

CITY OF KARRATHA
BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

TABLE OF CONTENTS

Statement of Comprehensive Income by Nature or Type	2
Statement of Comprehensive Income by Program	3
Statement of Cash Flows	5
Rate Setting Statement	6
Notes to and Forming Part of the Budget	8 to 45
Supplementary Information	46

CITY OF KARRATHA
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	2015/16 Budget \$	2014/15 Actual \$	2014/15 Budget \$
Revenue				
Rates	8	41,263,058	39,969,151	40,580,172
Operating Grants, Subsidies and Contributions		10,900,815	15,755,380	12,647,119
Fees and Charges	11	44,906,454	43,844,098	45,085,103
Service Charges	10	0	31,680,593	34,545,605
Interest Earnings	2(a)	3,333,891	3,289,279	3,398,954
Other Revenue	2(a)	500,239	2,408,404	555,039
		<u>100,904,457</u>	<u>136,946,905</u>	<u>136,811,992</u>
Expenses				
Employee Costs		(36,502,549)	(32,170,528)	(36,407,290)
Materials and Contracts		(25,355,482)	(31,692,773)	(47,197,845)
Utility Charges		(3,793,942)	(4,294,311)	(4,175,242)
Depreciation on Non-Current Assets	2(a)	(11,116,452)	(10,155,291)	(11,202,287)
Interest Expenses	2(a)	0	0	(47,700)
Insurance Expenses		(1,396,264)	(1,620,680)	(1,753,304)
Other Expenditure		(3,458,421)	(4,862,077)	(3,845,795)
		<u>(81,623,110)</u>	<u>(84,795,660)</u>	<u>(104,629,463)</u>
		19,281,347	52,151,245	32,182,529
Non-Operating Grants, Subsidies and Contributions		22,873,255	8,914,838	6,682,101
Profit on Asset Disposals	3	39,058	45,691	15,867
Loss on Asset Disposals	3	(31,610)	(918,881)	(597,456)
NET RESULT		42,162,050	60,192,893	38,283,041
Other Comprehensive Income				
Changes on Revaluation of Non-Current Assets		0	0	0
Total Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME		<u>42,162,050</u>	<u>60,192,893</u>	<u>38,283,041</u>

Notes:

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

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

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

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

CITY OF KARRATHA
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	2015/16 Budget \$	2014/15 Actual \$	2014/15 Budget \$
Revenue (Refer Notes 1,2,8 to 13)				
Governance		251,151	1,099,912	176,088
General Purpose Funding		47,926,146	78,022,352	81,710,744
Law, Order, Public Safety		382,365	1,505,820	1,138,026
Health		165,200	223,232	182,000
Education and Welfare		58,920	58,900	58,900
Housing		449,046	314,351	349,356
Community Amenities		10,376,978	11,273,655	12,658,688
Recreation and Culture		11,739,312	13,627,141	11,497,536
Transport		29,107,149	29,005,215	28,024,722
Economic Services		442,790	473,017	537,040
Other Property and Services		5,400	1,343,310	478,892
		<u>100,904,457</u>	<u>136,946,905</u>	<u>136,811,992</u>
Expenses Excluding Finance Costs (Refer Notes 1 & 2)				
Governance		(3,184,985)	(4,820,680)	(5,862,396)
General Purpose Funding		(4,434,504)	(10,836,684)	(20,431,500)
Law, Order, Public Safety		(1,722,225)	(1,768,696)	(2,192,065)
Health		(1,275,319)	(1,290,713)	(1,343,165)
Education and Welfare		(181,526)	(183,505)	(183,232)
Housing		(474,793)	(126,358)	(859,507)
Community Amenities		(14,741,404)	(14,783,802)	(18,085,599)
Recreation and Culture		(31,042,214)	(29,623,157)	(30,471,820)
Transport		(21,444,435)	(20,798,218)	(20,948,645)
Economic Services		(2,893,724)	(2,112,704)	(2,255,048)
Other Property and Services		(227,981)	1,548,857	(1,948,786)
		<u>(81,623,110)</u>	<u>(84,795,660)</u>	<u>(104,581,763)</u>
Finance Costs (Refer Notes 2 & 5)				
Economic Services		0	0	(47,700)
		<u>0</u>	<u>0</u>	<u>(47,700)</u>
Non-operating Grants, Subsidies and Contributions				
Law, Order, Public Safety		165,000	275,160	227,310
Housing		820,053	0	0
Community Amenities		9,577,000	0	30,000
Recreation and Culture		8,660,000	7,340,347	4,471,419
Transport		3,651,202	1,299,331	1,953,372
		<u>22,873,255</u>	<u>8,914,838</u>	<u>6,682,101</u>

CITY OF KARRATHA
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	2015/16 Budget \$	2014/15 Actual \$	2014/15 Budget \$
Profit/(Loss) On				
Disposal Of Assets (Refer Note 3)				
Governance		(2,135)	(3,632)	(3,632)
Law, Order, Public Safety		0	(50,458)	(13,742)
Health		0	1,189	1,189
Housing		0	(278,250)	0
Community Amenities		(1,749)	(339,963)	(377,142)
Recreation & Culture		(3,442)	(1,070)	(1,070)
Transport		19,575	(168,770)	(154,979)
Economic Services		(132)	(3,556)	(3,556)
Other Property and Services		(4,669)	(28,680)	(28,657)
		<u>7,448</u>	<u>(873,190)</u>	<u>(581,589)</u>
NET RESULT		42,162,050	60,192,893	38,283,041
Other Comprehensive Income				
Changes on Revaluation of Non-Current Assets		0	0	0
Total Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME		<u>42,162,050</u>	<u>60,192,893</u>	<u>38,283,041</u>

Notes:

All fair value adjustments relating to remeasurement of financial assets at fair value through profit or loss (if any) and changes on revaluation of non-current assets in accordance with the mandating of fair value measurement through Other Comprehensive Income, is impacted upon by external forces and is not able to be reliably estimated at the time of budget adoption.

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

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

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

**CITY OF KARRATHA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	2015/16 Budget \$	2014/15 Actual \$	2014/15 Budget \$
Cash Flows From Operating Activities				
Receipts				
Rates		41,263,058	39,969,151	38,823,388
Operating Grants, Subsidies and Contributions		11,625,210	15,755,380	12,647,119
Fees and Charges		44,906,454	41,626,280	45,085,103
Service Charges		4,166,336	31,680,593	34,545,605
Interest Earnings		3,333,891	3,289,279	3,398,954
Goods and Services Tax		94,182	90,909	0
Other Revenue		500,239	2,408,404	555,039
		<u>105,889,370</u>	<u>134,819,996</u>	<u>135,055,208</u>
Payments				
Employee Costs		(36,202,549)	(31,750,528)	(36,086,390)
Materials and Contracts		(27,108,878)	(32,692,773)	(48,455,721)
Utility Charges		(3,793,942)	(4,294,311)	(4,175,242)
Interest Expenses		0	0	(47,700)
Insurance Expenses		(1,396,264)	(1,620,680)	(1,753,304)
Goods and Services Tax		(185,091)	0	0
Other Expenditure		(3,458,421)	(4,862,077)	(3,845,795)
		<u>(72,145,145)</u>	<u>(75,220,369)</u>	<u>(94,364,152)</u>
Net Cash Provided By Operating Activities	15(b)	<u>33,744,225</u>	<u>59,599,627</u>	<u>40,691,056</u>
Cash Flows from Investing Activities				
Payments for Development of Land Held for Resale	4	0	(524,250)	0
Payments for Purchase of Property, Plant & Equipment	4	(28,150,381)	(32,865,549)	(37,636,271)
Payments for Construction of Infrastructure	4	(15,903,573)	(9,896,442)	(12,240,227)
Non-Operating Grants, Subsidies and Contributions used for the Development of Assets		22,873,255	8,914,838	6,682,101
Proceeds from Sale of Plant & Equipment	3	841,000	1,265,916	789,850
Net Cash Used in Investing Activities		<u>(20,339,699)</u>	<u>(33,105,487)</u>	<u>(42,404,547)</u>
Cash Flows from Financing Activities				
Repayment of Debentures	5	0	0	(354,625)
Advances to Community Groups		6,166	6,171	0
Proceeds from Self Supporting Loans		0	0	3,143
Other Loan Principal Income		237,260	227,588	221,863
Proceeds from New Debentures	5	0	0	8,000,000
Net Cash Provided By (Used In) Financing Activities		<u>243,426</u>	<u>233,759</u>	<u>7,870,381</u>
Net Increase (Decrease) in Cash Held		13,647,952	26,727,899	6,156,890
Cash at Beginning of Year		89,658,374	62,930,475	69,178,936
Cash and Cash Equivalents at the End of the Year	15(a)	<u>103,306,326</u>	<u>89,658,374</u>	<u>75,335,826</u>

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

**CITY OF KARRATHA
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	2015/16 Budget \$	2014/15 Actual \$	2014/15 Budget \$
Revenue	1,2			
Governance		252,530	1,099,912	176,088
General Purpose Funding		6,663,088	38,053,201	41,130,572
Law, Order, Public Safety		547,365	1,780,980	1,365,336
Health		165,200	224,421	183,189
Education and Welfare		58,920	58,900	58,900
Housing		1,269,099	314,351	349,356
Community Amenities		19,953,978	11,310,834	12,688,688
Recreation and Culture		20,400,565	20,974,811	15,976,278
Transport		32,794,777	30,304,546	29,985,449
Economic Services		442,790	473,017	537,040
Other Property and Services		5,400	1,343,310	478,892
		<u>82,553,712</u>	<u>105,938,283</u>	<u>102,929,788</u>
Expenses	1,2			
Governance		(3,188,499)	(4,824,312)	(5,866,028)
General Purpose Funding		(4,434,504)	(10,836,684)	(20,431,500)
Law, Order, Public Safety		(1,722,225)	(1,819,154)	(2,205,807)
Health		(1,275,319)	(1,290,713)	(1,343,165)
Education and Welfare		(181,526)	(183,505)	(183,232)
Housing		(474,793)	(404,608)	(859,507)
Community Amenities		(14,743,153)	(15,160,944)	(18,462,741)
Recreation and Culture		(31,046,909)	(29,631,550)	(30,480,213)
Transport		(21,461,286)	(20,966,988)	(21,110,979)
Economic Services		(2,893,856)	(2,116,260)	(2,306,304)
Other Property and Services		(232,650)	1,520,177	(1,977,443)
		<u>(81,654,720)</u>	<u>(85,714,541)</u>	<u>(105,226,919)</u>
Net Result Excluding General Rates		898,992	20,223,742	(2,297,131)
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure and Revenue				
(Profit)/Loss on Asset Disposals	3	(7,448)	873,190	581,589
Depreciation on Assets	2(a)	11,116,452	10,155,291	11,202,287
Movement in Non-Current Staff Leave Provisions		0	0	220,900
Capital Expenditure and Revenue				
Purchase Land Held for Resale	4	0	(524,250)	0
Purchase Land and Buildings	4	(24,247,855)	(29,818,114)	(33,183,371)
Purchase Infrastructure Assets	4	(15,903,573)	(9,896,442)	(12,240,227)
Purchase Plant and Equipment	4	(3,399,000)	(2,647,654)	(3,820,000)
Purchase Furniture and Equipment	4	(503,526)	(399,781)	(632,900)
Proceeds from Disposal of Assets	3	841,000	1,265,916	789,850
Repayment of Debentures		0	0	(354,625)
Proceeds from New Debentures		0	0	8,000,000
Self-Supporting Loan Principal Income		0	0	3,143
Other Loan Principal Income		243,426	233,759	221,863
Transfers to Reserves (Restricted Assets)	6	(42,862,762)	(55,340,482)	(35,466,456)
Transfers from Reserves (Restricted Assets)	6	26,989,571	38,221,380	25,282,386
ADD Estimated Unrestricted Surplus/(Deficit) July 1 B/Fwd	7	1,434,330	1,617,633	1,112,520
ADD Estimated Restricted Surplus/(Deficit) July 1 B/Fwd	7	12,499,009	0	0
LESS Estimated Restricted Surplus/(Deficit) June 30 C/Fwd	7	8,332,673	12,499,009	0
LESS Estimated Unrestricted Surplus/(Deficit) June 30 C/Fwd	7	29,001	1,434,330	0
Amount Required to be Raised from General Rate	8	<u>(41,263,058)</u>	<u>(39,969,151)</u>	<u>(40,580,172)</u>

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

**CITY OF KARRATHA
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2016**

Composition of Estimated Surplus/(Deficit) June 30 C/Fwd	NOTE	2015/16 Budget \$	2014/15 Actual \$	2014/15 Budget \$
Pilbara Underground Power Project Service Charge	10	0	31,680,593	34,545,605
Less: Estimated payments received by 30 June		0	(19,181,584)	(34,545,605)
Less: Estimated Restricted Surplus/(Deficit) June 30 C/Fwd		<u>8,332,673</u>	<u>0</u>	<u>0</u>
Estimated Restricted Surplus/(Deficit) June 30 C/Fwd		8,332,673	12,499,009	0
Estimated Unrestricted Surplus/(Deficit) June 30 C/Fwd		29,001	1,434,330	0
Estimated Surplus/(Deficit) June 30 C/Fwd	7	<u><u>8,361,674</u></u>	<u><u>13,933,339</u></u>	<u><u>0</u></u>

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

Estimated Unrestricted Surplus/(Deficit) July 1 B/Fwd		1,434,330	1,617,633	1,112,520
Estimated Restricted Surplus/(Deficit) July 1 B/Fwd		12,499,009	0	0
Estimated Surplus/(Deficit) July 1 B/Fwd	7	<u><u>13,933,339</u></u>	<u><u>1,617,633</u></u>	<u><u>1,112,520</u></u>

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

Service charges paid prior to the end of the 2014/15 financial year will be transferred to the Pilbara Underground Power Reserve to fund expenditure over the remaining years of the project.

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

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

The Local Government Reporting Entity

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 16 to this budget document.

(b) 2014/15 Actual Balances

Balances shown in this budget as 2014/15 Actual are as forecast at the time of budget preparation and are subject to final adjustments.

(c) Rounding Off Figures

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

(d) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the 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.

(e) Goods and Services Tax (GST)

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

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

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

(f) Superannuation

The Council contributes to a number of Superannuation Funds on behalf of employees.

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Cash and Cash Equivalents

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

Bank overdrafts are shown as short term borrowings in current liabilities in Note 7 - Net Current Assets.

(h) Trade and Other Receivables

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

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

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

(i) Inventories

General

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

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

Land Held for Resale

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

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

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

(j) Fixed Assets

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

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.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Fixed Assets (Continued)

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.

In 2014, Council continued this process through the recognition of Land & Buildings at their fair value.

In 2015, Council will finalise the 3 year phasing in of fair value by recognising Infrastructure and Artworks at their fair value.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the budget 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 (being fair value at the date of acquisition or deemed cost as per AASB 116) they were revalued along with other items of Land and Buildings at 30 June 2014 and now form part of Land and Buildings to be subject to regular revaluation as detailed above.

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.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Fixed Assets (Continued)

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 on 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 Arrangement

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.

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.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Fixed Assets (Continued)

Depreciation

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

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

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

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

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

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Fixed Assets (Continued)

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

Capitalisation Threshold

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

(k) 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 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.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Valuation techniques

The 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.

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.

(l) 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.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial Instruments (Continued)

Classification and Subsequent Measurement

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

Amortised cost is calculated as:

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

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

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial Instruments (Continued)

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

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

(v) Financial liabilities

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

Impairment

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

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

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

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

Derecognition

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

(m) Impairment of Assets

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment of Assets (Continued)

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 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.

At the time of adopting this budget, it is not possible to estimate the amount of impairment losses (of any) as at 30 June 2016.

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

(n) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the 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.

(o) 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.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Employee Benefits (Continued)

Other Long-Term Employee Benefits

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

The 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.

(p) Borrowing Costs

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

(q) Provisions

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

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

(r) Leases

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

Finance leases are capitalised by 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.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Leases (Continued)

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

(s) Interests in Joint Arrangements

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

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method.

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.

(t) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the 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.

(u) Comparative Figures

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

(v) Budget Comparative Figures

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

	2015/16 Budget \$	2014/15 Actual \$	2014/15 Budget \$
2. REVENUES AND EXPENSES			
(a) Net Result			
The Net Result includes:			
(i) Charging as Expenses:			
Auditors Remuneration			
Audit Services	32,000	34,877	30,000
Other Services	5,000	2,000	5,000
Depreciation			
<u>By Program</u>			
Governance	72	2,712	562,396
General Purpose Funding	500,091	492,736	0
Law, Order, Public Safety	83,795	46,959	231,251
Health	21,971	21,852	46,296
Education and Welfare	54,217	53,206	53,206
Housing	481,404	475,582	475,582
Community Amenities	131,107	148,463	743,031
Recreation and Culture	3,085,948	3,351,716	3,509,312
Transport	4,720,271	4,764,599	5,374,427
Economic Services	20,713	9,170	44,366
Other Property and Services	2,016,863	788,296	162,420
	<u>11,116,452</u>	<u>10,155,291</u>	<u>11,202,287</u>
<u>By Class</u>			
Artwork	59,604	79,908	79,908
Land and Buildings	2,588,555	2,943,808	2,943,808
Furniture and Equipment	705,331	624,168	624,168
Plant and Equipment	2,188,221	988,132	2,035,128
Roads, Footpaths, Drainage	2,340,432	2,712,000	2,712,000
Aerodromes	2,049,216	1,620,000	1,620,000
Infrastructure Other	1,185,093	1,187,275	1,187,275
	<u>11,116,452</u>	<u>10,155,291</u>	<u>11,202,287</u>
Interest Expenses (Finance Costs)			
- Debentures (<i>refer note 5(a)</i>)	0	0	47,700
	<u>0</u>	<u>0</u>	<u>47,700</u>
(ii) Crediting as Revenues:			
Interest Earnings			
Investments			
- Reserve Funds	2,556,316	2,098,197	2,818,704
- Other Funds	489,575	735,785	350,000
Other Interest Revenue (<i>refer note 13</i>)	288,000	455,297	230,250
	<u>3,333,891</u>	<u>3,289,279</u>	<u>3,398,954</u>
(iii) Other Revenue			
Reimbursements and Recoveries	69,460	1,003,758	188,460
Other	430,779	1,404,646	366,579
	<u>500,239</u>	<u>2,408,404</u>	<u>555,039</u>

**CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016**

2. REVENUES AND EXPENSES (Continued)

(b) Statement of Objective

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

Council operations as disclosed in this budget encompass the following service orientated activities/programs:

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

GOVERNANCE

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

GENERAL PURPOSE FUNDING

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

LAW, ORDER, PUBLIC SAFETY

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

HEALTH

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

EDUCATION AND WELFARE

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

HOUSING

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

COMMUNITY AMENITIES

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

**CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016**

2. REVENUES AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

TRANSPORT

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

ECONOMIC SERVICES

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

OTHER PROPERTY AND SERVICES

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

**CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016**

3. DISPOSALS OF ASSETS

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

<u>By Program</u>	Net Book Value	Sale Proceeds	Profit(Loss)
	2015/16 BUDGET \$	2015/16 BUDGET \$	2015/16 BUDGET \$
Governance	40,135	38,000	(2,135)
Law, Order, Public Safety	20,000	20,000	0
Health	0	0	0
Community Amenities	540,749	539,000	(1,749)
Recreation and Culture	90,942	87,500	(3,442)
Transport	55,425	75,000	19,575
Economic Services	9,632	9,500	(132)
Other Property and Services	76,669	72,000	(4,669)
	833,552	841,000	7,448

<u>By Class</u>	Net Book Value	Sale Proceeds	Profit(Loss)
	2015/16 BUDGET \$	2015/16 BUDGET \$	2015/16 BUDGET \$
Plant	833,552	841,000	7,448
	833,552	841,000	7,448

Summary

	2015/16 BUDGET \$
Profit on Asset Disposals	39,058
Loss on Asset Disposals	(31,610)
	<u>7,448</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

4. ACQUISITION OF ASSETS

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

Asset Class	Reporting Program											Total \$
	Governance \$	General Purpose Funding \$	Law, Order, Public Safety \$	Health \$	Education and Welfare \$	Housing \$	Community Amenities \$	Recreation and Culture \$	Transport \$	Economic Services \$	Other Property and Services \$	
<i>Property, Plant and Equipment</i>												
Land and Buildings	751,500	0	180,000	0	0	384,000	0	15,518,765	7,413,590	0	0	24,247,855
Furniture and Equipment	259,026	0		0	0	0	0	127,000	117,500	0	0	503,526
Plant and Equipment	111,000	0	65,000	0	0	0	1,925,000	323,000	760,000	37,000	178,000	3,399,000
<i>Infrastructure</i>												
Roads	0	0	0	0	0	0	0	0	5,172,422	0	0	5,172,422
Footpaths	0	0	0	0	0	0	0	0	1,213,762	0	0	1,213,762
Aerodromes	0	0	0	0	0	0	0	0	1,741,289	0	0	1,741,289
Parks & Gardens	0	0	0	0	0	0	0	921,552	0	0	0	921,552
Hardcourt Facilities	0	0	0	0	0	0	0	0	0	0	0	0
Bridges & Culverts	0	0	0	0	0	0	0	0	0	0	0	0
Drainage	0	0	0	0	0	0	0	0	250,000	0	0	250,000
Boat Ramps & Jetties	0	0	0	0	0	0	0	2,396,162	0	0	0	2,396,162
Miscellaneous Structures	0	0	20,000	0	0	0	423,000	922,730	2,842,656	0	0	4,208,386
<i>Land Held for Resale</i>												
	1,121,526	0	265,000	0	0	384,000	2,348,000	20,209,209	19,511,219	37,000	178,000	44,053,954

**CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016**

5. INFORMATION ON BORROWINGS

(a) Debenture Repayments

All debentures held by Council were repaid in 2013/14. No borrowings are budgeted to occur in 2015/16

(b) New Debentures - 2015/16

Council is not budgeting to seek any new debentures during 2015/16.

(c) Unspent Debentures

Council had no unspent debenture funds as at 30th June 2015 nor is it expected to have unspent debenture funds as at 30th June 2016.

(d) Overdraft

Council has not utilised an overdraft facility during the financial year although an overdraft facility of \$1,000,000 with Westpac Banking Corporation does exist. It is not anticipated that this facility will be required to be utilised during 2015/16.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

	2015/16 Budget \$	2014/15 Actual \$	2014/15 Budget \$
6. RESERVES			
(a) Employee Entitlement Reserve			
Opening Balance	2,369,889	2,299,046	2,060,821
Amount Set Aside / Transfer to Reserve	2,349,594	70,843	74,184
Amount Used / Transfer from Reserve	0	0	0
	<u>4,719,483</u>	<u>2,369,889</u>	<u>2,135,005</u>
(b) Aerodrome Reserve			
Opening Balance	5,598,402	14,722,172	19,584,133
Amount Set Aside / Transfer to Reserve	171,168	3,945,942	705,024
Amount Used / Transfer from Reserve	(693,655)	(13,069,712)	(9,492,459)
	<u>5,075,915</u>	<u>5,598,402</u>	<u>10,796,698</u>
(c) Dampier Drainage Reserve			
Opening Balance	10,000	0	529
Amount Set Aside / Transfer to Reserve	10,000	10,000	24
Amount Used / Transfer from Reserve	0	0	0
	<u>20,000</u>	<u>10,000</u>	<u>553</u>
(d) Walkington Theatre Reserve			
Opening Balance	29,320	28,457	5,639
Amount Set Aside / Transfer to Reserve	1,032	863	204
Amount Used / Transfer from Reserve	0	0	0
	<u>30,352</u>	<u>29,320</u>	<u>5,843</u>
(e) Plant Replacement Reserve			
Opening Balance	2,579,398	2,384,844	2,020,917
Amount Set Aside / Transfer to Reserve	1,234,856	1,068,003	1,774,056
Amount Used / Transfer from Reserve	(766,000)	(873,449)	(1,192,000)
	<u>3,048,254</u>	<u>2,579,398</u>	<u>2,602,973</u>
(f) Workers Compensation Reserve			
Opening Balance	664,122	644,269	647,993
Amount Set Aside / Transfer to Reserve	85,878	19,853	23,328
Amount Used / Transfer from Reserve	0	0	0
	<u>750,000</u>	<u>664,122</u>	<u>671,321</u>
(g) Waste Management Reserve			
Opening Balance	18,040,645	18,552,708	19,100,332
Amount Set Aside / Transfer to Reserve	551,604	1,547,809	6,144,849
Amount Used / Transfer from Reserve	(49,222)	(2,059,872)	(6,110,466)
	<u>18,543,027</u>	<u>18,040,645</u>	<u>19,134,715</u>
(h) Infrastructure Reserve			
Opening Balance	27,032,140	18,132,785	14,695,937
Amount Set Aside / Transfer to Reserve	13,863,191	12,228,856	7,343,491
Amount Used / Transfer from Reserve	(2,245,744)	(3,329,501)	(4,836,588)
	<u>38,649,587</u>	<u>27,032,140</u>	<u>17,202,840</u>
Total Reserves C/Fwd	<u>70,836,618</u>	<u>56,323,916</u>	<u>52,549,948</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

	2015/16 Budget \$	2014/15 Actual \$	2014/15 Budget \$
6. RESERVES (Continued)			
Total Reserves B/Fwd	<u>70,836,618</u>	<u>56,323,916</u>	<u>52,549,948</u>
(i) Housing Reserve			
Opening Balance	315,000	0	0
Amount Set Aside / Transfer to Reserve	11,028	315,000	0
Amount Used / Transfer from Reserve	0	0	0
	<u>326,028</u>	<u>315,000</u>	<u>0</u>
(j) Aged Persons Unit Reserve			
Opening Balance	75,920	73,651	74,077
Amount Set Aside / Transfer to Reserve	0	2,269	2,664
Amount Used / Transfer from Reserve	(75,920)	0	0
	<u>0</u>	<u>75,920</u>	<u>76,741</u>
(k) Junior Sport Reserve			
Opening Balance	0	0	1,800
Amount Set Aside / Transfer to Reserve	0	0	60
Amount Used / Transfer from Reserve	0	0	(1,800)
	<u>0</u>	<u>0</u>	<u>60</u>
(l) Public Open Space Reserve			
Opening Balance	0	730	698
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	(730)	0
	<u>0</u>	<u>0</u>	<u>698</u>
(m) History & Cultural Publications Reserve			
Opening Balance	0	55,919	56,244
Amount Set Aside / Transfer to Reserve	0	1,724	2,028
Amount Used / Transfer from Reserve	0	(57,643)	(56,244)
	<u>0</u>	<u>0</u>	<u>2,028</u>
(i) Mosquito Control Reserve			
Opening Balance	4,962	4,792	4,939
Amount Set Aside / Transfer to Reserve	762	170	180
Amount Used / Transfer from Reserve	0	0	0
	<u>5,724</u>	<u>4,962</u>	<u>5,119</u>
(j) Medical Services Assistance Package Reserve			
Opening Balance	273,993	265,803	234,005
Amount Set Aside / Transfer to Reserve	57,588	8,190	8,424
Amount Used / Transfer from Reserve	0	0	(56,000)
	<u>331,581</u>	<u>273,993</u>	<u>186,429</u>
Total Reserves C/Fwd	<u>71,499,951</u>	<u>56,993,791</u>	<u>52,821,023</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

	2015/16 Budget \$	2014/15 Actual \$	2014/15 Budget \$
6. RESERVES (Continued)			
Total Reserves B/Fwd	<u>71,499,951</u>	<u>56,993,791</u>	<u>52,821,023</u>
(k) Royalties for Regions Reserve			
Opening Balance	0	0	636
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>	<u>636</u>
(l) Community Development Reserve			
Opening Balance	336,733	1,149,692	900,251
Amount Set Aside / Transfer to Reserve	161,784	336,733	563,912
Amount Used / Transfer from Reserve	<u>(325,000)</u>	<u>(1,149,692)</u>	<u>(531,500)</u>
	<u>173,517</u>	<u>336,733</u>	<u>932,663</u>
(m) Carry Forward Budget Reserve			
Opening Balance	263,384	0	0
Amount Set Aside / Transfer to Reserve	9,314,000	263,384	0
Amount Used / Transfer from Reserve	<u>(363,384)</u>	<u>0</u>	<u>0</u>
	<u>9,214,000</u>	<u>263,384</u>	<u>0</u>
(i) Restricted Funds Reserve			
Opening Balance	275,982	275,982	183,040
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>275,982</u>	<u>275,982</u>	<u>183,040</u>
(j) Partnership Reserve			
Opening Balance	11,432,558	4,249,414	4,409,765
Amount Set Aside / Transfer to Reserve	10,217,192	15,720,074	158,748
Amount Used / Transfer from Reserve	<u>(18,870,646)</u>	<u>(8,536,930)</u>	<u>(3,005,329)</u>
	<u>2,779,104</u>	<u>11,432,558</u>	<u>1,563,184</u>
(k) Pilbara Underground Power Reserve			
Opening Balance	10,656,918	0	0
Amount Set Aside / Transfer to Reserve	4,833,085	19,800,769	18,665,280
Amount Used / Transfer from Reserve	<u>(3,600,000)</u>	<u>(9,143,851)</u>	<u>0</u>
	<u>11,890,003</u>	<u>10,656,918</u>	<u>18,665,280</u>
Total Reserves	<u><u>95,832,557</u></u>	<u><u>79,959,366</u></u>	<u><u>74,165,826</u></u>

All of the above reserve accounts are to be supported by money held in financial institutions.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

6. RESERVES (Continued)	2015/16 Budget \$	2014/15 Actual \$	2014/15 Budget \$
SUMMARY OF RESERVE TRANSFERS			
Transfers to Reserves			
Employee Entitlement Reserve	2,349,594	70,843	74,184
Aerodrome Reserve	171,168	3,945,942	705,024
Dampier Drainage Reserve	10,000	10,000	24
Walkington Theatre Reserve	1,032	863	204
Plant Replacement Reserve	1,234,856	1,068,003	1,774,056
Workers Compensation Reserve	85,878	19,853	23,328
Waste Management Reserve	551,604	1,547,809	6,144,849
Infrastructure Reserve	13,863,191	12,228,856	7,343,491
Housing Reserve	11,028	315,000	0
Aged Persons Unit Reserve	0	2,269	2,664
Junior Sport Reserve	0	0	60
Public Open Space Reserve	0	0	0
History & Cultural Publications Reserve	0	1,724	2,028
Mosquito Control Reserve	762	170	180
Medical Services Assistance Package Reserve	57,588	8,190	8,424
Royalties for Regions Reserve	0	0	0
Community Development Reserve	161,784	336,733	563,912
Carry Forward Budget Reserve	9,314,000	263,384	0
Restricted Funds Reserve	0	0	0
Partnership Reserve	10,217,192	15,720,074	158,748
Pilbara Underground Power Reserve	4,833,085	19,800,769	18,665,280
	<u>42,862,762</u>	<u>55,340,482</u>	<u>35,466,456</u>
Transfers from Reserves			
Employee Entitlement Reserve	0	0	0
Aerodrome Reserve	(693,655)	(13,069,712)	(9,492,459)
Dampier Drainage Reserve	0	0	0
Walkington Theatre Reserve	0	0	0
Plant Replacement Reserve	(766,000)	(873,449)	(1,192,000)
Workers Compensation Reserve	0	0	0
Waste Management Reserve	(49,222)	(2,059,872)	(6,110,466)
Infrastructure Reserve	(2,245,744)	(3,329,501)	(4,836,588)
Housing Reserve	0	0	0
Aged Persons Unit Reserve	(75,920)	0	0
Junior Sport Reserve	0	0	(1,800)
Public Open Space Reserve	0	(730)	0
History & Cultural Publications Reserve	0	(57,643)	(56,244)
Mosquito Control Reserve	0	0	0
Medical Services Assistance Package Reserve	0	0	(56,000)
Royalties for Regions Reserve	0	0	0
Community Development Reserve	(325,000)	(1,149,692)	(531,500)
Carry Forward Budget Reserve	(363,384)	0	0
Restricted Funds Reserve	0	0	0
Partnership Reserve	(18,870,646)	(8,536,930)	(3,005,329)
Pilbara Underground Power Reserve	(3,600,000)	(9,143,851)	0
	<u>(26,989,571)</u>	<u>(38,221,380)</u>	<u>(25,282,386)</u>
Total Transfer to/(from) Reserves	<u>15,873,191</u>	<u>17,119,102</u>	<u>10,184,070</u>

**CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016**

6. RESERVES (Continued)

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

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.

Walkington Theatre Operating Reserve

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

Air-Conditioning Reserve

The Council maintains this reserve so that funds are available on an as needs basis for the replacement of major air-conditioning plant.

The funds in this reserve will be utilised by council over an expected period of 10 years.

Plant Replacement Reserve

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

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.

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.

Workers Compensation Reserve

The purpose of this reserve is to provide Council with sufficient funds to cover its potential liability in regard to the performance based workers compensation scheme of Local Government Insurance Services of which the City of Karratha is a member. Funds within the Reserve that become surplus to requirements will be transferred to Council's Employee Entitlements Reserve via way of Council's Annual Budget.

Waste Management Reserve

The purpose of this reserve is to fund development, operation and maintenance of the Council's Waste Management facilities inclusive of repayments of borrowings and the funding of employee entitlements.

Housing Reserve

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

6. RESERVES (Continued)

Aged Persons Unit Reserve

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

Public Open Space Reserve

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

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

History & Cultural Publications Reserve

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

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

Junior Sport Reserve

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

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

Mosquito Control Reserve

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

Medical Services Assistance Package 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.

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.

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.

Community Development Reserve

The purpose of this Reserve is to hold Annual Community Association Grant Scheme unspent payments each year and to fund future projects initiated by Community Associations from time to time via the Annual Community Association Grant Scheme.

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.

Carry Forward Budget Reserve

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

**CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016**

6. RESERVES (Continued)

Heavy Haulage Roads Reserve

This reserve is for the purpose of funding the maintenance of Heavy Haulage Roads
Please note that not funds have been received to date.

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.

Pilbara Underground Power Reserve

The purpose of this reserve is to secure the unspent portions pertaining to the City of Karratha's share of costs in relation to the Pilbara Underground Power Project.

	Note	2015/16 Budget \$	2014/15 Actual \$
7. NET CURRENT ASSETS			
Composition of Estimated Net Current Asset Position			
CURRENT ASSETS			
Cash on Hand	15(a)	18,405	18,405
Cash - Unrestricted	15(a)	7,455,364	9,680,603
Cash - Restricted Reserves	15(a)	95,832,557	79,959,366
Receivables		21,777,763	26,573,667
Inventories		1,062,136	1,062,136
		126,146,225	117,294,177
LESS: CURRENT LIABILITIES			
Trade and Other Payables		(126,069)	(1,879,465)
Short Term Borrowings		0	0
Long Term Borrowings		0	0
Provisions		(4,110,758)	(3,810,758)
		(4,236,827)	(5,690,223)
NET CURRENT ASSET POSITION		121,909,398	111,603,954
Less: Cash - Restricted Reserves	15(a)	(95,832,557)	(79,959,366)
Less: Land Held for Resale		(555,005)	(555,005)
Less: Current Loans - Clubs / Institutions		241,178	(237,260)
Less: Cash Backed Provisions		(4,902,331)	(4,419,975)
Less: Restricted Balance - Pilbara Underground Power		(8,332,673)	(12,499,009)
ESTIMATED SURPLUS/(DEFICIENCY) C/FWD		12,528,010	13,933,339

The estimated surplus/(deficiency) c/fwd in the 2014/15 actual column represents the surplus (deficit) brought forward as at 1 July 2015.

The estimated surplus/(deficiency) c/fwd in the 2015/16 budget column represents the surplus (deficit) carried forward as at 30 June 2016.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

8. RATING INFORMATION - 2015/16 FINANCIAL YEAR

RATE TYPE	2015/16 Rate in \$	2015/16 Number of Properties	2015/16 Rateable Value \$	2015/16 Budgeted Rate Revenue \$	2015/16 Budgeted Interim Rates \$	2015/16 Budgeted Back Rates \$	2015/16 Budgeted Total Revenue \$	2014/15 Actual \$
Differential General Rate								
GRV Residential	0.064121	7,020	246,983,246	15,836,813			15,836,813	14,002,819
Interim Rates					100,000		100,000	207,155
Back Rates						50,000	50,000	18,884
GRV Commercial/Tourism/Town Centre	0.073271	260	37,315,453	2,734,141			2,734,141	2,563,215
Interim Rates					100,000		100,000	11,790
Back Rates						25,000	25,000	(54)
GRV Industry/Mixed Business	0.056287	466	70,273,311	3,955,474			3,955,474	3,806,353
Interim Rates					50,000		50,000	(2,892)
Back Rates						25,000	25,000	(11,854)
GRV Airport/Strategic Industry	0.126515	16	9,742,980	1,232,633			1,232,633	1,179,368
Interim Rates					0			0
Back Rates						0		0
GRV Transient Workforce Accommodation/Workforce Accommodation	0.216481	22	32,980,200	7,139,587			7,139,587	7,942,648
Interim Rates					0			(68,104)
Back Rates						0		9,697
UV Pastoral	0.096978	11	2,890,150	280,281			280,281	268,248
Interim Rates					0			(78)
Back Rates						0		(934)
UV General Unimproved (Mining & Other)	0.134010	189	8,528,923	1,142,961			1,142,961	1,044,952
Interim Rates					0			44,706
Back Rates						0		8,447
UV General Unimproved (UV Strategic Industry)	0.152053	31	38,869,520	5,910,227			5,910,227	4,177,169
Interim Rates					0			1,098,678
Back Rates						0		76,220
Sub-Totals		8,015	447,583,783	38,232,116	250,000	100,000	38,582,116	36,376,433
Minimum Payment	\$							
GRV Residential	1450	1,359		1,970,550			1,970,550	2,674,000
GRV Commercial/Tourism/Town Centre	1450	183		265,350			265,350	316,400
GRV Industry/Mixed Business	1450	139		201,550			201,550	173,600
GRV Airport/Strategic Industry	1450	1		1,450			1,450	1,400
GRV Transient Workforce Accommodation /Workforce Accommodation	1450	1		1,450			1,450	1,400
UV Pastoral	408	0		0			0	0
UV General Unimproved (Mining & Other)	408	183		74,664			74,664	58,968
UV General Unimproved (UV Strategic Industry)	408	16		6,528			6,528	26,600
Sub-Totals		1,882	0	2,521,542	0	0	2,521,542	3,252,368
Ex-Gratia Rates							186,000	366,000
Specified Area Rates (Note 9)							0	0
Total Amount Raised from General Rate							41,289,658	39,994,801
Discounts (Concessions)							(26,600)	(25,650)
Total Rates							41,263,058	39,969,151

All land except exempt land in the City of Karratha is rated according to its Gross Rental Value (GRV) in townsites or Unimproved Value (UV) in the remainder of the City.

The general rates detailed above for the 2015/16 financial year have been determined by Council on the basis of raising the revenue required to meet the deficiency between the total estimated expenditure proposed in the budget and the estimated revenue to be received from all sources other than rates and also considering the extent of any increase in rating over the level adopted in the previous year.

The minimum rates have been determined by Council on the basis that all ratepayers must make a reasonable contribution to the cost of the Local Government services/facilities.



OBJECTS AND REASONS FOR PROPOSED DIFFERENTIAL RATES FOR THE YEAR ENDING 30 JUNE 2016

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

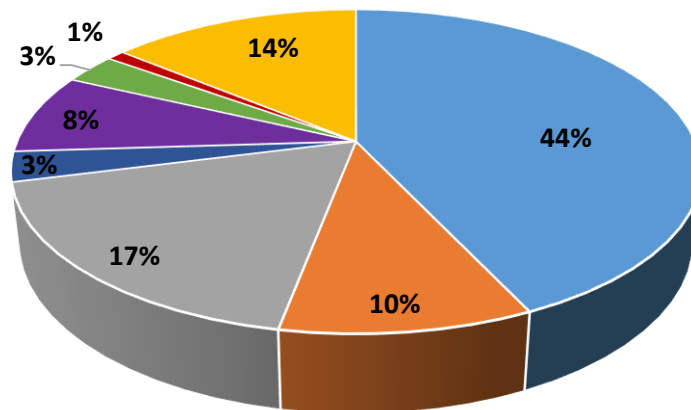
OVERALL OBJECTIVE

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

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

Table 1 represents the total 2015/16 rates to be levied by land use / zoning.

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



The 2015/16 Rating Year sees the latest general revaluation effective 1 July 2015, with valuations assessed as at August 2014 by the Valuer-General's office.

The overall trend has seen sizeable but disparate reductions in residential, commercial, workforce accommodation and pastoral lease properties. Correspondingly the Rate in the Dollar applied to the valuations to determine property rates has been increased to raise a total of \$41.3 million in rates.

DIFFERENTIAL GENERAL RATES THAT DIFFER FROM THOSE ADVERTISED

As part of its Annual Budget process, Council considered the differential rates model for the 2015/16 financial year at its Ordinary Council Meeting held 18 May 2015. Council resolved to advertise the differential rates model that included a rate in the dollar of more than twice the lowest rate in the dollar. The advertised rate represented a 4% increase in the rate yield for each differential rate category from that imposed in the 2014/15 financial year.

On 15 June 2015, Council considered submissions regarding the 2015/16 differential rates model adopted for advertising by Council at the 18 May 2015 Ordinary Council Meeting. Following the review of submissions Council resolved to apply for Ministerial approval for the proposed differential rates model and to note that final rates in the dollar were subject to review pending final valuation information being received from the Valuer Generals office.

Subsequent to the advertising of the differential rates model, Council received the final land revaluations from the Valuer Generals office on a number of remaining properties. These final revaluations have resulted in the advertised differential rates being amended to maintain Council's objective of a 4% increase in the rate yield for each differential rate category.

Following prolonged discussions with the Department of Local Government and Communities and the Minister for Local Government the rate in the dollar for the Transient Workforce Accommodation / Workforce Accommodation differential rate category has been further reduced resulting in an additional \$0.53 million decrease in the rate yield for this category. With the 4% increase in rate yield maintained in all other rating categories, the total rate yield will be \$41.3 million, an effective increase in the total rate yield of 3.2% on the \$40 million rate yield for 2014/15.

All amendments have resulted in the rates in the dollar proposed for adoption being lower than the advertised rates in the dollar.

The information below shows both the advertised rate and the rate proposed for adoption in the 2015/16 Council budget.

GROSS RENTAL VALUE PROPERTIES (GRV)

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

The Valuer-General determines the GRV for all properties within the City of Karratha every three years and assigns a GRV. The last general revaluation was effective from 1 July 2012 while a new valuation will be effective from 1 July 2015.

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

Table 2 below summarises the 2015/16 minimum payments and rates in the dollar for GRV:

Table 2: Proposed differential rates for 2015/16 financial year (GRV)

Differential Rates 2015/16				
Category	Advertised Minimum Payment	Advertised Rate in the Dollar	Proposed Minimum Payment	Proposed Rate in the Dollar
Gross Rental Value				
Residential	\$1,500	0.066070	\$1,450	0.064121
Commercial / Tourism / Town Centre	\$1,500	0.077202	\$1,450	0.073271
Industry / Mixed Business	\$1,500	0.057421	\$1,450	0.056287
Airport / GRV (Strategic Industry)	\$1,500	0.132140	\$1,450	0.126515
Transient Workforce Accommodation / Workforce Accommodation	\$1,500	0.257180	\$1,450	0.216481

Residential – means any land:

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

The rate for this category is intended to generate approximately 44% of Council's rate income.

Commercial / Tourism / Town Centre – means any land:

- that is predominately used for either:
 - commercial purposes;
 - tourism purposes;
 - a combination of commercial and tourism purposes;
- or**
- that does not have the characteristics of any other GRV differential rate category.

The rate for this category is intended to generate approximately 8% of Council's rate income.

Industry / Mixed Business – means any land:

- that is predominately used for either:
 - industrial purposes;
 - a combination of industrial and commercial purposes.

The rate for this category is intended to generate approximately 10% of Council's rate income.

Airport / Strategic Industry – means any land:

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

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

Airport - properties located in the Karratha Airport Precinct (second busiest airport in Western Australia) receiving direct benefit of significant Airport Infrastructure (Terminal, Runway, Security, etc.) and services more so than any other ratepayer. In addition these properties also receive all other services offered by Council.

Karratha Airport is a strategic asset of Council and the services afforded to Airport properties are of significant benefit. Operating costs of circa \$13.2m for 2014/15 were incurred with similar operating costs (plus associated CPI and Utility increases) anticipated for 2015/16.

Council' significant terminal redevelopment project is nearing completion which will provide a higher amenity and service to airport properties.

The rate for this category is intended to generate approximately 3% of Council's rate income.

Transient Workforce Accommodation / Workforce Accommodation – means any land:

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

Following Ministerial approval the rate in the dollar for the Transient Workforce Accommodation / Workforce Accommodation category is three point three eight times (x3.38) the Residential rate category which equates to three point eight five times (x3.85) the lowest GRV rate in the dollar being Industry / Mixed Business.

Rating Objective: This differential rate was intended to maintain the relativity comparative to residential rates and provides an average rate per accommodation unit of less than Council's proposed minimum payment.

It is estimated that the circa 13,000 available TWA beds are utilised by FIFO workers annually, all of whom are entitled to the utilisation of Council facilities and services. The rates per accommodation unit remain less than the minimum rate applicable to a residential property. The rate for this category supports Council's preferred option that the operational workforce associated with resource interests be housed in normal residential properties within the town boundaries.

The rate for this category will generate approximately 17% of Council's rate income.

UNIMPROVED VALUE PROPERTIES (UV)

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

Table 3 below summarises the 2015/16 minimum payments and rates in the dollar for Unimproved Values:

Table 3: Proposed differential rates for 2015/16 financial year (UV)

Differential Rates 2015/16				
Category	Advertised Minimum Payment	Advertised Rate in the Dollar	Proposed Minimum Payment	Proposed Rate in the Dollar
Unimproved Value				
UV (Pastoral):	\$1,500	0.155806	\$408	0.096978
UV (Mining/Other)	\$1,500	0.146707	\$408	0.134010
UV (Strategic Industry)	\$1,500	0.171387	\$408	0.152053

Pastoral – means any land:

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

The rate for this category is intended to generate approximately 1% of Council's rate income.

Mining/Other – means any land:

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

The rate for this category is intended to generate approximately 3% of Council's rate income and reflects the income generating capacity of the properties in this category.

Strategic Industry – means any land:

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

The rate for this category is intended to generate approximately 14% of Council's rate income and reflects the income generating capacity of the properties in this category.

**CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016**

9. SPECIFIED AREA RATE - 2015/16 FINANCIAL YEAR

No Specified Area Rates were raised in the 2014/15 Financial Year and no proposed Specified Area Rates are budgeted to be raised in 2015/16 Financial Year.

10. SERVICE CHARGES - 2015/16 FINANCIAL YEAR

No proposed Service Charges are budgeted to be raised in 2015/16 Financial Year.

Pilbara Underground Power Project	Amount of Charge \$	2015/16 Budgeted Revenue \$	Budget Applied to Costs \$	2014/15 Actual \$
High Voltage Service Charge (per kVa)	48.26	0	0	7,889,358
Low Voltage Service Charge (per kVa)	196.38	0	0	19,061,474
Connection Charge (per connection)	1,022.17	0	0	4,729,761
		0	0	31,680,593

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

Service charges paid prior to the end of the 2014/15 financial year will be transferred to the Pilbara Underground Power Reserve to fund expenditure over the remaining years of the project.

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

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

Instalments

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

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

It is anticipated that one third of Service charge amounts remaining unpaid at the end of the 2014/15 financial year (\$4,166,336) will be received in the 2015/16 financial year. This amount will be transferred to the Pilbara Underground Power Reserve to fund expenditure over the remaining years of the project as described above.

The impact of this amount can be seen in the calculation of the Estimated Restricted Surplus/ (Deficit) June 30 C/Fwd amount in the Rate Setting Statement, balance of the Pilbara Underground Power Reserve (Note 6(k)) as well as in the Statement of Cash Flow and associated notes 7 & 15(b).

**CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016**

11. FEES & CHARGES REVENUE	2015/16 Budget \$	2014/15 Actual \$
Governance	183,816	119,690
General Purpose Funding	419,753	252,032
Law, Order, Public Safety	73,800	81,800
Health	111,700	115,600
Education and Welfare	58,920	58,900
Housing	449,046	314,351
Community Amenities	10,119,972	9,767,951
Recreation and Culture	4,070,844	4,142,153
Transport	29,009,213	28,498,215
Economic Services	403,990	440,117
Other Property and Services	5,400	53,289
	<u>44,906,454</u>	<u>43,844,098</u>

**12. RATE PAYMENT DISCOUNTS, WAIVERS AND CONCESSIONS
- 2015/16 FINANCIAL YEAR**

Rates Incentive Scheme

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

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

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

3rd prize: Two nights stay in a Double Deluxe Spa Suite at Point Samson Resort (valued at \$1260) and dinner at Ta Ta's Restaurant (\$200 voucher)

4th prize: Two night weekend stay for 2 people including full buffet breakfast each morning at the Perth Ambassador Hotel in a new, refurbished Premium Deluxe Room (valued at \$560)

5th prize: \$500 cheque sponsored by the City of Karratha

6th prize: Two nights stay in a one bedroom spa apartment at Seashells Resort Broome (valued at \$470)

7th prize: Overnight accommodation with breakfast for 2 adults and 1 child up to 12 years old in a Deluxe Eco Tent at Karijini Eco Retreat (valued at \$349)

The total cost to Council is \$2,000

**CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016**

13. INTEREST CHARGES AND INSTALMENTS - 2015/16 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	2015/16 Budget \$	2014/15 Actual \$
Interest on Unpaid Rates	11.00%		180,000	341,000
Interest on Instalments Plan	5.50%		108,000	114,297
Charges on Instalment Plan - per instalment		10.00	75,000	70,000
Administration Fee - Adhoc Arrangement		50.00	1,000	1,550
Administration Fee - Direct Debit		50.00	1,000	0
			365,000	526,847

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

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

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

Rates Instalment Options

Option No. 1

No. Of Payments One
 Payment Due 1) 35 Days From Issue Date

 Date Instalment Due 1) Monday 28 September 2015

 Instalment Interest Rate if paid by Due Date Nil
 Interest Rate where Option 2 & 3 not selected and not paid by due date. 11.00%
 Administration Charge Nil

Option No. 2

No. Of Payments Two
 Payments Due 1) 35 Days From Issue Date
 2) 98 Days From Issue Date

 Date Instalment Due 1) Monday 28 September 2015
 2) Monday 30 November 2015

Option No. 3

No. Of Payments Four
 Payments Due 1) 35 Days From Issue Date
 2) 98 Days From Issue Date
 3) 161 Days From Issue Date
 4) 224 Days From Issue Date

 Date Instalment Due 1) Monday 28 September 2015
 2) Monday 30 November 2015
 3) Monday 1 February 2016
 4) Monday 4 April 2016

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

14. ELECTED MEMBERS REMUNERATION	2015/16 Budget \$	2014/15 Actual \$
The following fees, expenses and allowances were paid to council members and/or the Mayor.		
Meeting Fees	335,900	331,973
Mayor's Allowance	85,000	85,000
Deputy Mayor's Allowance	21,250	21,251
Telephone/Information Technology Allowance	38,496	37,300
Travelling Expenses	30,000	30,000
<u>Other Expenses</u>		
Training Expenses	53,578	41,250
Professional Development Allowance	58,930	25,375
Mayor's Discretionary Fund (Council Related Expenses)	4,000	4,000
	<u>627,154</u>	<u>576,149</u>

15. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Estimated cash at the end of the reporting period is as follows:

	2015/16 Budget \$	2014/15 Actual \$	2014/15 Budget \$
Cash on Hand	18,405	18,405	27,255
Cash - Unrestricted Municipal	7,455,364	9,680,603	1,142,745
Cash - Restricted Municipal	0	0	0
Cash - Restricted Reserves	95,832,557	79,959,366	74,165,826
	<u>103,306,326</u>	<u>89,658,374</u>	<u>75,335,826</u>

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

Employee Entitlement Reserve	4,719,483	2,369,889	2,135,005
Aerodrome Reserve	5,075,915	5,598,402	10,796,698
Dampier Drainage Reserve	20,000	10,000	553
Walkington Theatre Reserve	30,352	29,320	5,843
Plant Replacement Reserve	3,048,254	2,579,398	2,602,973
Workers Compensation Reserve	750,000	664,122	671,321
Waste Management Reserve	18,543,027	18,040,645	19,134,715
Infrastructure Reserve	38,649,587	27,032,140	17,202,840
Housing Reserve	326,028	315,000	0
Aged Persons Unit Reserve	0	75,920	76,741
Junior Sport Reserve	0	0	60
Public Open Space Reserve	0	0	698
History & Cultural Publications Reserve	0	0	2,028
Mosquito Control Reserve	5,724	4,962	5,119
Medical Services Assistance Package Reserve	331,581	273,993	186,429
Royalties for Regions Reserve	0	0	636
Community Development Reserve	173,517	336,733	932,663
Carry Forward Budget Reserve	9,214,000	263,384	0
Restricted Funds Reserve	275,982	275,982	183,040
Partnership Reserve	2,779,104	11,432,558	1,563,184
Pilbara Underground Power Reserve	11,890,003	10,656,918	18,665,280
	<u>95,832,557</u>	<u>79,959,366</u>	<u>74,165,826</u>

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

15. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

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

	2015/16 Budget \$	2014/15 Actual \$	2014/15 Budget \$
Net Result	42,162,050	60,192,893	38,283,041
Depreciation	11,116,452	10,155,291	11,202,287
(Profit)/Loss on Sale of Asset	(7,448)	873,190	581,589
(Increase)/Decrease in Receivables	4,799,822	(2,126,909)	(2,000,000)
(Increase)/Decrease in Inventories	0	0	0
Increase/(Decrease) in Payables	(1,753,396)	(1,000,000)	(1,207,876)
Increase/(Decrease) in Current Employee Provision	300,000	420,000	50,000
Increase/(Decrease) in Non-Current Employee Provision	0	0	220,900
Increase/(Decrease) in Provision for Doubtful Debts	0	0	243,216
Grants/Contributions for the Development of Assets	<u>(22,873,255)</u>	<u>(8,914,838)</u>	<u>(6,682,101)</u>
Net Cash from Operating Activities	<u><u>33,744,225</u></u>	<u><u>59,599,627</u></u>	<u><u>40,691,056</u></u>

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank Overdraft Limit	1,000,000	1,000,000	1,000,000
Bank Overdraft at Balance Date	0	0	0
Credit Card Limit	200,000	165,000	200,000
Credit Card Balance at Balance Date	<u>(100,000)</u>	<u>(100,000)</u>	<u>(80,000)</u>
Total Amount of Credit Unused	<u><u>1,100,000</u></u>	<u><u>1,065,000</u></u>	<u><u>1,120,000</u></u>

Loan Facilities

Loan Facilities in use at Balance Date	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
Unused Loan Facilities at Balance Date	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

**CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016**

16. TRUST FUNDS

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

Detail	Balance 1-Jul-15 \$	Estimated Amounts Received \$	Estimated Amounts Paid (\$)	Estimated Balance 30-Jun-16 \$
Building/Kerb Deposits	0	6,000	(3,000)	3,000
BCITF Levy	0	0	0	0
Hall Hire Bonds	700	5,000	(4,000)	1,700
Verge Bonds	(26,050)	100,000	(60,000)	13,950
BRB Levy	0	0	0	0
Retention Funds	0	0	0	0
Staff Housing Bonds	1,392	2,500	(3,000)	892
Staff Airport Parking Cards	(1,350)	150	(150)	(1,350)
Nomination Deposits	0	0	0	0
ASIC Card Bonds	(4,350)	0	0	(4,350)
Staff Travel Allowances	2,868	0	0	2,868
Other Deposits	347,884	0	0	347,884
	<u>321,094</u>	<u>113,650</u>	<u>(70,150)</u>	<u>364,594</u>

**CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016**

17. MAJOR LAND TRANSACTIONS

Karratha LazyLands

(a) Details

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

Five (5) Lots are under consideration being:

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

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

17. MAJOR LAND TRANSACTIONS (Continued)

	2015/16 Budget \$	2014/15 Actual \$
(b) Current year transactions		
Operating Revenue		
- Profit on sale	0	0
- Funding from 3rd Parties	820,503	0
Capital Revenue		
- Sale Proceeds	610,685	0
- Transfer from Reserve	10,988	555,005
Capital Expenditure		
- Purchase of Land	0	(524,250)
- Reserve Reimbursement	(565,993)	0
- Development Costs	(831,491)	(30,755)
	<u>44,692</u>	<u>0</u>

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

(c) Expected Future Cash Flows

	2015/16 \$	2016/17 \$	2017/18 \$	2018/19 \$	2019/20 \$	Total \$
Cash Outflows						
- Development Costs	(831,491)	0	0	0	0	(831,491)
- Reserve Reimbursement	(565,993)	0	0	0	0	(565,993)
	<u>(1,397,484)</u>	0	0	0	0	<u>(1,397,484)</u>
Cash Inflows						
- Reserve Funding	10,988	0	0	0	0	10,988
- Funding	820,503	0	0	0	0	820,503
- Sale Proceeds	610,685	0	0	0	0	610,685
	<u>1,442,176</u>	0	0	0	0	<u>1,442,176</u>
Net Cash Flows	<u>44,692</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>44,692</u>

18. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

It is not anticipated any trading undertakings or major trading undertakings will occur in 2015/16.