

# Financial Statements 2013/14

City of Karratha Financial Statements  
for the year ending 30 June 2014

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

## Statement by the Chief Executive Officer

The attached financial report of the City of Karratha being the annual financial report and other information for the financial year ended 30 June 2014 are in my opinion properly drawn up to present fairly the financial position of the City of Karratha at 30 June 2014 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the *Local Government Act 1995* and the regulations under that Act.

Signed as authorisation of issue on the 8<sup>th</sup> day of October 2014.



Chris Adams  
CHIEF EXECUTIVE OFFICER

## Statement of comprehensive income by nature or type

<b>Revenue</b>				
Rates	22(a)	35,769,877	35,331,178	29,047,976
Operating Grants, Subsidies and Contributions	28	7,410,418	10,542,899	10,444,600
Fees and Charges	27	47,162,921	46,060,115	48,515,984
Interest Earnings	2(a)	2,445,100	2,142,652	2,970,801
Other Revenue	2(a)	1,482,487	2,566,832	1,269,401
		<u>94,270,803</u>	<u>96,643,676</u>	<u>92,248,762</u>
<b>Expenses</b>				
Employee Costs		(33,353,872)	(30,501,944)	(30,722,779)
Materials and Contracts		(23,682,567)	(23,888,065)	(20,367,543)
Utility Charges		(4,275,811)	(4,174,698)	(3,172,054)
Depreciation on Non-Current Assets	2(a)	(9,858,361)	(9,161,782)	(9,180,240)
Interest Expenses	2(a)	(10,597)	(5,417)	(1,385,118)
Insurance Expenses		(1,700,422)	(1,681,053)	(1,875,382)
Other Expenditure		(2,321,215)	(3,498,561)	(2,890,729)
		<u>(75,202,845)</u>	<u>(72,911,520)</u>	<u>(69,593,845)</u>
		19,067,958	23,732,156	22,654,917
<b>Non-Operating Grants, Subsidies and Contributions</b>				
Contributions	28	16,392,796	14,690,116	11,251,898
Loss on Revaluation of Fixed Assets		0	0	(435,479)
Profit on Asset Disposals	20	46,856	65,092	30,532
Loss on Asset Disposals	20	(2,125,558)	(1,776,756)	(1,846,738)
<b>NET RESULT</b>		<b>33,382,052</b>	<b>36,710,608</b>	<b>31,655,130</b>
<b>Other Comprehensive Income</b>				
Changes on Revaluation of Non-Current Assets	12	33,154,183	0	(1,558,976)
<b>Total Other Comprehensive Income</b>		<b>33,154,183</b>	<b>0</b>	<b>(1,558,976)</b>
<b>Total Comprehensive Income</b>		<b>66,536,235</b>	<b>36,710,608</b>	<b>30,096,154</b>

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

## Statement of comprehensive income by program

	NOTE	2014 \$	2014 Budget \$	2013 \$
<b>Revenue</b>				
Governance		1,006,843	2,113,213	252,249
General Purpose Funding		39,619,088	38,939,835	35,466,681
Law, Order, Public Safety		915,039	1,179,768	1,086,710
Health		190,193	190,589	203,177
Education and Welfare		152,082	159,900	53,992
Housing		246,833	223,288	310,063
Community Amenities		13,330,106	14,173,407	16,668,571
Recreation and Culture		8,494,979	9,171,904	6,080,982
Transport		28,600,060	28,746,058	29,525,932
Economic Services		760,127	753,880	1,546,537
Other Property and Services		955,453	991,834	1,074,722
		<u>94,270,803</u>	<u>96,643,676</u>	<u>92,269,616</u>
<b>Expenses</b>				
Governance		(3,693,203)	(3,957,061)	(3,707,052)
General Purpose Funding		178,158	(266,000)	(117,675)
Law, Order, Public Safety		(1,792,536)	(1,818,958)	(2,174,284)
Health		(1,532,582)	(1,315,687)	(1,461,801)
Education and Welfare		(261,976)	(288,503)	(229,200)
Housing		(1,067,348)	(509,903)	(1,721,052)
Community Amenities		(14,172,503)	(14,223,783)	(14,944,020)
Recreation & Culture		(27,543,562)	(26,381,118)	(21,536,842)
Transport		(22,451,522)	(22,109,670)	(18,664,344)
Economic Services		(2,055,892)	(2,062,934)	(4,033,872)
Other Property and Services		(799,282)	27,514	(1,022,765)
		<u>(75,192,248)</u>	<u>(72,906,103)</u>	<u>(69,612,907)</u>
<b>Financial Costs</b>				
General Purpose Funding		(10,597)	(5,417)	0
Community Amenities		0	0	1
Transport		0	0	(1,793)
	2(a)	<u>(10,597)</u>	<u>(5,417)</u>	<u>(1,792)</u>
<b>Non-Operating Grants, Subsidies and Contributions</b>				
Law, Order, Public Safety		314,430	0	0
Community Amenities		270,000	0	0
Recreation & Culture		14,740,116	14,690,116	9,603,751
Transport		1,068,250	0	1,648,147
		<u>16,392,796</u>	<u>14,690,116</u>	<u>11,251,898</u>
<b>Profit/(Loss) on Disposal of Assets</b>				
Governance		(1,727)	3,059	(15,859)
Law, Order, Public Safety		410	(634)	(1,857)
Health		8,018	(2,772)	(107,521)
Education and Welfare		(408,909)	0	0
Housing		0	0	(305,388)
Community Amenities		(80,045)	(95,840)	21,269
Recreation & Culture		(1,584,358)	(1,548,328)	(1,444,421)
Transport		(29,579)	(79,689)	33,867
Economic Services		3,340	2,310	3,848
Other Property and Services		14,148	10,230	(144)
		<u>(2,078,702)</u>	<u>(1,711,664)</u>	<u>(1,816,206)</u>
<b>Fair Value Adjustments to Non-Current Assets at Fair Value through Profit or Loss</b>		<u>0</u>	<u>0</u>	<u>(435,479)</u>
<b>Net Result</b>		<b>33,382,052</b>	<b>36,710,608</b>	<b>31,655,130</b>
<b>Other Comprehensive Income</b>				
Changes on revaluation of non-current assets	12	33,154,183	0	(1,558,976)
<b>Total Other Comprehensive Income</b>		<b>33,154,183</b>	<b>0</b>	<b>(1,558,976)</b>
<b>Total Comprehensive Income</b>		<b>66,536,235</b>	<b>36,710,608</b>	<b>30,096,154</b>

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

## Statement of financial position as at 30 June 2014

	NOTE	2014 \$	Audited 2013 \$	Amended 2013 \$
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	3	62,930,475	43,648,411	43,648,411
Trade and Other Receivables	4	11,944,823	9,777,097	9,777,097
Inventories	5	401,889	449,261	449,261
TOTAL CURRENT ASSETS		<u>75,277,187</u>	<u>53,874,769</u>	<u>53,874,769</u>
<b>NON-CURRENT ASSETS</b>				
Other Receivables	4	50,260	53,402	53,402
Property, Plant and Equipment	6	182,214,889	155,870,454	156,378,702
Infrastructure	7	<u>127,062,962</u>	<u>104,847,996</u>	<u>104,847,996</u>
TOTAL NON-CURRENT ASSETS		<u>309,328,111</u>	<u>260,771,852</u>	<u>261,280,100</u>
<b>TOTAL ASSETS</b>		<u><b>384,605,298</b></u>	<u><b>314,646,621</b></u>	<u><b>315,154,869</b></u>
<b>CURRENT LIABILITIES</b>				
Trade and Other Payables	8	10,690,587	9,550,845	9,550,845
Current Portion of Long Term Borrowings	9	0	2,932	2,932
Provisions	10	<u>3,390,759</u>	<u>4,064,331</u>	<u>4,064,331</u>
TOTAL CURRENT LIABILITIES		<u>14,081,346</u>	<u>13,618,108</u>	<u>13,618,108</u>
<b>NON-CURRENT LIABILITIES</b>				
Long Term Borrowings	9	0	53,402	53,402
Provisions	10	<u>1,328,725</u>	<u>516,783</u>	<u>516,783</u>
TOTAL NON-CURRENT LIABILITIES		<u>1,328,725</u>	<u>570,185</u>	<u>570,185</u>
<b>TOTAL LIABILITIES</b>		<u><b>15,410,071</b></u>	<u><b>14,188,293</b></u>	<u><b>14,188,293</b></u>
		<u><b>369,195,227</b></u>	<u><b>300,458,328</b></u>	<u><b>300,966,576</b></u>
<b>EQUITY</b>				
Retained Surplus		257,225,947	241,863,498	242,371,746
Reserves - Cash Backed	11	62,904,777	42,684,510	42,684,510
Revaluation Surplus	12	<u>49,064,503</u>	<u>15,910,320</u>	<u>15,910,320</u>
<b>TOTAL EQUITY</b>		<u><b>369,195,227</b></u>	<u><b>300,458,328</b></u>	<u><b>300,966,576</b></u>

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

## Statement of changes in equity

	NOTE	RESERVES CASH BACKED \$	RETAINED SURPLUS \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2012</b>		<b>76,228,218</b>	<b>177,172,907</b>	<b>17,469,296</b>	<b>270,870,421</b>
Comprehensive Income					
Net Result		0	32,090,609	0	32,090,609
Changes on Revaluation of Non-Current Assets	12	0	(435,478)	(1,558,976)	(1,994,454)
Total Comprehensive Income		<u>0</u>	<u>31,655,130</u>	<u>(1,558,976)</u>	<u>30,096,155</u>
Transfers from/(to) Reserves		(33,543,708)	33,543,708	0	0
<b>Balance as at 30 June 2013</b>		<b>42,684,510</b>	<b>242,371,746</b>	<b>15,910,320</b>	<b>300,966,576</b>
Comprehensive Income					
Net Result		0	33,382,052	0	33,382,052
Changes on Revaluation of Non-Current Assets	12	0	0	34,979,993	34,979,993
Disposal of Revalued Assets	12	0	1,825,810	(1,825,810)	0
Other Adjustments to Non-Current Assets		0	(133,393)	0	(133,393)
Total Comprehensive Income		<u>0</u>	<u>35,074,469</u>	<u>33,154,183</u>	<u>68,228,652</u>
Transfers from/(to) Reserves		20,220,268	(20,220,268)	0	(0)
Rounding		(1)	0	0	(1)
<b>Balance as at 30 June 2014</b>		<b>62,904,777</b>	<b>257,225,947</b>	<b>49,064,503</b>	<b>369,195,227</b>

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

## Statement of cash flows

	NOTE	2014 \$	2014 Budget \$	2013 \$
<b>Cash Flows From Operating Activities</b>				
<b>Receipts</b>				
Rates		35,428,282	36,681,963	28,834,877
Operating Grants, Subsidies and Contributions		5,455,025	7,235,171	10,379,600
Fees and Charges		47,162,921	50,367,843	51,030,466
Interest Earnings		2,445,100	2,142,652	2,963,609
Goods and Services Tax		6,441,587	0	(263,954)
Other Revenue		1,482,487	2,566,832	1,269,401
		<u>98,415,402</u>	<u>98,994,461</u>	<u>94,213,999</u>
<b>Payments</b>				
Employee Costs		(32,729,430)	(31,095,930)	(29,673,974)
Materials and Contracts		(22,980,487)	(21,388,065)	(18,844,071)
Utility Charges		(4,275,811)	(4,174,698)	(3,172,054)
Interest Expenses		(11,633)	(5,417)	(1,877,042)
Insurance Expenses		(1,700,422)	(1,681,053)	(1,568,514)
Goods and Services Tax		(6,319,619)	0	(51,296)
Other Expenditure		(2,321,215)	(3,498,561)	(2,890,729)
		<u>(70,338,617)</u>	<u>(61,843,724)</u>	<u>(58,077,680)</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	13(b)	<u>28,076,785</u>	<u>37,150,737</u>	<u>36,136,319</u>
<b>Cash Flows from Investing Activities</b>				
Payments for Purchase of Property, Plant & Equipment		(13,314,557)	(15,662,761)	(49,329,713)
Payments for Construction of Infrastructure		(12,062,698)	(10,826,456)	(16,788,111)
Non-Operating Grants, Subsidies and Contributions		16,392,796	14,690,116	11,251,898
Proceeds from Sale of Fixed Assets		235,641	223,299	334,502
<b>Net Cash Provided by (Used in) Investment Activities</b>		<u>(8,748,818)</u>	<u>(11,575,803)</u>	<u>(54,531,425)</u>
<b>Cash Flows from Financing Activities</b>				
Repayment of Debentures		(56,334)	(54,843)	(14,769,832)
Proceeds from Self Supporting Loans		10,431	10,433	10,270
<b>Net Cash Provided By (Used In) Financing Activities</b>		<u>(45,903)</u>	<u>(44,410)</u>	<u>(14,759,562)</u>
<b>Net Increase (Decrease) in Cash Held</b>		19,282,064	25,530,524	(33,154,668)
Cash at Beginning of Year		43,648,411	43,648,411	76,803,080
<b>Cash and Cash Equivalents at the End of the Year</b>	13(a)	<u>62,930,475</u>	<u>69,178,935</u>	<u>43,648,411</u>

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

## Rate setting statement

	NOTE	2014 Actual \$	2014 Budget \$	2013 Actual \$
<b>Revenue</b>				
Governance		1,006,843	2,116,272	252,268
General Purpose Funding		3,849,211	3,608,657	6,418,705
Law, Order, Public Safety		1,234,912	1,179,768	1,086,710
Health		198,211	191,988	125,655
Education and Welfare		152,082	159,900	53,992
Housing		246,833	223,288	310,063
Community Amenities		13,600,106	14,173,407	16,720,592
Recreation and Culture		23,241,511	23,868,182	15,692,698
Transport		29,677,799	28,787,990	31,215,456
Economic Services		763,467	756,190	1,550,385
Other Property and Services		969,601	1,002,064	1,077,545
		<u>74,940,576</u>	<u>76,067,706</u>	<u>74,504,069</u>
<b>Expenses</b>				
Governance		(3,694,930)	(3,957,061)	(3,722,930)
General Purpose Funding		167,562	(271,417)	(117,675)
Law, Order, Public Safety		(1,797,569)	(1,819,592)	(2,176,141)
Health		(1,532,582)	(1,319,858)	(1,491,801)
Education and Welfare		(670,885)	(288,503)	(229,200)
Housing		(1,067,348)	(509,903)	(2,026,440)
Community Amenities		(14,252,548)	(14,319,623)	(14,974,770)
Recreation and Culture		(29,134,336)	(27,935,608)	(22,989,228)
Transport		(22,490,592)	(22,231,291)	(18,673,647)
Economic Services		(2,055,892)	(2,062,934)	(4,033,872)
Other Property and Services		(799,282)	27,514	(1,025,732)
		<u>(77,328,402)</u>	<u>(74,688,276)</u>	<u>(71,461,436)</u>
<b>Net Result Excluding Rates</b>		(2,387,826)	1,379,430	3,042,633
<b>Adjustments for Cash Budget Requirements:</b>				
Initial Recognition of Assets Due to Change to Regulations				
- Land		(564,454)	0	0
(Profit)/Loss on Asset Disposals	20	2,078,702	1,711,664	1,816,206
Movement in Accrued Interest		(1,036)	0	(183,396)
Movement in Deferred Pensioner Rates (Non-Current)		0	0	5,771
Movement in Accrued Salaries and Wages		486,070	0	(268,567)
Movement in Employee Benefit Provisions (Non-current)		811,942	0	1,546,583
Depreciation and Amortisation on Assets	2(a)	9,858,361	9,161,782	9,180,240
<b>Capital Expenditure and Revenue</b>				
Purchase Land and Buildings	6(a)	(11,382,291)	(14,187,743)	(45,538,600)
Purchase Equipment (External)	6(a)	(188,740)	(140,607)	(157,446)
Purchase Furniture and Equipment	6(a)	(693,893)	(370,539)	(614,100)
Purchase Artwork Sculptures	6(a)	(132,727)	0	(511,981)
Purchase Plant	6(a)	(1,074,248)	(963,872)	(3,157,454)
Purchase Infrastructure Assets	7(a)	(12,062,698)	(10,826,456)	(16,788,111)
Repayment of Advances to Community Groups		0	0	7,536
Income Set Aside as Restricted Funds - Income		0	0	183,410
Income Set Aside as Restricted Funds - Expense		(4,918)	0	(63,024)
Proceeds from Disposal of Fixed Assets	20	235,641	223,299	334,502
Repayment of Debentures	21(a)	(56,334)	(54,843)	(14,769,832)
Proceeds from Self Supporting Loans		10,431	10,433	2,735
Transfers to Reserves (Restricted Assets)	11	(27,040,867)	(35,264,858)	(19,866,304)
Transfers from Reserves (Restricted Assets)	11	6,820,600	13,967,610	53,410,013
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	22(b)	1,136,042	1,136,042	4,477,252
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	22(b)	1,617,633	1,112,520	1,136,042
<b>Total Amount Raised from General Rate</b>	22(a)	<u>(35,769,877)</u>	<u>(35,331,178)</u>	<u>(29,047,976)</u>

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

## Notes to and forming part of the financial report

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Preparation

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

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

#### Critical Accounting Estimates

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

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

#### The Local Government Reporting Entity

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

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

All monies held in the Trust Fund are excluded from the financial statements, but a separate statement of those monies appears at Note 19 to these financial statements.

#### (b) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO 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.

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

#### (c) Cash and Cash Equivalents

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

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

#### (d) Trade and Other Receivables

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

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

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

#### (e) Inventories

##### General

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

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

##### Land Held for Sale

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

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if 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.

## Notes continued...

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(f) Fixed Assets**

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

**Mandatory Requirement to Revalue Non-Current Assets**

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

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

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

and

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

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

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

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

**Land Under Control**

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

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

Whilst they were initially recorded at cost, fair value at the date of acquisition was deemed cost as per AASB 116.

Consequently, these assets were initially recognised at cost but revalued along with other items of Land and Buildings at 30 June 2014.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(f) Fixed Assets (Continued)****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 Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

**Revaluation**

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

**Transitional Arrangements**

During the time it takes to transition the carrying value of non-current assets from the cost approach to the fair value approach, the Council may still be utilising both methods across differing asset classes.

Those assets carried at cost will be carried in accordance with the policy detailed in the **Initial Recognition** section as detailed above.

Those assets carried at fair value will be carried in accordance with the **Revaluation** Methodology section as detailed above.

**Early Adoption of AASB 13 - Fair Value Measurement**

Whilst the new accounting standard in relation to Fair Value, AASB 13 – Fair Value Measurement only become applicable for the year ended 30 June 2014 (in relation to Council), given the legislative need to commence using Fair Value methodology in the previous reporting period (year ended 30 June 2013) the Council chose to early adopt AASB 13.

As a consequence, the principles embodied in AASB 13 - Fair Value Measurement have been applied to the previous reporting period (year ended 30 June 2013).

## Notes continued...

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

## (f) Fixed Assets (Continued)

**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 Council.

**Depreciation**

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

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

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

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

## (f) Fixed Assets (Continued)

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

Artwork/Sculptures	2.00%
Buildings	
- Buildings	2.50%
- Building fixtures/fittings	9.00%
Furniture and (internal equipment)	
- Computers and peripherals	32.00%
- Other electronic equipment	25.00%
- Furniture	10.00%
Plant	
- Construction plant (includes prime movers and trailers)	9.00%
- Construction vehicles (eg. trucks)	15.00%
- Light commercial vehicles	15.00%
- Passenger vehicles	12.00%
Equipment	
- Light plant and (external) equipment	
Heavy usage	42.00%
Light usage	21.00%
Infrastructure	
- Roads	3.60%
- Paths and cycle ways	4.80%
- Aerodromes	3.60%
- Parks and gardens	1.00%
- Hard court facilities	
Bitumen surface	3.60%
Concrete base	2.40%
- Bridges and culverts	4.80%
- Drainage	1.80%
- Miscellaneous structures	4.80%
- Boat ramps/jetties	6.67%

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

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

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

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

**Capitalisation Threshold**

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

## Notes continued...

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(g) Fair Value of Assets and Liabilities**

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

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

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset. 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 (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

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

***Fair Value Hierarchy***

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

**Level 1**

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

**Level 2**

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

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

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

***Valuation techniques***

The Council 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 Council 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.

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

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

**(h) Financial Instruments*****Initial Recognition and Measurement***

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

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

***Classification and Subsequent Measurement***

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

Amortised cost is calculated as:

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

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

## Notes continued...

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

## (h) Financial Instruments (Continued)

**Classification and Subsequent Measurement (Continued)***(i) Financial assets at fair value through profit and loss*

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

*(ii) Loans and receivables*

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

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

*(iii) Held-to-maturity investments*

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

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

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

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

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

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

*(v) Financial liabilities*

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

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

## (h) Financial Instruments (Continued)

**Impairment**

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

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

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

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

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Council 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.

**(i) Impairment of Assets**

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

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

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

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

**(j) Trade and Other Payables**

Trade and other payables represent liabilities for goods and services provided to the Council prior to the end of the financial year that are unpaid and arise when the Council 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.

## Notes continued...

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

## (k) Employee Benefits

**Short-Term Employee Benefits**

Provision is made for the Council'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 Council'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 Council'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 Council's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Council 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.

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

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

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

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

## (l) Borrowing Costs

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

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

## (m) Provisions

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

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

## (n) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Council, 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.

## (o) Investment in Associates

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

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

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

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

## Notes continued...

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(p) Interests in Joint Arrangements**

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

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

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Council'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 16.

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

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

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

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

**(r) Superannuation**

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

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

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where the Council 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 Council's intentions to release for sale.

**(t) Rounding Off Figures**

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

**1. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)****(u) Comparative Figures**

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

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

**(v) Budget Comparative Figures**

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

Notes continued...

(i)	AASB 9 – Financial Instruments	December 2013	1 January 2017	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.	Impact
(ii)	AASB 2010 -7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	December 2013	1 January 2017	Nil - The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).	Impact

[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
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(i)	AASB 9 – Financial Instruments	December 2013	1 January 2017	
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Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.

Nil - The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).

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

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

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(iii) AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [Not-For-Profit entities]	December 2012	1 January 2014	Consequential changes to various standards arising from the issuance of AASB 10, 11, 12, 127 and 128.  It is not expected to have a significant impact on Council.
[AASB 1, 3, 5, 7, 9, 2009-11, 101, 107, 112 118, 121, 124, 131, 132, 133, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]			
(iv) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	June 2012	1 January 2014	This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.  This Standard is not expected to significantly impact the Council's financial statements.
[AASB 132]			

Notes continued...

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

v) AASB 2013-8: Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, 12 & 1049]	October 2013	1 January 2014	
ii) AASB 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	December 2013	Refer Title column	
[Operative dates: Part A Conceptual Framework – 20 December 2013; Part B Materiality – 1 January 2014; Part C Financial Instruments – 1 January 2015]			

#### GNIFICANT ACCOUNTING POLICIES (Continued)

##### 3w Accounting Standards and Interpretations for Application in Future Periods (Continued)

Title	Issued / Compiled	Applicable (1)	Impact
v) AASB 2013 - 3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets	June 2013	1 January 2014	This standard makes amendments to AASB 136 and includes requirements to disclose additional information when present value techniques are used to measure the recoverable amount of impaired assets.

It is not expected to have a significant impact on Council.

This standard adds Appendix E to AASB 10 to provide implementation guidance for Not-for-Profit entities regarding control criteria from the perspective of not-for-profit entities.

It is not expected to have a significant impact on Council.

Part A of this standard makes various editorial corrections to Australian Accounting Standards.

Part B of this standard deletes references to AASB 1031 in various Australian Accounting Standards in advance of the withdrawal of AASB 1031.

Part C of this standard makes consequential amendments to AASB 9 and numerous other standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value.

As the bulk of changes related either to editorial or reference changes it is not expected to have a significant impact on Council.

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

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

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

These new and revised standards were:

AASB 10	AASB 128	AASB 2012 - 2
AASB 11	AASB 2011 - 7	AASB 2012 - 3
AASB 12	AASB 2011 - 9	AASB 2012 - 5
AASB 119	AASB 2011 - 10	AASB 2012 - 10
AASB 127		

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

## Notes continued...

## 2. REVENUE AND EXPENSES

## (a) Net Result

The Net Result includes:

(i) Charging as an Expense:

**Auditors Remuneration**

- Audit of the annual financial report	25,000	16,600
- Disbursements	13,575	25,030

**Depreciation**

Buildings	1,908,400	1,682,047
Equipment (External)	178,257	233,436
Furniture and Equipment	663,118	668,576
Artwork Sculptures	17,686	11,108
Plant	1,723,558	1,572,195
Roads	1,880,250	2,061,455
Footpaths	266,994	253,280
Aerodromes	1,944,710	1,613,634
Parks & Gardens	118,341	113,533
Hardcourt Facilities	125,916	124,675
Bridges & Culverts	84,508	84,758
Drainage	21,768	21,768
Boat Ramps & Jetties	124,976	124,416
Miscellaneous Structures	799,879	615,359
	<u>9,858,361</u>	<u>9,180,240</u>

**Interest Expenses (Finance Costs)**

Debentures ( <i>refer Note 21.(a)</i> )	10,597	1,383,325
Other Finance Charges	0	1,793
	<u>10,597</u>	<u>1,385,118</u>

**Rental Charges**

- Operating Leases	97,526	169,008
	<u>97,526</u>	<u>169,008</u>

(ii) Crediting as Revenue:

**Other Revenue**

Other	1,482,487	1,269,401
	<u>1,482,487</u>	<u>1,269,401</u>

## 2. REVENUE AND EXPENSES (Continued)

## (a) Net Result (Continued)

	2014 Actual \$	2014 Budget \$	2013 Actual \$
<b>Interest Earnings</b>			
Employee Entitlement Reserve	68,128	71,492	81,512
Aerodrome Reserve	416,963	436,726	719,125
Dampier Drainage Reserve	657	529	1,062
Walkington Theatre Reserve	583	552	202
Plant Replacement Reserve	72,931	76,516	100,532
Workers Compensation Reserve	19,076	20,016	28,071
Waste Management Reserve	519,318	563,649	568,654
Infrastructure Reserve	240,659	239,833	469,696
Housing Reserve	1	0	58,136
Aged Persons Unit Reserve	2,213	2,321	3,101
Junior Sport Reserve	2,246	1,800	3,704
Public Open Space Reserve	698	698	10,056
History & Cultural Publications Reserve	1,662	1,746	2,241
Mosquito Control Reserve	142	147	142
Medical Services Assistance Package Reserve	7,923	8,312	10,937
Royalties for Regions Reserve	0	7	242,826
Community Development Reserve	27,162	28,476	43,373
Restricted Funds Reserve	(28)	0	28
<b>Earnings on Municipal Funds</b>			
- Other Funds	680,313	362,349	627,403
- Other Interest Revenue ( <i>refer note 26</i> )	384,453	327,483	0
	<u>2,445,100</u>	<u>2,142,652</u>	<u>2,970,801</u>

## (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 City's Community Vision, and for each of its broad activities/programs.

**COMMUNITY VISION**

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

Council 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.

## Notes continued...

## 2. REVENUE AND EXPENSES (Continued)

## (b) Statement of Objective (Continued)

**GENERAL PURPOSE FUNDING**

Rating and Government Grant Functions.

Includes the financial assistance grant received from the Local Government Grants Commission and all 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 also cyclone preparation 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.

It includes expenditure in maintaining the day care centre buildings and also donations to schools for awards etc.

**HOUSING**

Maintain 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 the four libraries.

Expenses relating to the historical town of Cossack, the Walkington Theatre and SBS

Television and JJJ radio re-broadcasting are also included in this function.

**TRANSPORT**

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

**ECONOMIC SERVICES**

Tourism and administration of building controls.

Expenditure includes Councils contributions to the Karratha and Roebourne Tourist Bureau and the Pilbara Tourism Association, and the costs associated with building control.

**OTHER PROPERTY AND SERVICES**

Private works and other unclassified works.

It also includes expenditure relating to plant operations and the Technical Services Division however these costs are then reallocated to other functions.

The costs associated with financing and administration are allocated direct to the relevant functions.

## 2. REVENUE AND EXPENSES (Continued)

## (c) Conditions Over Grants/Contributions

	Grant/Contribution	Opening Balance <sup>(1)</sup> 1/07/12	Received <sup>(2)</sup> 2012/13	Expended <sup>(3)</sup> 2012/13	Closing Balance <sup>(1)</sup> 30/06/13	Received <sup>(2)</sup> 2013/14	Expended <sup>(3)</sup> 2013/14	Closing Balance 30/06/14
		\$	\$	\$	\$	\$	\$	\$
Roebourne Community Recreation Assoc Inc		23,024	0	0	23,024	0	0	23,024 *
PDC Hydrology Grant		40,000	0	0	40,000	0	0	40,000 *
Walking Paths Network - Landcorp		82,960	0	(76,553)	6,407	0	(6,407)	0
FESA - BFB Operating Grant funding 11/12		4,312	0	0	4,312	0	(4,312)	0
Landcorp Regional Development Assistance Program (RDAP)		765,990	0	(690,964)	75,026	0	(75,026)	0
Financial Assistance Grant 13/14		0	1,787,346	0	1,787,346	0	(1,787,346)	0
Rio Tinto - Community Wickham Recreation and Community Facilities Project		0	250,000	(117,913)	132,087	300,000	(246,932)	185,155 *
Rio Tinto - Dampier Community Hub		0	500,000	(52,444)	447,556	4,000,000	(636,350)	3,811,206 *
Woodside Energy Ltd - 2013 Youth Leadership Network Program		0	20,000	(2,457)	17,543	0	(17,543)	0
Attorney General Dept - CCTV/Graffiti Act		0	90,000	0	90,000	0	0	90,000 *
WA Police - Karratha CCTV		0	25,000	0	25,000	0	0	25,000 *
Community Crime Prevention Grant - Lighting the Park		0	25,000	0	25,000	0	0	25,000 *
Rio Tinto - Wickham / Roebourne SES Facility		0	0	0	0	200,000	0	200,000 *
Rio Tinto - Partnership Management Team		0	0	0	0	756,000	(702,949)	53,051 *
Curtin University - Tobacco Control		0	0	0	0	5,000	(2,880)	2,120 #
Department Of Health (Mosquito Control) - FIMMWA		0	0	0	0	5,600	(2,802)	2,798 #
Pilbara Youth Justice Service		0	0	0	0	5,000	0	5,000 *
Woodside Energy Ltd - Cleansweep Taskforce Initiative		0	0	0	0	90,000	(70,000)	20,000 *
Pilbara Industry Road Safety Alliance		0	0	0	0	88,200	(24,394)	63,806 *
<b>Total</b>		<b>916,286</b>	<b>2,697,346</b>	<b>(940,331)</b>	<b>2,673,301</b>	<b>5,449,800</b>	<b>(3,576,941)</b>	<b>4,546,160</b>

**Notes:**

(1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

(3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

(\*) - Grants/contributions have been received in Municipal cash but have been transferred to Restricted Reserve cash funds in 2013/14.

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

## Notes continued...

	Note	2014 \$	2013 \$
<b>3. CASH AND CASH EQUIVALENTS</b>			
- Cash on Hand		18,455	27,255
- Cash at Municipal Bank		2,325	770,335
Restricted - Municipal (Unspent Grants/Contributions)		4,918	166,312
Restricted - Reserves	11	<u>62,904,777</u>	<u>42,684,509</u>
		<u>62,930,475</u>	<u>43,648,411</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Employee Entitlement Reserve	11	2,299,046	2,240,849
Aerodrome Reserve	11	14,722,172	12,997,992
Dampier Drainage Reserve	11	0	26,765
Walkington Theatre Reserve	11	28,457	5,087
Plant Replacement Reserve	11	2,448,687	2,384,844
Workers Compensation Reserve	11	644,269	627,977
Waste Management Reserve	11	18,552,708	17,323,878
Infrastructure Reserve	11	18,132,785	2,880,775
Aged Persons Unit Reserve	11	73,651	71,756
Junior Sport Reserve	11	0	93,363
Public Open Space Reserve	11	730	0
History & Cultural Publications Reserve	11	55,919	54,498
Mosquito Control Reserve	11	5,462	4,792
Medical Services Assistance Package Reserve	11	265,803	259,026
Royalties for Regions Reserve	11	0	630
Community Development Reserve	11	1,149,692	871,775
Carry Forward Budget Reserve	11	0	1,787,346
Restricted Funds Reserve	11	275,982	1,053,156
Partnership Reserve	11	4,249,414	0
Unspent Grants	2(c)	<u>4,918</u>	<u>166,312</u>
		<u>62,909,695</u>	<u>42,850,821</u>

**4. TRADE AND OTHER RECEIVABLES****Current**

	2014 \$	2013 \$
Rates Outstanding	2,597,895	1,033,523
- Rubbish	1,158,350	1,753,663
- Fees and Charges for Services	62,510	169,006
- Private Works	3,487	16,937
- Income from Property	56,641	(5,304)
- Aerodrome	6,063,358	3,860,725
- Grants and Contributions	1,171,183	649,792
- Reimbursements and General	53,813	124,498
- Excess Rates Receipts	(1,410,616)	(187,839)
Staff Housing Bonds	129,961	185,188
Self Supporting Loans	3,143	2,932
Interest Free Loans	0	7,501
Accrued Income	1,343,336	1,801,905
Prepayments	333,855	358,113
Less Provision for Doubtful Debts	(68,352)	(561,770)
GST Receivable	446,259	568,227
	<u>11,944,823</u>	<u>9,777,097</u>

**Non-Current**

Self Supporting Loans	50,260	53,402
	<u>50,260</u>	<u>53,402</u>

**5. INVENTORIES****Current**

Fuel and Materials	391,802	371,352
Food, Drinks & Merchandise TienTsin Inne	0	33,897
Food, Drinks & Merchandise Cossack Café	0	3,708
Food, Drinks & Merchandise Roebourne Aquatic Centre	1,267	1,150
Food, Drinks & Merchandise Youth Shed	2,584	2,335
Food, Drinks & Pam Buchanan Family Centre	0	1,276
Food, Drinks & Merchandise Leisureplex	6,236	35,543
	<u>401,889</u>	<u>449,261</u>

**Non-Current**

Land Held for Resale - Cost		
Cost of Acquisition	0	0
Development Costs	0	0
	<u>0</u>	<u>0</u>

No inventory write downs occurred during the year.

## Notes continued...

## 6. PROPERTY, PLANT AND EQUIPMENT

	2014 \$	2013 \$
Land and Buildings		
Freehold Land at:		
- Independent Valuation 2013	34,009,000	0
- Cost (1)	<u>615,000</u>	<u>6,379,438</u>
	34,624,000	6,379,438
Land Vested In and Under the Control of Council at:		
- Independent Valuation 2013	395,000	0
- Management Valuation 2013	<u>169,454</u>	<u>0</u>
	564,454	0
Total Land	<u>35,188,454</u>	<u>6,379,438</u>
Buildings at:		
- Independent Valuation 2013	75,603,000	0
- Cost (1)	<u>51,171,846</u>	<u>91,870,141</u>
Less: Accumulated Depreciation	<u>(1,908,400)</u>	<u>(19,322,904)</u>
	124,866,446	72,547,237
Total Buildings	<u>124,866,446</u>	<u>72,547,237</u>
Total Land and Buildings	<u>160,054,900</u>	<u>78,926,675</u>
Equipment (External) at:		
- Management Valuation 2013	3,099,584	3,215,032
- Additions after Valuation - Cost	220,628	0
Less Accumulated Depreciation	<u>(2,957,263)</u>	<u>(2,890,800)</u>
	362,949	324,232
Furniture and Equipment at:		
- Management Valuation 2013	5,413,461	5,500,971
- Additions after Valuation - Cost	1,059,580	0
Less Accumulated Depreciation	<u>(3,716,603)</u>	<u>(3,098,964)</u>
	2,756,438	2,402,007
Artwork Sculptures at:		
- Cost	1,019,235	880,843
Less Accumulated Depreciation	<u>(54,566)</u>	<u>(36,879)</u>
	964,669	843,964

(1) During the reporting period the City Of Karratha completed construction of its Leisureplex facility, subsequent to the independent valuation being undertaken. It is carried at cost and will be revalued in line with the accounting policy. As construction was finalised during the year, cost is deemed to approximate its fair value.

## 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2014 \$	2013 \$
Plant at:		
- Management Valuation 2013	13,747,353	0
- Additions after Valuation - Cost	1,074,248	14,526,649
Less Accumulated Depreciation	<u>(5,428,738)</u>	<u>(4,249,004)</u>
	9,392,863	10,277,645
Work in Progress	8,683,070	63,604,179
	<u>182,214,889</u>	<u>156,378,702</u>

## Land and Buildings:

The City's land and buildings were revalued at 1 July 2013 by independent valuers.

In relation to land and non-specialised buildings, valuations were made on the basis of observable open market values of similar assets, adjusted for condition and comparability, at their highest and best use (Level 2 inputs in the fair value hierarchy).

With regard to specialised buildings, these were valued having regard for their current replacement cost utilising both observable and unobservable inputs being constructions costs base on recent contract prices, current condition (Level 2), residual values and remaining useful life assessments (Level 3 inputs).

Given the significance of the Level 3 inputs into the overall fair value measurement, these specialised building assets are deemed to have been valued using level 3 inputs.

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

The revaluation of these assets resulted in an overall increase of \$33,017,788 in the net value of the City's land and buildings. All of this increase was credited to the revaluation surplus in the City's equity (refer Note 12 (a) for further details) and was recognised as Changes on Revaluation of non-current Assets in the Statement of Comprehensive Income.

With regard to land vested in and under the control of Council, these assets were originally recognised as at 30 June 2013 at deemed cost where cost was effectively the fair value at the date of recognition.

As land vested in and under the control of Council is Crown Land restricted as to usage, it is not possible for an alternative usage to be considered when arriving at the fair value. In addition, due to its nature, any significant value attributable directly to the land would likely be offset by the need to return value to the Crown before any restriction is lifted, thus reducing the fair value to nil.

Consequently, the original value of deemed cost was obtained having regard for the current replacement cost of the improvements on the land to allow for its current restricted usage.

These included both observable and unobservable inputs being construction costs based on recent contract prices, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs).

## Notes continued...

## 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

## Land and Buildings (Continued):

Given the significance of the Level 3 inputs into the overall fair value measurement, this land vested in and under the control of Council is deemed to have been valued using Level 3 inputs.

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

Due to the mandatory fair value measurement framework as detailed in Note 1(f). Land Vested in and under the control of Council required a fair value assessment to occur in the current year.

This was performed by independent valuers at 1 July 2013 on the same basis as the prior year cost valuation was arrived at.

The revaluation of land vested in and under the control of Council resulted in an overall increase of \$564,454 in the net value of the Land vested in and under the control of the Council. All of this increase was credited to the revaluation surplus in the City's equity (refer Note 12 (a) for further details) and was recognised as Changes on Revaluation of Non-Current Assets in the Statement of Comprehensive Income.

## Furniture and Equipment

## Plant and Equipment:

Both furniture and equipment and plant and equipment were revalued in 2013 as part of the mandatory requirements embodied in Local Government (Financial Management) Regulation 17A.

Whilst the additions since that time are shown at costs, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. Thus, the value is considered in accordance with Local Government (Financial Management) regulation 17A (2) which requires these assets to be shown at fair value.

They will be revalued during the year ended 30 June 2016 in accordance with the mandatory asset measurement framework detailed at Note 1(f).

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

## (a) Movements in Carrying Amounts

Movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.									
		Balance at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/(Decrements)	Transfers	Impairment (Losses)/Reversals	Depreciation (Expense)	Carrying Amount at the End of Year
		\$	\$	\$	\$	\$	\$	\$	\$
Freehold Land	(Level 2)	6,379,438	615,000	(1,121,042)	28,750,604	0	0	0	34,624,000
Land Vested In and Under the Control of Council	(Level 3)	0	0	0	564,454	0	0	0	564,454
<b>Total Land</b>		<b>6,379,438</b>	<b>615,000</b>	<b>(1,121,042)</b>	<b>29,315,058</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35,188,454</b>
Buildings	(Level 2)	72,547,237	10,907,428	(1,992,569)	6,647,672	38,665,078	0	(1,908,400)	124,866,446
Works in Progress		63,604,179	(140,137)	0	0	(54,780,972)	0	0	8,683,070
<b>Total Buildings</b>		<b>136,151,416</b>	<b>10,767,291</b>	<b>(1,992,569)</b>	<b>6,647,672</b>	<b>(16,115,895)</b>	<b>0</b>	<b>(1,908,400)</b>	<b>133,549,516</b>
<b>Total Land and Buildings</b>		<b>142,530,854</b>	<b>11,382,291</b>	<b>(3,113,611)</b>	<b>35,962,730</b>	<b>0</b>	<b>0</b>	<b>(1,908,400)</b>	<b>168,737,970</b>
Equipment (External)	(Level 3)	324,232	188,740	(2,732)	0	30,965	0	(178,257)	362,949
Furniture and Equipment	(Level 2)	2,402,007	693,893	(41,259)	0	364,915	0	(663,118)	2,756,438
Artwork Sculptures		843,964	132,727	0	0	5,665	0	(17,686)	964,669
Plant	(Level 1)	10,277,645	1,074,248	(235,471)	0	0	0	(1,723,558)	9,392,863
<b>Total Property, Plant and Equipment</b>		<b>156,378,702</b>	<b>13,471,899</b>	<b>(3,393,073)</b>	<b>35,962,730</b>	<b>(15,714,350)</b>	<b>0</b>	<b>(4,491,019)</b>	<b>182,214,889</b>

## Notes continued...

## 7. INFRASTRUCTURE

	2014 \$	2013 \$
<b>Roads</b>		
- Cost	73,120,984	70,321,443
Less Accumulated Depreciation	<u>(50,899,587)</u>	<u>(49,019,337)</u>
	22,221,397	21,302,106
<b>Footpaths</b>		
- Cost	10,048,633	7,999,026
Less Accumulated Depreciation	<u>(4,351,582)</u>	<u>(4,084,588)</u>
	5,697,051	3,914,438
<b>Aerodromes</b>		
- Cost	57,337,795	54,019,711
Less Accumulated Depreciation	<u>(12,858,759)</u>	<u>(10,914,049)</u>
	44,479,036	43,105,662
<b>Parks &amp; Gardens</b>		
- Cost	12,899,586	11,682,302
Less Accumulated Depreciation	<u>(1,246,275)</u>	<u>(1,127,934)</u>
	11,653,311	10,554,368
<b>Hardcourt Facilities</b>		
- Cost	7,460,595	4,467,261
Less Accumulated Depreciation	<u>(1,268,542)</u>	<u>(1,142,626)</u>
	6,192,053	3,324,635
<b>Bridges &amp; Culverts</b>		
- Cost	5,141,228	5,141,228
Less Accumulated Depreciation	<u>(4,284,366)</u>	<u>(4,199,858)</u>
	856,862	941,370
<b>Drainage</b>		
- Cost	2,850,394	1,209,325
Less Accumulated Depreciation	<u>(564,428)</u>	<u>(542,660)</u>
	2,285,966	666,665
<b>Boat Ramps &amp; Jetties</b>		
- Cost	2,415,002	2,415,002
Less Accumulated Depreciation	<u>(1,804,486)</u>	<u>(1,679,510)</u>
	610,516	735,492
<b>Miscellaneous Structures</b>		
- Cost	26,141,830	15,237,802
Less Accumulated Depreciation	<u>(3,564,441)</u>	<u>(2,415,007)</u>
	22,577,389	12,822,795
<b>Work in Progress</b>		
	10,489,381	7,480,465
	<u>127,062,962</u>	<u>104,847,996</u>

**Infrastructure:**

The City's Infrastructure Assets are scheduled to be revalued during the year ended 30 June 2015. These assets are currently shown at cost.

## 7. INFRASTRUCTURE (Continued)

## Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) \$	Transfers \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Carrying Amount at the End of Year \$
Roads	21,302,106	2,799,541	0	0	0	0	(1,880,250)	22,221,397
Footpaths	3,914,438	2,049,607	0	0	0	0	(266,994)	5,697,051
Aerodromes	43,105,662	3,318,084	0	0	0	0	(1,944,710)	44,479,036
Parks & Gardens	10,554,368	1,217,284	0	0	0	0	(118,341)	11,653,311
Hardcourt Facilities	3,324,635	2,993,334	0	0	0	0	(125,916)	6,192,053
Bridges & Culverts	941,370	0	0	0	0	0	(84,508)	856,862
Drainage	666,665	1,641,069	0	0	0	0	(21,768)	2,285,966
Boat Ramps & Jetties	735,492	0	0	0	0	0	(124,976)	610,516
Miscellaneous Structures	12,822,795	(1,956,220)	(42,312)	136,395	12,416,610	0	(799,879)	22,577,389
Transfers to/ (from) WIP	7,480,465	0	0	0	3,008,916	0	0	10,489,381
<b>Total</b>	<u>104,847,996</u>	<u>12,062,698</u>	<u>(42,312)</u>	<u>136,395</u>	<u>15,425,526</u>	<u>0</u>	<u>(5,367,342)</u>	<u>127,062,962</u>

## Notes continued...

## 8. TRADE AND OTHER PAYABLES

	2014 \$	2013 \$
<b>Current</b>		
Sundry Creditors	8,801,344	7,640,357
Other Liabilities	0	0
Retention Monies	261,915	348,759
Accrued Expenses	0	0
Accrued Interest on Borrowings	0	1,036
Accrued Salaries and Wages	849,399	363,329
ATO Liabilities	33	3,616
Income Received in Advance	777,896	1,193,748
	<u>10,690,587</u>	<u>9,550,845</u>

## 9. LONG-TERM BORROWINGS

<b>Current</b>		
WA Treasury Loans	<u>0</u>	<u>2,932</u>
	<u>0</u>	<u>2,932</u>
<b>Non-Current</b>		
WA Treasury Loans	<u>0</u>	<u>53,402</u>
	<u>0</u>	<u>53,402</u>

Additional detail on borrowings is provided in Note 21.

## 10. PROVISIONS

	2014 \$	2013 \$
<b>Current</b>		
Provision for Annual Leave:		
- Executive Services	74,553	293,424
- Corporate Services	357,984	568,749
- Community Services	454,860	313,964
- Development & Regulatory Services	354,119	285,040
- Infrastructure & Technical Services	720,325	397,072
- Waste Management	231,157	126,146
- Aerodrome & TTI	165,356	131,325
Provision for Long Service Leave:		
- Executive Services	0	0
- Corporate Services	116,520	345,326
- Community Services	193,627	90,883
- Development & Regulatory Services	189,949	283,100
- Infrastructure & Technical Services	355,338	1,051,236
- Waste Management	127,614	82,042
- Aerodrome & TTI	49,357	96,024
	<u>3,390,759</u>	<u>4,064,331</u>

## 10. PROVISIONS (Continued)

	2014 \$	2013 \$
<b>Non-Current</b>		
Provision for Long Service Leave:		
- Executive Services	31,688	20,368
- Corporate Services	81,299	93,178
- Community Services	135,254	110,321
- Development & Regulatory Services	77,716	74,191
- Infrastructure & Technical Services	908,760	136,022
- Waste Management	61,131	31,513
- Aerodrome & TTI	32,877	51,190
	<u>1,328,725</u>	<u>516,783</u>

Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follows:

Current	3,390,759	4,064,328
Non-Current	<u>1,328,725</u>	<u>516,783</u>
	<u>4,719,484</u>	<u>4,581,111</u>

## 11. RESERVES - CASH BACKED

	2014 \$	2014 Budget \$	2013 \$
<b>(a) Employee Entitlement Reserve</b>			
Opening Balance	2,240,849	2,240,849	2,159,674
Amount Set Aside / Transfer to Reserve	58,197	71,492	81,175
Amount Used / Transfer from Reserve	<u>0</u>	<u>(251,520)</u>	<u>0</u>
	<u>2,299,046</u>	<u>2,060,821</u>	<u>2,240,849</u>
<b>(b) Aerodrome Reserve</b>			
Opening Balance	12,997,991	12,997,992	19,145,601
Amount Set Aside / Transfer to Reserve	1,724,181	6,586,141	6,715,240
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>(12,862,851)</u>
	<u>14,722,172</u>	<u>19,584,133</u>	<u>12,997,991</u>
<b>(c) Dampier Drainage Reserve</b>			
Opening Balance	26,765	26,765	25,707
Amount Set Aside / Transfer to Reserve	661	529	1,058
Amount Used / Transfer from Reserve	<u>(27,426)</u>	<u>(26,765)</u>	<u>0</u>
	<u>0</u>	<u>529</u>	<u>26,765</u>
<b>(d) Walkington Theatre Reserve</b>			
Opening Balance	5,087	5,087	4,886
Amount Set Aside / Transfer to Reserve	23,370	552	201
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>28,457</u>	<u>5,639</u>	<u>5,087</u>
<b>(e) Plant Replacement Reserve</b>			
Opening Balance	2,384,844	2,384,844	2,433,949
Amount Set Aside / Transfer to Reserve	63,843	215,744	1,443,939
Amount Used / Transfer from Reserve	<u>0</u>	<u>(579,671)</u>	<u>(1,493,044)</u>
	<u>2,448,687</u>	<u>2,020,917</u>	<u>2,384,844</u>

## Notes continued...

## 11. RESERVES - CASH BACKED

	2014 \$	2014 Budget \$	2013 \$
<b>(f) Workers Compensation Reserve</b>			
Opening Balance	627,977	627,977	600,000
Amount Set Aside / Transfer to Reserve	16,292	20,016	27,977
Amount Used / Transfer from Reserve	0	0	0
	<u>644,269</u>	<u>647,993</u>	<u>627,977</u>
<b>(g) Waste Management Reserve</b>			
Opening Balance	17,323,878	17,323,878	14,308,321
Amount Set Aside / Transfer to Reserve	1,228,830	5,208,077	3,971,244
Amount Used / Transfer from Reserve	0	(3,431,623)	(955,687)
	<u>18,552,708</u>	<u>19,100,332</u>	<u>17,323,878</u>
<b>(h) Infrastructure Reserve</b>			
Opening Balance	2,880,775	2,880,775	12,871,764
Amount Set Aside / Transfer to Reserve	17,593,645	17,576,035	3,180,096
Amount Used / Transfer from Reserve	(2,341,636)	(5,760,237)	(13,171,085)
	<u>18,132,785</u>	<u>14,696,573</u>	<u>2,880,775</u>
<b>(i) Housing Reserve</b>			
Opening Balance	0	0	1,629,435
Amount Set Aside / Transfer to Reserve	0	0	628,766
Amount Used / Transfer from Reserve	0	0	(2,258,200)
	<u>0</u>	<u>0</u>	<u>0</u>
<b>(j) Aged Persons Unit Reserve</b>			
Opening Balance	71,756	71,756	78,665
Amount Set Aside / Transfer to Reserve	1,895	2,321	3,091
Amount Used / Transfer from Reserve	0	0	(10,000)
	<u>73,651</u>	<u>74,077</u>	<u>71,756</u>
<b>(k) Junior Sport Reserve</b>			
Opening Balance	93,363	93,363	89,673
Amount Set Aside / Transfer to Reserve	2,260	1,800	3,690
Amount Used / Transfer from Reserve	(95,623)	(93,363)	0
	<u>0</u>	<u>1,800</u>	<u>93,363</u>
<b>(l) Public Open Space Reserve</b>			
Opening Balance	0	0	263,179
Amount Set Aside / Transfer to Reserve	730	698	10,024
Amount Used / Transfer from Reserve	0	0	(273,203)
	<u>730</u>	<u>698</u>	<u>0</u>
<b>(m) History &amp; Cultural Publications Reserve</b>			
Opening Balance	54,498	54,498	54,265
Amount Set Aside / Transfer to Reserve	1,421	1,746	2,233
Amount Used / Transfer from Reserve	0	0	(2,000)
	<u>55,919</u>	<u>56,244</u>	<u>54,498</u>
<b>(n) Mosquito Control Reserve</b>			
Opening Balance	4,792	4,792	3,442
Amount Set Aside / Transfer to Reserve	670	147	1,350
Amount Used / Transfer from Reserve	0	0	0
	<u>5,462</u>	<u>4,939</u>	<u>4,792</u>

## 11. RESERVES - CASH BACKED

	2014 \$	2014 Budget \$	2013 \$
<b>(o) Medical Services Assistance Package Reserve</b>			
Opening Balance	259,026	259,026	264,798
Amount Set Aside / Transfer to Reserve	6,777	8,312	10,896
Amount Used / Transfer from Reserve	0	(33,333)	(16,667)
	<u>265,803</u>	<u>234,005</u>	<u>259,026</u>
<b>(p) Royalties for Regions Reserve</b>			
Opening Balance	630	629	19,353,736
Amount Set Aside / Transfer to Reserve	0	7	242,827
Amount Used / Transfer from Reserve	(630)	(636)	(19,595,932)
	<u>0</u>	<u>0</u>	<u>630</u>
<b>(q) Community Development Reserve</b>			
Opening Balance	871,775	871,775	1,050,090
Amount Set Aside / Transfer to Reserve	1,975,739	753,476	701,997
Amount Used / Transfer from Reserve	(1,697,822)	(725,000)	(880,313)
	<u>1,149,692</u>	<u>900,251</u>	<u>871,775</u>
<b>(r) Carry Forward Budget Reserve</b>			
Opening Balance	1,787,346	1,787,346	1,891,032
Amount Set Aside / Transfer to Reserve	0	0	1,787,346
Amount Used / Transfer from Reserve	(1,787,346)	(1,787,346)	(1,891,032)
	<u>0</u>	<u>0</u>	<u>1,787,346</u>
<b>(s) Restricted Funds Reserve</b>			
Opening Balance	1,053,156	1,053,156	0
Amount Set Aside / Transfer to Reserve	92,942	0	1,053,156
Amount Used / Transfer from Reserve	(870,116)	(870,116)	0
	<u>275,982</u>	<u>183,040</u>	<u>1,053,156</u>
<b>(t) Partnership Reserve</b>			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	4,249,414	4,817,765	0
Amount Used / Transfer from Reserve	0	(408,000)	0
	<u>4,249,414</u>	<u>4,409,765</u>	<u>0</u>
<b>TOTAL RESERVES</b>	<u>62,904,777</u>	<u>63,981,756</u>	<u>42,684,510</u>
Total Opening Balance	42,684,510	42,684,510	76,228,219
Total Amount Set Aside / Transfer to Reserve	27,040,867	35,264,858	19,866,304
Total Amount Used / Transfer from Reserve	(6,820,600)	(13,967,610)	(53,410,014)
<b>TOTAL RESERVES</b>	<u>62,904,777</u>	<u>63,981,758</u>	<u>42,684,510</u>

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

## Notes continued...

**11. RESERVES - CASH BACKED (continued)**

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

- (a) Employee Entitlement Reserve**  
To fund employee leave entitlements when on extended leave, including long service leave as well as periods of Annual Leave for periods greater than 4 weeks duration thereby retaining salary and wages budgets for the funding of replacement staffing during extended periods of leave.
- (b) Aerodrome Reserve**  
The purpose of this reserve is to fund the development, operation and maintenance of the Karratha Airport, inclusive of any repayments of borrowings and the funding of employee entitlements.
- (c) Dampier Drainage Reserve**  
This reserve is maintained as part of an agreement between the Council and Hamersley Iron. The purpose of the reserve is to ensure funds are available for the maintenance of drainage in Dampier. Hamersley Iron pay to the Council each year a \$10,000 contribution towards this maintenance with any additional works required being drawn from this reserve and similarly, any funds remaining unspent being transferred to this reserve.
- (d) Walkington Theatre Reserve**  
The purpose of this reserve is to fund the operation and capital works of the Walkington Theatre.
- (e) Plant Replacement Reserve**  
The purposes of this reserve is to fund the capital purchase of plant and equipment.
- (f) Workers Compensation Reserve**  
The purpose of this reserve is to provide Council with sufficient funds to cover its potential liability in regard to the performance based workers compensation scheme of Local Government Insurance Services of which the City of Karratha is a member. Funds within the Reserve that become surplus to requirements will be transferred to Council's Employee Entitlements Reserve via way of Council's Annual Budget.
- (g) Waste Management Reserve**  
The purpose of this reserve is to fund development, operation and maintenance of the Council's Waste Management facilities inclusive of repayments of borrowings and the funding of employee entitlements.
- (h) Infrastructure Reserve**  
The purpose of this reserve is to allow for the use of these reserve funds for the enhancement, replacement, refurbishment and purchase of infrastructure assets or project works of the City of Karratha inclusive of the associated repayment of borrowings on infrastructure. Project works funded from this Reserve may not necessarily belong to the City of Karratha but must be carried out for the benefit of the City of Karratha.
- (i) Housing Reserve**  
The purpose of this reserve is to fund the maintenance, refurbishment, replacement and construction of staff housing inclusive of the purchase This reserve is funded by annual allocations form the Municipal Fund and from sale of Staff Housing.
- (j) Aged Persons Unit Reserve**  
The purposes of this reserve is to assist in the transfer of Seniors from the current senior's village on Welcome Road to the new village provisioned by the State Government.
- (k) Junior Sport Reserve**  
The purpose of this Reserve is to fund the development of junior sport within the City of Karratha including infrastructure.

**11. RESERVES - CASH BACKED (continued)**

- (l) Public Open Space Reserve**  
The purpose of this Reserve is to fund future developments of public open spaces funded by proceeds from the undertaking of Land Transactions and Community Contributions received for the purpose of Public Open Space.
- (m) History & Cultural Publications Reserve**  
The purpose of this Reserve is to fund future history and cultural publications. The income is generated from the sale of these publications.
- (n) Mosquito Control Reserve**  
The purpose of this Reserve is to fund mosquito control programmes inclusive of the purchase of replacement equipment as required.
- (o) Medical Services Assistance Package Reserve**  
The purpose of this Reserve is to fund future assistance to Medical Services in accordance with Council's participation in the Medical Services Incentive Scheme. This is inclusive of retention payments to General Practitioner's in accordance with the Medical Services Incentive Scheme.
- (p) Royalties for Regions Reserve**  
The purpose of this reserve is to hold unexpended grant revenues, and associated interest, from the State Government's Royalties for Regions programme.
- (q) Community Development Reserve**  
The purpose of this Reserve is to hold Annual Community Association Development Scheme unspent payments each year and to fund future projects initiated by Community Associations from time to time via the Annual Community Association Development Scheme.
- (r) Carry Forward Budget Reserve**  
This reserve is for the purpose of preserving projects funds carried over.
- (s) Restricted Funds Reserve**  
This reserve is for the purpose of holding Unexpended or prepaid Grants (other than Royalties for Regions) and Capital Contributions provided for specific purposes.
- (s) Heavy Haulage Reserve**  
This reserve is for the purpose of funding the maintenance of Heavy Haulage Roads
- (t) Partnership Reserve**  
This reserve is maintained as part of the Community Infrastructure and Services Partnership (the Partnership) and the related funding agreements between the Council and Rio Tinto Iron Ore. The purpose of the reserve is to preserve funds received under each funding agreement under the Partnership and restrict the funds for the purpose of each funding agreement.

The Leave and Plant Reserves are not expected to be used within a set period as further transfers to the reserve accounts are expected as funds are utilised.

## Notes continued...

**12. REVALUATION SURPLUS**

Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:

**(a) Land & Buildings**

	2014 \$	2013 \$
Opening Balance	15,910,120	17,469,096
Revaluation Increment	34,843,598	(0)
Disposal Of Revalued Assets	(1,825,810)	0
Revaluation Decrement	0	(1,558,976)
	<u>48,927,908</u>	<u>15,910,120</u>

**(b) Infrastructure**

Opening Balance	0	0
Revaluation Increment	136,395	0
Revaluation Decrement	0	0
	<u>136,395</u>	<u>0</u>

**(c) Other Infrastructure**

Opening Balance	200	200
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>200</u>	<u>200</u>

TOTAL ASSET REVALUATION SURPLUS	<u>49,064,503</u>	<u>15,910,320</u>
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An adjustment has been made to the revaluation surplus and retained earnings in reference to the following properties which previously formed part of the revaluation surplus. These properties were in fact Crown grants in trust to Council:

Description	Asset #
Land - Shire Office	70200001
Land - Hedland Place Health Centre	73100001

A further adjustment of \$1,825,810 has been made to the revaluation surplus and retained earnings in reference to buildings disposed throughout the year that were contained in the revaluation surplus as at 30th June 2013.

**13. NOTES TO THE STATEMENT OF CASH FLOWS****(a) Reconciliation of Cash**

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

	2014 \$	2014 Budget \$	2013 \$
Cash and Cash Equivalents	<u>62,930,475</u>	<u>69,178,935</u>	<u>43,648,411</u>
<b>(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net Result	33,382,052	36,710,608	31,655,130
Depreciation	9,858,361	9,161,782	9,180,240
(Profit)/Loss on Sale of Asset	2,078,702	1,711,664	1,816,206
(Increase)/Decrease in Receivables	(2,175,020)	2,350,785	2,296,956
(Increase)/Decrease in Inventories	47,372	0	64,456
Increase/(Decrease) in Payables	1,139,744	1,906,014	1,004,624
Increase/(Decrease) in Employee Provisions	138,370	0	1,447,109
Grants Contributions for the Development of Assets	(16,392,796)	(14,690,116)	(11,251,898)
Initial Recognition of Assets	0	0	(511,983)
Loss on Revaluation of Fixed Assets	0	0	435,479
Net Cash from Operating Activities	<u>28,076,785</u>	<u>37,150,737</u>	<u>36,136,319</u>

	2014 \$	2013 \$
<b>(c) Undrawn Borrowing Facilities</b>		
<b>Credit Standby Arrangements</b>		
Bank Overdraft limit	1,000,000	1,000,000
Bank Overdraft at Balance Date	0	0
Credit Card limit	200,000	150,000
Credit Card Balance at Balance Date	(60,625)	(65,795)
<b>Total Amount of Credit Unused</b>	<u>1,139,375</u>	<u>1,084,205</u>
<b>Loan Facilities</b>		
Loan Facilities - Current	0	2,932
Loan Facilities - Non-Current	0	53,402
<b>Total Facilities in Use at Balance Date</b>	<u>0</u>	<u>56,334</u>
<b>Unused Loan Facilities at Balance Date</b>	<u>NIL</u>	<u>NIL</u>

## Notes continued...

**14. CONTINGENT LIABILITIES**

	2014	2013
	\$	\$

During the financial year, the City continued to provide the following Bank Guarantee with the Westpac Banking Corporation for the Nor West Jockey Club for their overdraft facility  
Nor West Jockey Club

Amount of original guarantee	65,000	65,000
Amount required as at 30 June	65,000	65,000

**15. CAPITAL AND LEASING COMMITMENTS****(a) Operating Lease Commitments**

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

	2014	2013
	\$	\$

Payable:		
- not later than one year	130,400	949,468
- later than one year but not later than five years	1,057,530	178,934
- later than five years	0	0
	<u>1,187,930</u>	<u>1,128,402</u>

**(b) Capital Expenditure Commitments**

At the reporting date Council had entered into contracts for the following:

Not later than one year

Karratha Arts & Community Precinct (formerly New Civic Centre)	342,265	244,424
Karratha Leisureplex	5,000	4,485,926
Karratha/Wickham/Roebourne SES	311,178	2,133,433
Cossack Building Improvements	0	137,450
Karratha Youth Shed	8,084	60,000
Dalgety House	0	43,056
Karratha Water Infrastructure Upgrade	115,130	1,641,530
Effluent Systems Upgrade	72,538	600,000
Dampier Community Hub	212,366	1,316,614
Karratha Airport Terminal	26,111,903	1,124,680
CCTV Installation	0	175,000
Church Park Shade Shelter	0	150,000
Staff Housing	0	1,684,284
7 Mile Building Improvements	95,239	2,871,617
Skate park Program	20,000	400,000
Roebourne Skate Park	91,673	600,000
Various Outstanding Purchase Orders	0	2,862
	<u>27,385,376</u>	<u>17,670,876</u>

Later than one year but not later than two years

Karratha Leisureplex	0	16,368,967
	<u>0</u>	<u>16,368,967</u>

**16. JOINT VENTURE ARRANGEMENTS**

The City does not have any joint venture arrangements.

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

	2014	2013
	\$	\$

Governance	559	60,873
General Purpose Funding	10,613,209	9,140,688
Law, Order, Public Safety	1,621,457	1,300,599
Health	983,170	652,853
Education and Welfare	2,593,500	3,574,168
Housing	42,849,568	24,418,845
Community Amenities	10,944,176	8,534,750
Recreation and Culture	129,817,772	120,618,109
Transport	100,703,177	90,586,373
Economic Services	448,224	494,731
Other Property and Services	8,703,037	1,336,462
Unallocated	75,327,449	53,928,169
	<u>384,605,298</u>	<u>314,646,620</u>

## Notes continued...

## 18. FINANCIAL RATIOS

	2014	2013	2012
Current Ratio	1.090	1.008	1.847
Asset Sustainability Ratio	1.222	1.793	0.962
Debt Service Cover Ratio	401.280	1.939	7.035
Operating Surplus Ratio	0.199	0.257	0.270
Own Source Revenue Coverage Ratio	1.105	1.121	1.162

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset Sustainability Ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$
Debt Service Cover Ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating Surplus Ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own Source Revenue Coverage Ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

## Notes:

Information relating to the **Asset Consumption Ratio** and the **Asset Renewal Funding Ratio** can be found at Supplementary Ratio Information on Page 70 of this document.

## 19. TRUST FUNDS

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

	Balance 1 July 2013 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30 June 2014 \$
Building/Kerb Deposits	16,142	1,200	(9,892)	7,450
Hall Hire Bonds	9,555	9,200	(7,200)	11,555
Verge Bonds	451,000	191,000	(211,000)	431,000
Retention Funds	59,574	324,538	(362,252)	21,860
Staff Housing Bonds	11,069	7,741	(17,419)	1,392
Staff Airport Parking Cards	1,450	150	(950)	650
Nomination Deposits	80	60	(140)	0
Staff Travel Allowances	56,294	72,450	(59,850)	68,893
Other Deposits				
Bonds & Guarantees	2,271,846	667,399	(398,836)	2,540,409
Bonds & Guarantees (old)	2,520	0	0	2,520
Kerb Deposits (old)	2,800	0	0	2,800
Stale Cheques	3,915	0	0	3,915
ATM Monies	820	0	0	820
Unclaimed Wages	37	0	0	37
NADC Research Funds	805	0	0	805
	<u>2,887,907</u>			<u>3,094,106</u>

## 20. DISPOSALS OF ASSETS - 2013/14 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>Buildings</b>						
Community Amenities						
16300023 - Pumphouse	50,808	0	0	0	(50,808)	0
Recreation and Culture						
16100003 - Karratha Entertainment Centre	1,240,428	1,912,351	0	0	(1,240,428)	(1,912,351)
10000008 - KEC air conditioner	281,496	0	0	0	(281,496)	0
11210001 - Depot shed	10,927	0	0	0	(10,927)	0
Recreation and Culture						
16300004 - Wickham golf house	154,244	0	0	0	(154,244)	0
16300006 - Wickham pavilion	249,361	0	0	0	(249,361)	0
16300014 - Sewerage treatment plant	5,304	0	0	0	(5,304)	0
<b>Plant</b>						
Governance						
P061 - Mitsubishi Triton	10,636	7,941	8,909	11,000	(1,727)	3,059
Law, Order, Public Safety						
P4445 - Toyota Landcruiser	14,375	0	19,818	0	5,443	0
Health						
P1005 - Toyota Hilux	12,032	7,329	20,000	11,500	7,968	4,171
Community Amenities						
P057 - Toyota Hilux	12,499	7,242	11,364	11,364	(1,135)	4,122
Recreation and Culture						
P054 - Holden Colorado	8,956	0	12,727	24,500	3,771	24,500
P102 - Toyota Hilux	8,167	0	8,182	8,818	15	8,818
P2011 - Holden Commodore Omega	9,380	0	8,500	8,500	(880)	8,500
P896 - Credon C/Picker	6,899	0	5,600	5,600	(1,299)	5,600
P058 - Holden Colorado	8,311	0	5,500	11,000	(2,811)	11,000
P1024 - Holden Colorado	16,767	0	14,545	14,545	(2,222)	14,545
P055 - Toyota Avensis Wagon	10,009	0	9,091	9,091	(918)	9,091
Transport						
P945 - Trailer	190	0	600	660	410	660
P818 - Roadsweeper	86,570	0	47,500	55,000	(39,070)	55,000
P725 - Kubota Mower	3,844	0	6,250	5,000	2,406	5,000
Economic Services						
P051 - Holden Colorado	9,387	0	12,727	12,727	3,340	12,727
Other Property and Services						
P056 - Toyota Hilux	8,798	0	18,500	11,409	9,702	11,409
P101 - Holden Colorado	8,651	0	10,909	11,000	2,258	11,000
<b>Furniture and Equipment</b>						
Recreation and Culture						
30000895 - KEC mirrors	1,270	0	0	0	(1,270)	0

Notes continued...

20. DISPOSALS OF ASSETS - 2013/14 FINANCIAL YEAR (Continued)

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
30001240 - KEC basketball rings & nets	1,184	0	0	0	(1,184)	0
30000422 - KEC incline bench	10	0	0	0	(10)	0
30000755 - KEC dumbbells	400	0	0	0	(400)	0
30000998 - KEC curtains	1,047	0	0	0	(1,047)	0
30000759 - KEC fridge	1,038	0	0	0	(1,038)	0
30000421 - KEC T bar row	22	0	0	0	(22)	0
30000957 - KEC exercise bike	9,202	0	0	0	(9,202)	0
30001033 - KEC exercise bike	5,220	0	0	0	(5,220)	0
30001162 - KEC exercise bike	2,049	0	0	0	(2,049)	0
30000725 - KEC oven	282	0	0	0	(282)	0
30000875 - KEC exercise bike	534	0	0	0	(534)	0
30000520 - KEC curtains	188	0	0	0	(188)	0
30000874 - KEC cross trainer	1,378	0	0	0	(1,378)	0
30000152 - Phone car kit	0	0	0	0	0	0
30000964 - Photocopier	0	0	5	0	5	0
30000965 - Photocopier	0	0	5	0	5	0
31140009 - Laminator	0	0	0	0	0	0
30001446 - PBFC coffee machine	9,057	0	682	0	(8,375)	0
30001411 - Youth shed coffee machine	8,379	0	682	0	(7,697)	0
Other Property and Services						
30000640 - Satellite phone	0	0	0	0	0	0
Equipment						
Health						
P402 - Dynafog Superhawk fogger	0	100	50	100	50	0
Recreation and Culture						
P5020 - Stihl brushcutter	0	0	90	90	90	90
P5022 - Stihl brushcutter	0	0	90	90	90	90
P5013 - Stihl brushcutter	0	0	130	130	130	130
P502 - Telescopic pruner	0	0	450	450	450	450
P5023 - Honda mower	0	0	200	200	200	200
P5024 - Honda mower	0	0	160	160	160	160
P763 - Kubota slasher	2,719	0	2,000	2,000	(719)	2,000
P7504 - Jarret mower	0	0	1,500	0	1,500	0
20000335 - Pool cleaner	0	0	0	0	0	0
P614 - Rover lawn mower	0	0	0	0	0	0
Transport						
P493 - Megajet	0	0	800	800	800	800
P445 - Kubota gen set	0	0	100	100	100	100
P21379 - Generator	0	0	50	50	50	50
P415 - Billy goat sweeper	0	0	100	150	100	150
P452 - Kwikline line marker	0	0	250	200	250	200
P469 - Fire pump	0	0	325	150	325	150
P762 - Jarret mower/slasher	0	0	4,800	800	4,800	800
P505 - Honda edger	0	0	250	0	250	0
P480 - Stihl quickcut saw	0	0	0	0	0	0
P697 - Spitwater pressure cleaner	0	0	0	0	0	0
Other Property and Services						
20000065 - Heavy duty hoist	0	0	1,100	3,000	1,100	3,000
P479 - Heavy duty water pump	13	0	200	200	187	200
21440002 - Compressor	0	0	650	715	650	715
29000007 - 60 tonne press	0	0	0	2,200	0	2,200
Infrastructure						
Community Amenities						
Bulgarra WWTP fencing	1,780	0	0	0	(1,780)	0
Bulgarra waste pond fencing	2,837	0	0	0	(2,837)	0
Bulgarra WWTP filtration system	23,484	0	0	0	(23,484)	0
Recreation and Culture						
KAC play equipment	4,760	0	0	0	(4,760)	0
KAC seating	952	0	0	0	(952)	0
KAC notice board	349	0	0	0	(349)	0
KAC table & bench	2,064	0	0	0	(2,064)	0
KAC barbeques	6,086	0	0	0	(6,086)	0
Miscellaneous						
Recreation and Culture						
Tandem trailer	0	0	250	0	250	0
	2,314,343	1,934,963	235,641	223,299	(2,078,702)	(1,711,664)

Profit	46,856	65,092
Loss	(2,125,558)	(1,776,756)
	(2,078,702)	(1,711,664)

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1 July 2013 \$	New Loans \$	Principal Repayments		Principal 30 June 2014		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
General Purpose Funding	56,334	0	56,334	54,843	0	1,491	10,597	5,417
88 - Chamber of Commerce	56,334	0	56,334	54,843	0	1,491	10,597	5,417

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

Notes continued...

21. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2013/14

The City of Karratha did not take up any new debentures during the year ended 30 June 2014.

(c) Unspent Debentures

The City did not have any unspent debentures as at 30 June 2014.

(d) Overdraft

Council established an overdraft facility of \$1,000,000 with Westpac Banking Corporation to assist with short term liquidity requirements. The balance of the bank overdraft at 30 June 2014 was \$0 (2013 was \$0). The facility was renewed for 12 months.

22. RATING INFORMATION - 2013/14 FINANCIAL YEAR

(a) Rates		Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
RATE TYPE												
<b>Differential General Rate</b>												
GRV Residential		0.027723	5,995	457,379,980	12,679,947			12,679,947	12,681,247			12,681,247
GRV Commercial/Tourism/Town Centre/Industry/Mixed Business		0.055446	713	102,782,171	5,698,860			5,698,860	5,698,860			5,698,860
GRV Airport/Workforce Accommodation/Strategic Industry		0.097030	27	19,727,543	1,914,163			1,914,163	1,130,125			1,130,125
GRV Transient Workforce Accommodation		0.110892	13	47,463,000	4,400,532			4,400,532	6,047,305			6,047,305
Interim Rates			583	69,390,492		3,730,748		3,730,748		2,645,810		2,645,810
Back Rates							18,541	18,541			20,000	20,000
<b>Unimproved Value Valuations</b>												
UV Pastoral		0.063383	11	4,092,100	259,370			259,370	259,370			259,370
UV General Unimproved (Mining & Other)		0.126766	197	5,847,758	741,297			741,297	741,297			741,297
UV General Unimproved (UV Strategic Industry)		0.158457	32	20,178,880	3,197,485			3,197,485	3,197,485			3,197,485
Interim Rates			28	4,320,787		567,844		567,844		567,733		567,733
Back Rates												
<b>Sub-Totals</b>			7,599	731,182,711	28,891,654	4,298,592	18,541	33,208,787	29,755,689	3,213,543	20,000	32,989,232
<b>Minimum Payment</b>		<b>Minimum \$</b>										
GRV Residential		1,300	1,607	38,518,362	2,089,100			2,089,100	2,087,800			2,087,800
GRV Commercial/Tourism/Town Centre/Industry/Mixed Business		1,300	312	4,535,706	405,600			405,600	405,600			405,600
GRV Airport/Workforce Accommodation/Strategic Industry		1,300	1	2,600	1,300			1,300	1,300			1,300
GRV Transient Workforce Accommodation		1,300										
Interim Rates			77	5,048,475		56,806		56,806				
Back Rates												
<b>Unimproved Value Valuations</b>												
UV Pastoral		1,300										
UV General Unimproved (Mining & Other)		300	185	203,586	55,500			55,500	55,500			55,500
UV General Unimproved (UV Strategic Industry)		1,300	20	27,982	26,000	(111)		26,000	26,000			26,000
Interim Rates								(111)				
Back Rates							66	66				
<b>Sub-Totals</b>			2,202	48,336,711	2,577,500	56,695	66	2,634,261	2,576,200		0	2,576,200
Ex-Gratia Rates												
Discounts (refer note 25.)								35,843,049				35,843,049
<b>Total Amount Raised From General Rate</b>								692,582				531,500
Specified Area Rate (refer note 23.)								(765,754)				(765,754)
<b>Totals</b>								<b>35,769,877</b>				<b>35,331,178</b>
								0				0
								35,769,877				35,331,178

## Notes continued...

## 22. RATING INFORMATION - 2013/14 FINANCIAL YEAR (Continued)

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

	2014 (30 June 2014 Carried Forward) \$	2014 (1 July 2013 Brought Forward) \$	2013 (30 June 2013 Carried Forward) \$
<b>Surplus/(Deficit) 1 July 13 Brought Forward</b>	<b>1,617,633</b>	<b>1,136,042</b>	<b>1,136,042</b>
<b>Comprises:</b>			
Cash and Cash Equivalents			
Unrestricted	20,780	797,590	797,590
Restricted - Municipal (Unspent Grants/Contributions)	4,918	166,312	166,312
Restricted - Reserves	62,904,777	42,684,508	42,684,508
Receivables			
Rates Outstanding	2,597,895	1,033,523	1,033,523
Sundry Debtors	8,897,530	8,175,347	8,175,347
GST Receivable	446,259	568,227	568,227
Loans - Clubs/Institutions	3,143	2,932	2,932
Inventories			
Fuel and Materials	401,889	449,260	449,260
<b>Less:</b>			
Trade and other Payables			
Sundry Creditors	(8,841,390)	(7,402,592)	(7,402,592)
Other Liabilities	17,008	(68,315)	(68,315)
Retention Monies	(261,915)	(348,759)	(348,759)
Accrued Expenses	23,038	(169,450)	(169,450)
Accrued Interest on Borrowings	0	(1,036)	(1,036)
Accrued Salaries and Wages	(849,399)	(363,329)	(363,329)
ATO Liabilities	(33)	(3,616)	(3,616)
Income Received in Advance	(777,896)	(1,193,748)	(1,193,748)
Current Portion of Long Term Borrowings			
WA Treasury Loans	0	(2,932)	(2,932)
Provisions			
Provision for Annual Leave:	(2,358,354)	(2,115,720)	(2,115,720)
Provision for Long Service Leave:	(1,032,405)	(1,948,608)	(1,948,608)
<b>Net Current Assets</b>	<b>61,195,845</b>	<b>40,259,594</b>	<b>40,259,594</b>
<b>Less:</b>			
Reserves - Restricted Cash	(62,904,777)	(42,684,510)	(42,684,510)
Loans - Clubs/Institutions	(3,143)	(10,433)	(10,433)
Movement in Accruals	485,034	(451,963)	(451,963)
Cash - Restricted Unspent Grants	4,918	(40,969)	(40,969)
<b>Add:</b>			
Current Loan Liability	0	2,932	2,932
Cash Backed employee provisions	2,302,189	2,640,441	2,640,441
Current Provisions funded through salaries budg	537,567	1,420,950	1,420,950
<b>Surplus/(Deficit)</b>	<b>1,617,633</b>	<b>1,136,042</b>	<b>1,136,042</b>

**Difference**

There was no difference between the Surplus/(Deficit) 1 July 2013 Brought Forward position used in the 2014 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2013 audited financial report.

## 23. SPECIFIED AREA RATE - 2013/14 FINANCIAL YEAR

No specified area rates were raised in the 2013/14 financial year.

## 24. SERVICE CHARGES - 2013/14 FINANCIAL YEAR

No service charges were imposed in the 2013/14 financial year.

25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS  
- 2013/14 FINANCIAL YEAR

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
Cossack Rate Concession	Concession	N/A	23,750	23,750
Pastoral Rate Concession	Concession	N/A	61,423	61,423
Gap Ridge Concession	Concession	N/A	680,581	680,581
			765,754	765,754

No discount on rates were granted to rate payers in the 2013/14 financial year.

## 26. INTEREST CHARGES AND INSTALMENTS - 2013/14 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates & Rubbish	11.00%		312,248	297,483
Interest on Instalments	5.50%		72,205	30,000
Charges on Instalments		10	157,297	124,169
			541,749	451,652

**Rates Instalment Options****Option No. 1**

No. Of Payments

One

Payment Due

1) Monday 26 August 2013

**Option No. 2**

No. Of Payments

Two

Payments Due

1) Monday 26 August 2013  
2) Monday 28 October 2013

**Option No. 3**

No. Of Payments

Four

Payments Due

1) Monday 26 August 2013  
2) Monday 28 October 2013  
3) Monday 30 December 2013  
4) Monday 3 March 2014

## Notes continued...

<b>27. FEES &amp; CHARGES</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Governance	122,343	110,203
General Purpose Funding	211,262	174,859
Law, Order, Public Safety	89,260	50,563
Health	120,247	108,059
Education and Welfare	58,900	53,992
Housing	246,833	298,063
Community Amenities	13,039,161	14,761,980
Recreation and Culture	4,268,018	2,654,554
Transport	27,683,609	28,923,364
Economic Services	725,740	1,093,407
Other Property and Services	597,548	286,940
	<u>47,162,921</u>	<u>48,515,984</u>

During the financial year ended 30th June 2014, Council resolved (Res No: 152616) to amend the descriptions on the following 2013/14 Adopted Town Planning and Subdivision Clearance Fees and Charges to read as follows:

Determination of Development Application (other than for an extractive industry) where the estimated cost of development is:

- more than \$500,000 but not more than \$2.5 million (\$1,700 plus 0.257% of est. cost of development)	as calculated
- more than \$2.5 million but not more than \$5 million (\$7,161 plus 0.206% of est. cost of development)	as calculated
- more than \$5million but not more than \$21.5 million (\$12,633 plus 0.123% of est. cost of development)	as calculated

#### Subdivision Clearance Fees

- For more than 5 lots but not more than 195 lots \$73 per lot for the first 5 lots and then \$35 per lot thereafter.	as calculated
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During the financial year ended 30th June 2014, Council also resolved (Res No: 152725) to introduce the following Security and Screening Charge to the Airport Fees & Charges:

- Charged per departing passenger 1 May 2014 - 31 Mar 2015	\$ 11.56
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#### 28. GRANT REVENUE

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>By Nature or Type:</b>		
Operating Grants, Subsidies and Contributions	7,410,418	10,444,600
Non-Operating Grants, Subsidies and Contributions	<u>16,392,796</u>	<u>11,251,898</u>
	<u>23,803,214</u>	<u>21,696,498</u>
<b>By Program:</b>		
Governance	15,760	60,190
General Purpose Funding	1,239,562	3,159,836
Law, Order, Public Safety	1,131,023	993,616
Health	69,946	95,117
Education and Welfare	93,182	0
Housing	0	12,000
Community Amenities	480,202	1,816,583
Recreation and Culture	18,946,384	12,871,092
Transport	1,801,737	2,236,396
Economic Services	25,418	449,739
Other Property and Services	0	1,929
	<u>23,803,214</u>	<u>21,696,498</u>

#### 29. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

260	247
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#### 30. ELECTED MEMBERS REMUNERATION

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

	<b>2014</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
		<b>\$</b>	
<b>Sitting Fees</b>			
Mayor at \$45,000 per year	45,195	45,000	14,000
Deputy Mayor at \$30,000 per year	28,404	30,000	7,000
9 Councillors at \$30,000 per year	260,707	240,000	59,236
<b>Local Government Allowance</b>			
Mayor at \$85,000 per year	85,194	85,000	60,000
Deputy Mayor at \$21,250 per year (25% of President's Allowance)	21,226	21,250	15,000
<b>ICT Allowance</b>			
10 Councillors at \$3,500 per year	36,927	35,000	35,569
<b>Other Expenses</b>			
Childcare (actual costs or \$20/hour whichever is lower)	0	0	0
Travelling expenses (as per Local Govt Officers Award)	14,271	0	37,187
Councillors receive a Professional Development Allowance of \$5,500 which covers costs associated with Conferences	21,612	20,500	16,174
President's Discretionary Fund (Council Related Expenses)	2,366	4,000	3,660
	<u>515,902</u>	<u>480,750</u>	<u>247,826</u>

A Council election was held on Saturday the 19th October. Subsequently, Sitting Fees and Local Government Allowance payments were allocated to incoming/outgoing Councillors on a pro rata basis calculated on daily rates.

## Notes continued...

## 31. MAJOR LAND TRANSACTIONS

Land Development - Karratha LazyLands

## (a) Details

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

Five (5) Lots are under consideration being:

Site	Legal and general land description	Reserve Status	Lot Area
1	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
2	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
3	Lot 612 on Deposited Plan 70632 and wholly contained within Certificate of Crown Land Volume LR3161 Lot 612 Boyd Close, Nickol	Parklands & Drainage	767m2
5	Lot 683 on Deposited Plan 71342 and wholly contained within Certificate of Crown Land Volume LR3161, Folio 575 683 Gregory Way, Bulgarra	Parkland, Recreation, Drainage & Public Infrastructure	1.4ha
7	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

## 31. MAJOR LAND TRANSACTIONS (Continued)

	2014 \$	2014 Budget \$	2013 \$
(b) Current year transactions			
<b>Operating Revenue</b>			
- Profit on sale	0	0	0
<b>Capital Revenue</b>			
- Sale Proceeds	0	0	0
- Transfer from Reserve	193,651	199,287	0
<b>Capital Expenditure</b>			
- Purchase of Land	0	0	0
- Development Costs	(193,651)	(199,287)	120,434
	<u>0</u>	<u>0</u>	<u>120,434</u>

Expenditure related to this land development incurred to 30 June 2014 of \$193,651 has been reserve funded. These funds will be returned to reserve from sale proceeds when realised.

## (c) Expected Future Cash Flows

	2015 \$	2016 \$	2017 \$	2018 \$	Total \$
<b>Cash Outflows</b>					
- Development Costs	(2,785,816)	(83,500)	0	0	(2,869,316)
- Loan Repayments	0	0	0	0	0
	<u>(2,785,816)</u>	<u>(83,500)</u>	<u>0</u>	<u>0</u>	<u>(2,869,316)</u>
<b>Cash Inflows</b>					
- Loan Proceeds	0	0	0	0	0
- Sale Proceeds	0	8,118,418	0	0	8,118,418
	<u>0</u>	<u>8,118,418</u>	<u>0</u>	<u>0</u>	<u>8,118,418</u>
<b>Net Cash Flows</b>	<u>(2,785,816)</u>	<u>8,034,918</u>	<u>0</u>	<u>0</u>	<u>5,249,102</u>

Projected revenues of \$8,118,418 are anticipated to be received in the 2015/16 financial year along with further Development Costs incurred of \$83,500. Infrastructure Reserve funds utilised (\$199,287 13/14 and \$2,785,816 14/15) will be returned to Reserve from sale proceeds. Any profit derived from the sale of land is required to be placed in Trust for the purpose of capital improvements to other Recreation Reserves in the locality.

## Notes continued...

## 32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Tien Tsin Inne operated inside the Karratha Airport Terminal Building until 30 June 2014, when it ceased operations. This was a self-funded trading undertaking, with any surplus transferred as a rate of return to the Airport Reserve.

	2014 \$	2014 Budget \$	2013 \$
<b>Operating Revenue</b>			
Kiosk/Bar	2,188,391	2,137,480	2,461,789
Profit on Sale of Assets	0	0	0
	<u>2,188,391</u>	<u>2,137,480</u>	<u>2,461,789</u>
<b>Operating Expenditure</b>			
Employment Costs	(1,091,163)	(1,048,766)	(1,211,153)
Office Expenses	(118,280)	(164,000)	(20,688)
Write Off Bad Debts	0	0	0
Building Costs	(4,144)	(14,200)	(28,248)
Insurance	(26,602)	(185)	(18,868)
Equipment Repairs & Replacement	(3,086)	(10,000)	(9,076)
Consumables/Shrinkage	(21,918)	(34,500)	(18,139)
Kiosk Expenses	(556,315)	(600,000)	(621,463)
Bar Expenses	(296,795)	(370,000)	(368,067)
Depreciation	(14,414)	(16,932)	(14,602)
Loss on Sale of Assets	0	0	0
Employee Leave Provisions	10,574	0	9,994
<b>Total</b>	<u>(2,122,143)</u>	<u>(2,258,583)</u>	<u>(2,300,310)</u>
<b>Net Operating Surplus (Deficit)</b>	66,248	(121,103)	161,479
<b>Capital Expenditure</b>			
Purchase Furniture & Equipment	0	0	(12,351)
Transfer to Airport Reserve	0	0	0
	<u>0</u>	<u>0</u>	<u>(12,351)</u>
<b>Add Back Non Cash</b>			
Depreciation	14,414	16,932	14,602
Employee Leave Provisions	(10,574)	0	(9,994)
	<u>3,840</u>	<u>16,932</u>	<u>4,608</u>
<b>Rate of Return utilised to fund Airport Capital Improvements</b>	70,088	(104,171)	153,735
<b>Net Surplus/(Deficit)</b>	<u>0</u>	<u>0</u>	<u>0</u>

This statement does not include and of the following expenses as they are embedded in the total cost of running the airport:

- Administration
- Utilities - power, water consumption, water rates, ESL
- Lease/rent expenses - nil applicable
- Airport Security

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

	2014 \$	2013 \$
<b>Current Assets</b>		
Cash and Cash Equivalents	9,000	9,000
Inventories	0	33,897
<b>Total Current Assets</b>	<u>9,000</u>	<u>42,897</u>
<b>Non-Current Assets</b>		
Property, Plant and Equipment	46,281	106,371
<b>Total Non-Current Assets</b>	<u>46,281</u>	<u>106,371</u>
<b>Total Assets</b>	<u>55,281</u>	<u>149,268</u>
<b>Current Liabilities</b>		
Provisions	45,478	32,480
<b>Total Current Liabilities</b>	<u>45,478</u>	<u>32,480</u>
<b>Non-Current Liabilities</b>		
Provisions	6,277	29,850
<b>Total Non-Current Liabilities</b>	<u>6,277</u>	<u>29,850</u>
<b>Total Liabilities</b>	<u>51,755</u>	<u>62,330</u>
<b>Net Assets</b>	<u>3,526</u>	<u>86,938</u>

## Notes continued...

**33. FINANCIAL RISK MANAGEMENT**

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

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

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

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

	Carrying Value		Fair Value	
	2014 \$	2013 \$	2014 \$	2013 \$
<b>Financial Assets</b>				
Cash and cash equivalents	62,930,475	43,648,411	62,930,475	43,648,411
Receivables	11,995,083	10,309,752	12,860,367	10,309,752
	<u>74,925,558</u>	<u>53,958,163</u>	<u>75,790,842</u>	<u>53,958,163</u>
<b>Financial Liabilities</b>				
Payables	10,690,587	9,550,845	10,595,445	9,550,845
Borrowings	0	56,334	0	57,717
	<u>10,690,587</u>	<u>9,607,179</u>	<u>10,595,445</u>	<u>9,608,562</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables - estimated to the carrying value which approximates net market value.

- Borrowings, Held to Maturity Investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

- Financial Assets at Fair Value through profit and loss, Available for Sale Financial Assets - based on quoted market prices at the reporting date or independent valuation.

**33. FINANCIAL RISK MANAGEMENT (Continued)****(a) Cash and Cash Equivalents**

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

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

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

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

Council manages these risks by diversifying its portfolio and only investing in registered commercial banks. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	2014 \$	2013 \$
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash		
- Equity	664,692	696,122
- Statement of Comprehensive Income	664,692 <sup>(2)</sup>	696,122 <sup>(*)</sup>

**Notes:**

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

<sup>(2)</sup> Maximum impact.

## Notes continued...

**33. FINANCIAL RISK MANAGEMENT (Continued)****(b) Receivables**

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

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment.

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

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

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

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

	2014	2013
Percentage of Rates and Annual Charges		
- Current	16%	64%
- Overdue	84%	36%
Percentage of Other Receivables		
- Current	90%	98%
- Overdue	10%	2%

**33. FINANCIAL RISK MANAGEMENT (Continued)****(c) Payables****Borrowings**

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

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

	<u>2014</u>					<u>2013</u>				
	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$					
Payables	10,690,587	0	0	10,690,587	10,690,587					
Borrowings	0	0	0	0	0					
	<u>10,690,587</u>	<u>0</u>	<u>0</u>	<u>10,690,587</u>	<u>10,690,587</u>					
Payables	9,550,845	0	0	9,550,845	9,550,845					
Borrowings	6,858	27,433	51,438	85,729	56,334					
	<u>9,557,703</u>	<u>27,433</u>	<u>51,438</u>	<u>9,636,574</u>	<u>9,607,179</u>					

## Notes continued...

**33. FINANCIAL RISK MANAGEMENT (Continued)****(c) Payables  
Borrowings (Continued)**

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

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

	Year Ended 30 June 2014						Weighted Average Effective Interest Rate %
	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	
<b>Borrowings</b>							
<b>Fixed Rate</b>							
Debentures	0	0	0	0	0	0	0.00%
Weighted Average Effective Interest Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
<b>Year Ended 30 June 2013</b>							
<b>Borrowings</b>							
<b>Fixed Rate</b>							
Debentures	0	0	0	0	0	56,334	7.06%
Weighted Average Effective Interest Rate	0.00%	0.00%	0.00%	0.00%	0.00%	7.06%	
						56,334	

**34. PRIOR PERIOD CORRECTIONS**

Balances relating to the 2013 comparative year have been amended due to the correction of prior period errors. These errors have been adjusted as shown below and, in accordance with the requirements of AASB101, a statement of financial position as at the beginning of the earliest comparative period has been included.

Following the production of the 2013 Annual Financial Statements, it was discovered that Artworks believed to have remained under the control of Main Roads had passed into Council's possession. Consequently, Artworks valued at \$508,248 were expensed during the financial year ended June 2013 rather than capitalised.

The following demonstrates all statements and notes effected by this prior period correction.

	Original Balance \$	Amount of Adjustment \$	Adjusted Balance \$
<b>Effect of the above:</b>			
<b>Statement of Comprehensive Income</b>			
- by Nature or Type			
Expenses			
- Materials and Contracts	(20,879,527)	511,984	(20,367,543)
- Depreciation on Non-Current Assets	(9,176,504)	(3,736)	33,154,183
- by Program			
Expenses			12,786,640
- Transport	(18,652,645)	508,248	(18,144,397)
<b>NET RESULT</b>	<b>32,017,840</b>	<b>508,248</b>	<b>32,526,088</b>
<b>Statement of Financial Position</b>			
Non-Current Assets			
- Property, Plant and Equipment	155,870,454	508,248	156,378,702
Equity			
- Retained Surplus	241,863,498	508,248	242,371,746
<b>Statement of Changes in Equity</b>			
Comprehensive Income			
- Net Result	31,582,361	508,248	32,090,609
<b>Retained Surplus</b>	<b>241,863,498</b>	<b>508,248</b>	<b>242,371,746</b>
<b>Note 2 (a) (i) - Depreciation</b>			
Artwork/Sculptures	7,372	3,736	11,108
<b>Note 6 - Property, Plant and Equipment</b>			
Artwork/Sculptures			
- Artwork/Sculpture Assets at Cost	343,088	511,984	855,072
- Less Accumulated Depreciation	(7,372)	(3,736)	(11,108)
	335,716	508,248	843,964

## Notes continued...

**34. PRIOR PERIOD CORRECTIONS (Continued)**

Correspondence from the Department of Local Government and Communities following its review of Council's 2012/13 Annual Financial Report highlighted errors in the presentation of fair value decremental adjustment of \$435,479 as a positive figure rather than in brackets. It also highlighted the presentation of change in revaluation, being a decrement, of \$1,558,976 as a positive figure rather than in brackets. Following consultation with Council's appointed auditors, these figures have been amended in the prior year comparatives contained within the 2014 Annual Financial Statements.

The following demonstrates all statements and notes effected by this prior period correction.

Effect of the above:	Original Balance \$	Amount of Adjustment \$	Adjusted Balance \$
<b>Statement of Comprehensive Income</b>			
<b>- by Nature or Type</b>			
Fair Value Adjustments to Non-Current Assets at Fair Value through Profit or Loss	435,479	(870,958)	(435,479)
<b>NET RESULT (incl. previous)</b>	<b>32,526,088</b>	<b>(870,958)</b>	<b>31,655,130</b>
Changes on revaluation of non-current assets	1,558,976	(3,117,951)	(1,558,976)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>34,085,063</b>	<b>(3,988,909)</b>	<b>30,096,154</b>
<b>- by Program</b>			
Fair Value Adjustments to Non-Current Assets at Fair Value through Profit or Loss - General Purpose Funding	435,479	(870,958)	(435,479)
<b>NET RESULT (incl. previous)</b>	<b>32,526,088</b>	<b>(870,958)</b>	<b>31,655,130</b>
Changes on revaluation of non-current assets	1,558,976	(3,117,951)	(1,558,976)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>34,085,063</b>	<b>(3,988,909)</b>	<b>30,096,154</b>

For the year ended 30 June 2014, Council recognised a Contingent Asset of \$862,735 in relation to a property rated as Transient Workforce Accommodation. Potential rates income for the 2013/14 financial year for this property has not been recognised as it is contingent upon current legal action.

For the year ended 30 June 2014, Council recognised a Contingent Liability of \$275,284 in relation to an advance payment of rates related to a property rated as Transient Workforce Accommodation which is contingent upon current legal action.

## Independent Auditor's report



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### Independent Auditor's Report To the Ratepayers of City of Karratha

We have audited the accompanying financial report of the City of Karratha (the "City"), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information to the financial report and the statement by the Chief Executive Officer.

### Responsibility of the Council for the financial report

The Council of the City of Karratha is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1995 Part 6. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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## Independent Auditor's report continued...



We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1995 Part 6 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the City's financial position and of its performance.

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

#### Independence

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

#### Auditor's opinion

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

- (i) gives a true and fair view of the City of Karratha's financial position as at 30 June 2014 and of its performance for the financial year ended 30 June 2014;
- (ii) complies with Australian Accounting Standards (including the Australian Accounting Interpretations); and
- (iii) is prepared in accordance with the requirements of the Local Government Act 1995 Part 6 (as amended) and Regulations under that Act.

#### Statutory Compliance

I did not, during the course of my audit, become aware of any instance where the Council did not comply with the requirements of the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996 as they relate to financial statements.

GRANT THORNTON

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

M A Petricevic

M A Petricevic  
Partner - Audit & Assurance

Perth, 8 October 2014

## Supplementary ratio information

#### RATIO INFORMATION

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

	2014	2013	2012
Asset Consumption Ratio	0.7651872	0.6442368	N/A
Asset Renewal Funding Ratio	1	1	N/A

The above ratios are calculated as follows:

Asset Consumption Ratio	$\frac{\text{depreciated replacement cost of assets}}{\text{current replacement cost of depreciable assets}}$
Asset Renewal Funding Ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

**N/A - In keeping with amendments to Local Government (Financial Management) Regulations 50, a comparative for the preceding year (being 2012) has not been reported as financial information is not available.**

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