar to be adopted to achieve the same rate yield.

A reduction in the number of properties on the UV Mining Tenement valuation roll has also resulted in the minimum rate for UV properties being reduced to ensure compliance with the legislative requirement that not more than 50% of properties rated on UV are levied the minimum rate.

The information below shows both the advertised rate and the rate proposed for adoption in the 2016/17 Council budget.

### **GROSS RENTAL VALUE PROPERTIES (GRV)**

The *Local Government Act 1995* determines that properties of a non-rural purpose be rated using the Gross Rental Valuation (GRV) as the basis for the calculation of annual rates.

The Valuer General determines the GRV for all properties within the City of Karratha every three years and assigns a GRV. The most recent general revaluation was effective from 1 July 2015.

Interim valuations are provided monthly to Council by the Valuer General for properties where changes have occurred (i.e. subdivisions or strata title of property, amalgamations, building constructions, demolition, additions and/or property rezoning). In such instances Council recalculates the rates for the affected properties and issues interim rates notices.

Table 2 below summarises the proposed 2016/17 minimum payments and rates in the dollar for GRV:

**Table 2: Proposed differential rates for 2016/17 financial year (GRV)  
Including average rate per assessment**

Differential Rates 2016/17				
Category	Advertised Minimum Payment	Advertised Rate in the Dollar	Proposed Minimum Payment	Proposed Rate in the Dollar
<b>Gross Rental Value</b>				
Residential	\$1,475	0.065211	\$1,475	0.065211
Commercial / Tourism / Town Centre	\$1,475	0.074517	\$1,475	0.074517
Industry / Mixed Business	\$1,475	0.057244	\$1,475	0.057244
Airport / GRV (Strategic Industry)	\$1,475	0.128666	\$1,475	0.128666
Transient Workforce Accommodation / Workforce Accommodation	\$1,475	0.293013	\$1,475	0.321484

**Residential** – means any land:

- that is predominantly used for residential purposes;
- or**
- which is vacant of any construction, and is zoned as residential under the City's Planning Scheme.

The reason for the rate in the dollar for this category is to reflect the level of rating required to raise the necessary revenue to operate efficiently and provide the diverse range of services and programs and associated infrastructure/facilities required for developed residential and urban areas.

Council is focussed on sustainably managing its community and infrastructure assets through the funding of renewal and replacement asset programs. These programs include but are not limited to investment in the resealing of roads, replacement and development of footpath networks, refurbishing of public ablutions and other building maintenance programs.

The rate for this category maintains an increase to the average rate for residential properties of 1.70% with a rate in the dollar increase of 1.70% for the 2016/17 financial year. The minimum rate of \$1,475 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

**Commercial / Tourism / Town Centre** – means any land:

- that is predominately used for either:
  - commercial purposes;
  - tourism purposes;
  - a combination of commercial and tourism purposes;
- or**
- which is vacant of any construction, and is zoned as Commercial, Tourism or Town Centre under the City's Planning Scheme.
- or**
- that does not have the characteristics of any other GRV differential rate category.

The reason for the rate in the dollar for this category is to recognise a greater share of costs associated with economic development, tourism and marketing, parking, environmental health and CBD infrastructure and amenity.

Council is focussed on sustainably managing its community and infrastructure assets through the funding of renewal and replacement asset programs. These programs include but are not limited to investment in the resealing of roads, replacement and development of footpath as well as significant investment in major projects for the CBD such as the Karratha Arts and Community Precinct.

The rate for this category maintains a decrease to the average rate for Commercial/Tourism/Town Centre properties of 0.12% with a rate in the dollar increase of 1.70% for the 2016/17 financial year. The minimum rate of \$1,475 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

**Industry / Mixed Business** – means any land:

- that is predominately used for either:
  - industrial purposes;
  - a combination of industrial and commercial purposes.
- or**
- which is vacant of any construction, and is zoned as Industrial or Mixed Business under the City's Planning Scheme.

The reason for the rate in the dollar for this category is to recognise a greater share of costs associated with economic development, LIA infrastructure, environmental health and regulatory services.

Council is focussed on sustainably managing its community and infrastructure assets through the funding of renewal and replacement asset programs. These programs include investment in the resealing/reconstruction of major distributor roads within the LIA such as Coolawanyah Road. In addition these properties have access to all other services and facilities provided by Council.

While the rate in the dollar, the average contribution is higher than the Commercial/Tourism/Town Centre category in recognition of these initiatives.

The rate for this category maintains an increase to the average rate for Industrial properties of 2.33% with a rate in the dollar increase of 1.70% for the 2016/17 financial year. The minimum rate of \$1,475 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

**Airport / Strategic Industry** – means any land:

- which is located within Karratha Airport (Reserve #30948);
- or**
- that is predominately used for the purpose of resource processing.

The reasons for the category are to recognise a greater share of costs associated with economic development, tourism and marketing, parking, and transport infrastructure associated with heavy plant and equipment.



The rate in the dollar for Airport / Strategic Industry is proposed to be one point nine seven times (x1.97) the Residential rate category which equates to two point two five times (x2.25) the lowest GRV rate in the dollar being Industry / Mixed Business.

In order to ensure that Council can maintain and sustain these infrastructure assets and services, a higher differential rate is proposed to be struck.

Strategic Industry – properties with a land use of Strategic Industry have State or Regional significance which utilise a proportionately high level of infrastructure assets due to heavy haulage vehicle movements. In addition they also impact on the provision of environmental and strategic planning services as well as access to all other services and facilities provided by Council.

Airport - properties located in the Karratha Airport Precinct (second busiest airport in Western Australia) receive direct benefit from significant Airport Infrastructure and services more so than any other ratepayer. In addition these properties have access to all other services and facilities provided by Council.

Karratha Airport is a strategic asset of Council and the services afforded to Airport properties are of significant benefit. Operating costs of circa \$9.75m (excludes recoverable costs) for 2015/16 were incurred with similar operating costs (plus associated CPI and Utility increases) anticipated for 2016/17.

Council' significant terminal redevelopment project was completed in 2015/16 which provides a higher amenity and service to airport properties. Significant additional infrastructure development is scheduled for 2016/17 and beyond to continue to improve amenity and infrastructure in and around the Airport precinct.

The rate for this category maintains an increase to the average rate for properties of 1.70% for the 2016/17 financial year. The minimum rate of \$1,475 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

**Transient Workforce Accommodation / Workforce Accommodation** – means any land:

- that is predominately used for the purpose of workforce accommodation;  
**or**
- that is predominately used for the purpose of transient workforce accommodation;  
**or**
- that has been zoned as Transient Workforce.

The rate in the dollar for the Transient Workforce Accommodation / Workforce Accommodation category is proposed to be four point four nine times (x4.49) the Residential rate category which equates to five point one two times (x5.12) the lowest GRV rate in the dollar being Industry / Mixed Business. This maintains an equivalent increase in the rate yield for this category of 1.70% requiring a proposed rate in the dollar increase of 35.35%.

This differential rate maintains a proportional share of rating required to raise the necessary revenue to operate efficiently and provide the diverse range of services and programs and associated infrastructure/facilities required for developed residential and urban areas. These services, programs and facilities are available to FIFO workers in the same manner as they are available to all other residents of the City and the contribution from this category has been set at a level that reflects this fact.

Council is focussed on sustainably managing its community and infrastructure assets through the funding of renewal and replacement asset programs. These programs include but are not limited to investment in the resealing of roads, replacement and development of footpath networks, refurbishing of public ablutions and other building maintenance programs. In addition these properties have access to all other services and facilities provided by Council.

The rates per TWA accommodation unit are less than the equivalent rate per residential accommodation unit and are significantly less than the minimum rate of \$1,475 for a single bedroom residence. Despite the lower rate per accommodation unit, TWA properties have the potential to have a greater impact on Council services/assets than other properties due to their number of occupants in a relatively small land parcel (i.e. concentrated coach/vehicle movements on local roads). In order to appropriately maintain and manage Councils asset and infrastructure in the longer term, a higher differential rate is proposed

for this category to reflect the greater potential and actual intensity of use of Council assets and infrastructure.

The rate for this category supports Council's preferred option that the operational workforce associated with resource interests be housed in normal residential properties within the town boundaries.

The rate for this category maintains a decrease to the average rate for TWA's of 4.29% for the 2016/17 financial year. The minimum rate of \$1,475 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

### **UNIMPROVED VALUE PROPERTIES (UV)**

Properties that are predominantly of a rural purpose are assigned an Unimproved Value that is supplied and updated by the Valuer General on an annual basis.

Table 3 below summarises the proposed 2016/17 minimum payments and rates in the dollar for Unimproved Values:

**Table 3: Proposed differential rates for 2016/17 financial year (UV)  
Including average rate per assessment**

<b>Differential Rates 2016/17</b>				
<b>Category</b>	<b>Advertised Minimum Payment</b>	<b>Advertised Rate in the Dollar</b>	<b>Proposed Minimum Payment</b>	<b>Proposed Rate in the Dollar</b>
<b>Unimproved Value</b>				
Pastoral	\$378	0.098627	\$340	0.098627
Mining/Other	\$378	0.136288	\$340	0.136288
Strategic Industry	\$378	0.197253	\$340	0.171072

**Pastoral** – means any land:

- that currently has a pastoral lease granted;  
**and**
- that is used predominantly for the purpose of grazing (including agistment), dairying, pig-farming, poultry farming, fish farming, tree farming, bee-keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind or for any combination of these activities.

This rating category reflects the level of rating required to raise the necessary revenue to operate efficiently and provide for rural infrastructure and services in addition to the urban services, programs and infrastructure which are available to be accessed by the properties in this category.

The rate for this category maintains an increase to the average rate for Pastoral Stations of 1.70% for the 2016/17 financial year. The UV minimum rate of \$340 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

**Mining/Other** – means any land:

- that a mining, exploration, prospecting or retention lease and/or license has been granted;  
**or**
- that does not have the characteristics of any other UV differential rate category.

The reasons for this category is to reflect the impact on utilisation of rural infrastructure (comparative to Pastoral) by heavy transport and associated higher traffic volumes. In addition these properties have access to all other services and facilities provided by Council.

The rate for this category maintains an average rate for Mining/Other properties that is (26.18%) lower for the 2016/17 financial year. The decrease relates to an overall decrease in valuation in the category and a reduced Minimum Rate for UV properties to maintain less than 50 per cent of properties on the minimum rate as required by legislation.

The UV minimum rate of \$340 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

**Strategic Industry** – means any land:

- that is predominately used for industrial purposes;  
or
- that is predominately used for the purpose of resource processing;  
or
- that is predominately used for the purpose of supporting a transient workforce.

The reasons for this category are to reflect the impact on utilisation of urban and rural infrastructure (comparative to Pastoral) by heavy transport and associated higher traffic volumes by operations associated with State Agreements and/or significant resource sector operations. In addition these properties have access to all other services and facilities provided by Council.

Properties with a land use of Strategic Industry have State or Regional significance, many of which are subject to legacy State Agreement Acts that limit the method of valuation to UV with restrictive formulae for the calculation of the valuation. In order to levy a somewhat commensurate rate comparative with their impact on the local community (i.e. heavy haulage vehicle movements, environmental health, strategic planning) the rate in the dollar is set at two (x2) times the UV Pastoral rate.

The advertised rate for this category was intended to revert to two times (x2) the UV Pastoral rate in the dollar having been two point five times (x2.5) the UV Pastoral rate prior to the 2015/16 revaluation, meaning the effect of the revaluation for properties in this category would have been delayed by one year. As a result of valuation increases within the category, Council is able to stage this increase over a number of years.

The adopted rate for this category maintains the advertised rate yield however is based on a lower rate in the dollar due to the higher valuations. This results in an increase in the average rate for UV Strategic Industry properties of 39.64% for the 2016/17 financial year.

The UV minimum rate of \$340 is to ensure that all ratepayers make a minimum contribution for basic services and infrastructure.

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

**9. CASH BACKED RESERVES**

	2016/17 Budget				2015/16 Actual				2015/16 Budget			
	Opening	Transfer to	Transfer	Closing	Opening	Transfer to	Transfer	Closing	Opening	Transfer to	Transfer	Closing
	Balance	\$	(from)	Balance	Balance	\$	(from)	Balance	Balance	\$	(from)	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Employee Entitlement Reserve	5,328,074	159,984		5,488,058	3,786,466	1,541,608		5,328,074	2,369,889	2,349,594	0	4,719,483
Aerodrome Reserve	2,740,639	114,804	(1,530,967)	1,324,476	4,703,106	62,514	(2,024,981)	2,740,639	5,598,402	171,168	(693,655)	5,075,915
Dampier Drainage Reserve	36,823	10,000		46,823	26,823	10,000		36,823	10,000	10,000	0	20,000
Walkington Theatre Reserve	30,236	912		31,148	29,500	736		30,236	29,320	1,032	0	30,352
Plant Replacement Reserve	2,464,583	74,028	(440,400)	2,098,211	1,856,646	1,164,982	(557,045)	2,464,583	2,579,398	1,234,856	(766,000)	3,048,254
Workers Compensation Reserve	563,005	16,932		579,937	487,806	75,199		563,005	664,122	85,878	0	750,000
Waste Management Reserve	19,609,975	1,779,299		21,389,274	18,491,943	1,118,032		19,609,975	18,040,645	551,604	(49,222)	18,543,027
Infrastructure Reserve	39,685,428	15,913,135	(3,538,236)	52,060,327	27,101,159	17,046,592	(4,462,323)	39,685,428	27,032,140	13,863,191	(2,245,744)	38,649,587
Housing Reserve	322,059	9,660		331,719	315,000	7,059		322,059	315,000	11,028	0	326,028
Aged Persons Unit Reserve	0			0	76,384	503	(76,887)	0	75,920	0	(75,920)	0
Mosquito Control Reserve	6,960	774		7,734	6,234	726		6,960	4,962	762	0	5,724
Medical Services Assistance Package R	394,649	11,856		406,505	275,666	118,983		394,649	273,993	57,588	0	331,581
Community Development Reserve	227,226	11,916		239,142	549,449	820,176	(1,142,399)	227,226	336,733	161,784	(325,000)	173,517
Carry Forward Budget Reserve	6,729,145	964,874	(5,783,894)	1,910,125	4,223,638	6,783,894	(4,278,387)	6,729,145	263,384	9,314,000	(363,384)	9,214,000
Restricted Funds Reserve	275,982			275,982	275,982	0	0	275,982	275,982	0	0	275,982
Partnership Reserve	9,656,198	6,164,565	(8,111,710)	7,709,053	11,932,058	15,340,453	(17,616,313)	9,656,198	11,432,558	10,217,192	(18,870,646)	2,779,104
Pilbara Underground Power Reserve	10,836,788	4,313,493	(4,000,000)	11,150,281	9,978,268	4,458,520	(3,600,000)	10,836,788	10,656,918	4,833,085	(3,600,000)	11,890,003
	98,907,770	29,546,232	(23,405,207)	105,048,795	84,116,128	48,549,977	(33,758,335)	98,907,770	79,959,366	42,862,762	(26,989,571)	95,832,557

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

**9. CASH BACKED RESERVES (Continued)**

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

**Purpose of the reserve**

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.
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.
Walkington Theatre Reserve	The purpose of this reserve is to fund the operation and capital works of the Walkington Theatre.
Plant Replacement Reserve	The purposes of this reserve is to fund the capital purchase of plant and equipment.
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.
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.
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.
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
Aged Persons Unit Reserve	The purpose of this reserve is to assist in the transfer of Seniors from the current senior's village on Welcome Road to the new village provisioned by the State Government. As this project has been finalised, the remainder of these fund was budgeted to be transferred to municipal funds in the 2015/16 year.
Mosquito Control Reserve	The purpose of this reserve is to fund mosquito control programmes inclusive of the purchase of replacement equipment as required.
Medical Services Assistance Package R	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
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.
Carry Forward Budget Reserve	This reserve is for the purpose of preserving projects funds carried over.
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.
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 agreements.
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**  
**NOTES TO AND FORMING PART OF THE BUDGET**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**10. SPECIFIED AREA RATE - 2016/17 FINANCIAL YEAR**

No Specified Area Rates were raised in the 2015/16 Financial Year and no proposed Specified Area Rates are budgeted to be raised in 2016/17 Financial Year.

**11. SERVICE CHARGES - 2016/17 FINANCIAL YEAR**

No proposed Service Charges are budgeted to be raised in the 2016/17 Financial Year.

	Amount of Charge \$	2016/17 Budgeted Revenue \$	Budget Amount to be Applied to Costs \$	Budget Amount to be Set Aside to Reserve \$	Reserve Amount to be Applied to costs \$	2015/16 Actual Revenue \$
<b>Service Charge</b>						
High Voltage Service Charge (per kVa)	48.26	0	0	0	920,000	(4,729)
Low Voltage Service Charge (per kVa)	196.38	0	0	0	2,504,000	(36,919)
Connection Charge (per connection)	1,022.17	0	0	0	576,000	(7,155)
		0	0	0	4,000,000	(48,804)

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

Service charges paid prior to the end of the 2015/16 financial year will 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 2015/16 financial year are unable to be transferred to the Pilbara Underground Power Reserve and therefore represent a restricted surplus amount.

Due to the restricted nature of the associated asset, this amount has been excluded from the calculation of net Current Asset Position.

Instalments

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 10kVa and less than 200 kVa the option of payment by 40 instalments over ten years rather than 16 instalments over four years.

The dates of these instalment options are as per Rates Instalment dates included in Note 13.

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

**11. SERVICE CHARGES - 2016/17 FINANCIAL YEAR (Continued)**

It is anticipated that a significant portion of Service charge amounts remaining unpaid at the end of the 2015/16 financial year (\$3,902,927) will be received in the 2016/17 financial year. This amount will be transferred to the Pilbara Underground Power Reserve to fund expenditure over the remaining years of the project as described above.

The impact of this amount can be seen in the calculation of the Estimated Restricted Surplus/ (Deficit) June 30 C/Fwd amount in the Rate Setting Statement, balance of the Pilbara Underground Power Reserve (Note 9) as well as in the Statement of Cash Flow and associated notes 4 & 3(b).

**12. INTEREST CHARGES AND INSTALMENTS - RATES AND SERVICE CHARGES - 2016/17 FINANCIAL YEAR**

	<b>Interest Rate %</b>	<b>Admin. Charge \$</b>	<b>2016/17 Budget Revenue \$</b>	<b>2015/16 Actual \$</b>
Rates Instalment Plan Admin Charge Revenue		10.00	70,000	70,340
Rates Instalment Plan Interest Earned	5.50%		103,000	106,636
Unpaid Rates Interest Earned	11.00%		250,000	293,000
Service Charge Instalment Plan Admin Charge Revenue		10.00	65,600	68,040
Service Charge Instalment Plan Interest Earned	4.50%		229,071	134,942
Unpaid Service Charges Interest Earned	11.00%		55,000	222,700
Administration Fee - Adhoc Arrangement		50.00	1,000	2,500
Administration Fee - Direct Debit		50.00	1,000	0
			<b>774,671</b>	<b>898,158</b>

**Late Payment Penalty Interest on Rates and Rubbish Collection Charges & Sundry Debtors**

Interest is to be charged on outstanding rates and rubbish charges at the rate of 11%. As prescribed in the Local Government Act 1995 s6.13(1) interest can be imposed from no less than 35 days after the date which is stated on the relevant account.

Subsection (6). 19A prescribes the maximum interest rate to be charged is 11%.

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

**12. INTEREST CHARGES AND INSTALMENTS - RATES AND SERVICE CHARGES - 2016/17 FINANCIAL YEAR (continued)**

**Rates Instalment Options**

**Option No. 1**

No. Of Payments

One

Payment Due

1) 35 Days From Issue Date

Date Instalment Due

1) Monday 05 September 2016

Instalment Interest Rate if paid by Due Date

Nil

Interest Rate where Option 2 & 3 not selected and  
not paid by due date.

11.00%

Administration Charge

Nil

**Option No. 2**

No. Of Payments

Two

Payments Due

1) 35 Days From Issue Date

2) 98 Days From Issue Date

Date Instalment Due

1) Monday 05 September 2016

2) Monday 07 November 2016

**Option No. 3**

No. Of Payments

Four

Payments Due

1) 35 Days From Issue Date

2) 98 Days From Issue Date

3) 161 Days From Issue Date

4) 224 Days From Issue Date

Date Instalment Due

1) Monday 05 September 2016

2) Monday 07 November 2016

3) Monday 09 January 2017

4) Monday 13 March 2017



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

**13. PAYMENT DISCOUNTS, WAIVERS AND CONCESSIONS  
- 2016/17 FINANCIAL YEAR**

**Rates Concessions**

**Cossack Concessions:** Owners of properties in the Cossack historical township, all of which are minimum rated, are granted a concession of \$1,425.00 to reduce their total rates payable to \$50.00. This concession is granted due to the heritage nature of properties in the Cossack historical township, which are not serviced by the City and have development restrictions in place. This concession will apply to 19 properties and the total cost to Council for this concession is \$27,075.00.

**Transient Workforce Accommodation/Workforce Accommodation (TWA) concessions:** Eligible facility operators in the TWA differential rating category are granted a concession to cap their year on year rates increase to 20%. Due to a number of valuation reductions within the category for 2016/17 the rate-in-the-dollar has increased significantly. For facility operators who have also experienced a decrease in the valuation of the property, this has offset the increase to the rate-in-the-dollar. Facility owners eligible for the concession are those that have not experienced a net decrease in valuation across their properties and would therefore otherwise experience a year on year rates increase of greater than 20%. This concession will apply to 14 properties and the total cost to Council for this concession is \$322,302.33.

**Rates Incentive Scheme**

Ratepayers who pay their rates and rubbish collection charges in full (eligible pensioners are required to pay their portion of the rates and rubbish collection charges) by the due date (35 days from the date of issue) and who have no outstanding overdue Pilbara Underground Power Project service charges, will be in the running for the following prizes:

**1st prize:** \$2,000 cheque sponsored by Westpac

**2nd prize:** \$1,500 cheque sponsored by the City of Karratha.

**3rd prize:** Two nights in a double deluxe spa suite at Point Samson Resort and \$200 voucher to Ta Ta's Restaurant (valued at \$1,360)

**4th prize:** Overnight accommodation with breakfast for 2 adults and 1 child up to 12 years old in a Deluxe Eco Tent at Karijini Eco Retreat (valued at \$349)

**5th prize:** Two night weekend stay for 2 people including full buffet breakfast each morning at the Perth Ambassador Hotel in a new, refurbished Premium Deluxe Room (valued at \$560)

**6th prize:** \$500 cheque sponsored by the City of Karratha

**7th prize:** Two nights stay in a one bedroom spa apartment at Seashells Resort Broome (valued at \$470)

The total cost to Council is \$2,000

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

	<b>2016/17 Budget \$</b>	<b>2015/16 Actual \$</b>
<b>14. FEES &amp; CHARGES REVENUE</b>		
Governance	188,050	161,215
General purpose funding	589,671	517,249
Law, order, public safety	66,080	67,980
Health	118,600	121,024
Education and welfare	58,920	58,920
Housing	400,434	397,471
Community amenities	10,178,948	9,678,226
Recreation and culture	4,143,936	3,917,992
Transport	26,443,904	25,820,015
Economic services	347,940	348,290
Other property and services	82,400	159,599
	<u>42,618,883</u>	<u>41,247,981</u>

	<b>2016/17 Budget \$</b>	<b>2015/16 Actual \$</b>
<b>15. ELECTED MEMBERS REMUNERATION</b>		
The following fees, expenses and allowances were paid to council members and/or the Mayor/President.		
Meeting fees	345,000	335,900
Mayor/President's allowance	80,000	80,000
Deputy Mayor/President's allowance	21,250	21,250
Travelling expenses	30,000	30,000
Telecommunications allowance	38,496	38,496
<u>Other Expenses</u>		
Training	55,000	36,475
Professional Development	66,000	46,033
Mayor's Discretionary Fund (Council Related Expenses)	4,000	4,000
	<u>639,746</u>	<u>592,154</u>

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

**16. MAJOR LAND TRANSACTIONS**

Karratha Lazylands

**(a) Details**

Council commenced in 2014/15 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 within Certificate of Crown Land Volume LR3161, Folio 575 683 Gregory Way, Bulgarra	Parkland, Recreation, 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

Sites 1 to 3 have been serviced in the 2015/16 financial year and sites 5 and 7 have been purchased from the State however Council currently has no intentions to develop any of the sites for sale due to the current market conditions.

On this basis the land held for development has been recognised as a non-current asset.

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

**17. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

It is not anticipated that any tradings undertakings or major trading undertakings will occur in 2016/17.

**18. INTERESTS IN JOINT ARRANGEMENTS**

It is not anticipated the City will be party to any joint venture arrangements during 2016/17.