

CITY OF KARRATHA
BUDGET
FOR THE YEAR ENDED 30 JUNE 2019

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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2019**

BY NATURE OR TYPE

	NOTE	2018/19 Budget	2017/18 Actual	2017/18 Budget
		\$	\$	\$
Revenue				
Rates	1	41,399,792	40,453,439	40,996,741
Operating grants, subsidies and contributions	9	12,246,995	12,047,279	8,434,803
Fees and charges	8	42,894,865	37,165,651	42,897,865
Service charges	1(e)	0	(6,937)	0
Interest earnings	10(a)	2,126,232	2,637,187	2,981,447
Other revenue	10(b)	914,498	2,591,564	1,396,833
		<u>99,582,382</u>	<u>94,888,183</u>	<u>96,707,689</u>
Expenses				
Employee costs		(32,541,395)	(32,216,717)	(32,075,218)
Materials and contracts		(30,222,129)	(36,555,243)	(38,665,055)
Utility charges		(5,573,095)	(5,288,993)	(4,607,136)
Depreciation on non-current assets	5	(20,831,619)	(19,910,121)	(19,004,298)
Interest expenses	10(d)	(10,106)	(9,633)	(9,633)
Insurance expenses		(1,454,133)	(1,564,897)	(1,381,224)
Other expenditure		(2,790,858)	(4,254,990)	(3,383,602)
		<u>(93,423,335)</u>	<u>(99,800,594)</u>	<u>(99,126,166)</u>
		6,159,047	(4,912,411)	(2,418,477)
Non-operating grants, subsidies and contributions	9	8,411,700	17,464,143	25,974,052
Profit on asset disposals	4(b)	2,416	28,220	9,137
Loss on asset disposals	4(b)	(75,529)	(106,332)	(87,192)
Net result		14,497,634	12,473,620	23,477,520
Other comprehensive income				
Total other comprehensive income		0	0	0
Total comprehensive income		14,497,634	12,473,620	23,477,520

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

FOR THE YEAR ENDED 30TH JUNE 2019

BASIS OF PREPARATION

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

All funds through which the City of Karratha 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 14 to the budget.

2017/18 ACTUAL BALANCES

Balances shown in this budget as 2017/18 Actual are as forecast at the time of budget preparation and are subject to final adjustments.

KEY TERMS AND DEFINITIONS - NATURE OR TYPE

REVENUES

RATES

All rates levied under the *Local Government Act 1995*. Includes general, differential, specific area rates, minimum rates, interim rates, back rates, ex-gratia rates, less discounts offered. Exclude administration fees, interest on instalments, interest on arrears and service charges.

SERVICE CHARGES

Service charges imposed under Division 6 of Part 6 of the *Local Government Act 1995*. Regulation 54 of the *Local Government (Financial Management) Regulations 1996* identifies these as television and radio broadcasting, underground electricity and neighbourhood surveillance services. Exclude rubbish removal charges. Interest and other items of a similar nature received from bank and investment accounts, interest on rate instalments, interest on rate arrears and interest on debtors.

PROFIT ON ASSET DISPOSAL

Profit on the disposal of assets including gains on the disposal of long term investments. Losses are disclosed under the expenditure classifications.

OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS

Refer to all amounts received as grants, subsidies and contributions that are not non-operating grants.

NON-OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS

Amounts received specifically for the acquisition, construction of new or the upgrading of non-current assets paid to a local government, irrespective of whether these amounts are received as capital grants, subsidies, contributions or donations.

REVENUES (CONTINUED)

FEES AND CHARGES

Revenues (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information, fines, penalties and administration fees. Local governments may wish to disclose more detail such as rubbish collection fees, rental of property, fines and penalties, other fees and charges.

INTEREST EARNINGS

Interest and other items of a similar nature received from bank and investment accounts, interest on rate instalments, interest on rate arrears and interest on debtors.

OTHER REVENUE / INCOME

Other revenue, which can not be classified under the above headings, includes dividends, discounts, rebates etc.

EXPENSES

EMPLOYEE COSTS

All costs associated with the employment of person such as salaries, wages, allowances, benefits such as vehicle and housing, superannuation, employment expenses, removal expenses, relocation expenses, worker's compensation insurance, training costs, conferences, safety expenses, medical examinations, fringe benefit tax, etc.

MATERIALS AND CONTRACTS

All expenditures on materials, supplies and contracts not classified under other headings. These include supply of goods and materials, legal expenses, consultancy, maintenance agreements, communication expenses, advertising expenses, membership, periodicals, publications, hire expenses, rental, leases, postage and freight etc. Local governments may wish to disclose more detail such as contract services, consultancy, information technology, rental or lease expenditures.

UTILITIES (GAS, ELECTRICITY, WATER, ETC.)

Expenditures made to the respective agencies for the provision of power, gas or water. Exclude expenditures incurred for the reinstatement of roadwork on behalf of these agencies.

INSURANCE

All insurance other than worker's compensation and health benefit insurance included as a cost of employment.

LOSS ON ASSET DISPOSAL

Loss on the disposal of fixed assets includes loss on disposal of long term investments.

DEPRECIATION ON NON-CURRENT ASSETS

Depreciation expense raised on all classes of assets.

INTEREST EXPENSES

Interest and other costs of finance paid, including costs of finance for loan debentures, overdraft accommodation and refinancing expenses.

OTHER EXPENDITURE

Statutory fees, taxes, provision for bad debts, member's fees or State taxes. Donations and subsidies made to community groups.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2019**

BY PROGRAM

	NOTE	2018/19 Budget	2017/18 Actual	2017/18 Budget
Revenue	1, 8, 9, 10(a),(b)	\$	\$	\$
Governance		43,480	1,549,742	926,883
General purpose funding		46,762,104	47,219,055	47,797,056
Law, order, public safety		566,021	646,329	839,736
Health		149,800	187,045	176,000
Education and welfare		58,608	73,920	58,920
Housing		592,840	523,257	373,083
Community amenities		13,305,650	10,729,293	12,600,737
Recreation and culture		15,388,049	12,738,093	10,618,346
Transport		22,037,586	20,141,995	22,677,448
Economic services		421,945	363,213	319,740
Other property and services		256,299	716,241	319,740
		<u>99,582,382</u>	<u>94,888,183</u>	<u>96,707,689</u>
Expenses excluding finance costs	5,10(c),(e)			
Governance		(2,866,749)	(3,040,320)	(3,597,345)
General purpose funding		(1,562,329)	(15,373,025)	(16,434,780)
Law, order, public safety		(1,439,700)	(1,567,385)	(1,585,864)
Health		(1,284,185)	(1,317,461)	(1,266,464)
Education and welfare		(197,120)	(226,514)	(197,836)
Housing		(387,960)	(401,530)	(486,407)
Community amenities		(16,663,444)	(14,067,991)	(14,940,622)
Recreation and culture		(36,866,400)	(31,505,406)	(29,877,642)
Transport		(29,871,839)	(29,548,746)	(28,660,736)
Economic services		(2,170,565)	(1,685,546)	(1,981,195)
Other property and services		(102,938)	(1,057,037)	(87,642)
		<u>(93,413,229)</u>	<u>(99,790,961)</u>	<u>(99,116,533)</u>
Finance costs	6, 10(d)			
General purpose funding		(10,106)	(9,633)	(9,633)
		<u>(10,106)</u>	<u>(9,633)</u>	<u>(9,633)</u>
		6,159,047	(4,912,411)	(2,418,477)
Non-operating grants, subsidies and contributions	9	8,411,700	17,464,143	25,974,052
Profit on disposal of assets	4(b)	2,416	28,220	9,137
(Loss) on disposal of assets	4(b)	(75,529)	(106,332)	(87,192)
Net result		14,497,634	12,473,620	23,477,520
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		0	0	0
Total comprehensive income		14,497,634	12,473,620	23,477,520

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

FOR THE YEAR ENDED 30TH JUNE 2019

KEY TERMS AND DEFINITIONS - REPORTING PROGRAMS

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

PROGRAM NAME	OBJECTIVE	ACTIVITIES
GOVERNANCE	To provide a decision making process for the efficient allocation of scarce resources.	Functions relating to the Councillors and the running of Council. Expenditure includes the running of elections, payments of expenses to Councillors and non statutory donations.
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision of services.	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	To provide services to help ensure a safer and environmentally conscious community.	Supervision of various by-laws, fire and emergency services, and animal control. Includes expenditure for the Ranger Services, State Emergency Service and disaster preparation and recovery expenses.
HEALTH	To provide an operational framework for environmental and community health.	Food control, immunisation services, mosquito control and maintenance of child health centres. Expenditure includes the maintenance of the child health clinic buildings, various health promotions and pest control expenses mainly relating to mosquito control.
EDUCATION AND WELFARE	To provide services to disadvantaged persons, the elderly, children and youth.	Maintain preschool facilities and day care centres. This includes expenditure in maintaining the day care centre buildings and also donations to schools for awards etc
HOUSING	To provide and maintain staff housing.	Maintenance and operational expenses associated with the provision of staff housing.
COMMUNITY AMENITIES	To provide services required by the community.	Rubbish collection services, operation of tip, administration of town planning schemes and operation of cemeteries. Also included are the costs associated with the maintaining and cleaning of public toilets.
RECREATION AND CULTURE	To establish and effectively manage infrastructure and resource which will help the social well being of the community.	Maintenance of halls, swimming pool, recreation centres, various reserves and operation of libraries. Expenditure includes the cost of the Karratha Leisureplex and other pavilions, ovals and parks maintenance, Roebourne Swimming Pool, coastal rehabilitation, and four libraries. Expenses relating to the historical town of Cossack, the Moonrise Cinema and JJJ radio re-broadcasting are also included in this function.
TRANSPORT	To provide safe, effective and efficient transport services to the community.	Construction and maintenance of roads, drainage, footpaths, parking facilities, traffic signs and the aerodrome. It includes expenditure for the construction and maintenance of the roads, footpaths and also the expenditure relating to parking control and the operation of the Karratha & Roebourne Airport.
ECONOMIC SERVICES	To help promote the local government and its economic wellbeing.	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	To monitor and control operating accounts.	Private works and other unclassified works. It also includes expenditure relating to plant operations and the Technical Services division however these costs are then reallocated to the other functions. The costs associated with financing and administration are allocated direct to the relevant functions.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2019**

BY NATURE OR TYPE

	NOTE	2018/19 Budget	2017/18 Actual	2017/18 Budget
		\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		41,399,792	40,453,439	40,996,741
Operating grants, subsidies and contributions		12,927,400	19,437,368	12,465,672
Fees and charges		42,894,865	37,165,651	42,897,865
Service charges		0	(6,937)	0
Interest earnings		2,126,232	2,637,187	2,981,447
Other revenue		914,498	2,591,564	1,396,833
		100,262,787	102,278,272	100,738,558
Payments				
Employee costs		(32,541,395)	(32,716,717)	(32,075,218)
Materials and contracts		(29,604,147)	(37,131,641)	(40,285,253)
Utility charges		(5,573,095)	(5,288,993)	(4,607,136)
Interest expenses		(10,106)	(9,633)	(9,633)
Insurance expenses		(1,454,133)	(1,564,897)	(1,381,224)
Other expenditure		(2,790,858)	(4,254,990)	(3,383,602)
		(71,973,734)	(80,966,871)	(81,742,066)
Net cash provided by (used in) operating activities	3	28,289,053	21,311,401	18,996,492
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	4(a)	(14,782,935)	(40,482,588)	(48,158,810)
Payments for construction of infrastructure	4(a)	(24,335,934)	(17,344,590)	(17,741,217)
Non-operating grants, subsidies and contributions used for the development of assets	9	8,411,700	17,464,143	25,974,052
Proceeds from sale of plant & equipment	4(b)	499,550	507,804	476,003
Net cash provided by (used in) investing activities		(30,207,619)	(39,855,231)	(39,449,972)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	6(a)	(81,408)	(64,664)	(64,664)
Advances to community groups		0	(80,000)	0
Repayments from Community Groups of self supporting loans		84,032	261,416	66,360
Proceeds from new borrowings	6(b)	0	80,000	0
Net cash provided by (used in) financing activities		2,624	196,752	1,696
Net increase (decrease) in cash held		(1,915,942)	(18,347,078)	(20,451,784)
Cash at beginning of year		67,536,437	85,883,515	89,139,525
Cash and cash equivalents at the end of the year	3	65,620,495	67,536,437	68,687,741

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

**RATES SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2019**

BY REPORTING PROGRAM

	NOTE	2018/19 Budget	2017/18 Actual	2017/18 Budget
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	2	3,513,546	7,037,459	5,094,042
		3,513,546	7,037,459	5,094,042
Revenue from operating activities (excluding rates)				
Governance		43,480	1,569,978	926,883
General purpose funding		5,363,496	6,765,616	6,800,315
Law, order, public safety		566,021	648,511	841,918
Health		149,800	187,045	176,000
Education and welfare		58,608	73,920	58,920
Housing		592,840	523,257	373,083
Community amenities		13,305,650	10,729,293	12,603,305
Recreation and culture		15,388,049	12,739,693	10,621,310
Transport		22,038,818	20,146,047	22,678,721
Economic services		421,945	363,213	319,740
Other property and services		256,299	716,391	319,890
		58,185,006	54,462,964	55,720,085
Expenditure from operating activities				
Governance		(2,866,749)	(3,040,320)	(3,597,345)
General purpose funding		(1,573,030)	(15,382,658)	(16,444,413)
Law, order, public safety		(1,443,485)	(1,570,567)	(1,589,046)
Health		(1,284,185)	(1,317,461)	(1,266,464)
Education and welfare		(197,120)	(226,514)	(197,836)
Housing		(387,960)	(401,530)	(486,407)
Community amenities		(16,710,961)	(14,153,333)	(15,015,167)
Recreation and culture		(36,869,056)	(31,519,821)	(29,883,773)
Transport		(29,892,240)	(29,552,139)	(28,664,070)
Economic services		(2,170,565)	(1,685,546)	(1,981,195)
Other property and services		(103,513)	(1,057,037)	(87,642)
		(93,498,864)	(99,906,926)	(99,213,358)
Operating activities excluded from budget				
(Profit) on asset disposals	4(b)	(2,416)	(28,220)	(9,137)
Loss on disposal of assets	4(b)	75,529	106,332	87,192
Loss on revaluation of non current assets		0	0	0
Reversal of prior year loss on revaluation of assets		0	0	0
Depreciation on assets	5	20,831,619	19,910,121	19,004,298
Movement in employee benefit provisions (non-current)		0	0	(100,403)
Amount attributable to operating activities		(10,895,580)	(18,418,270)	(19,417,281)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	9	8,411,700	17,464,143	25,974,052
Purchase land held for resale	4(a)	0	0	0
Purchase property, plant and equipment	4(a)	(14,782,935)	(40,482,588)	(48,158,810)
Purchase and construction of infrastructure	4(a)	(24,335,934)	(17,344,590)	(17,741,217)
Proceeds from disposal of assets	4(b)	499,550	507,804	476,003
Amount attributable to investing activities		(30,207,619)	(39,855,231)	(39,449,972)
FINANCING ACTIVITIES				
Repayment of borrowings	6(a)	(81,408)	(64,664)	(64,664)
Proceeds from new borrowings	6(b)	0	80,000	0
Advances to community groups		0	(80,000)	0
Repayments from community Groups of self supporting loans		84,032	66,360	66,360
Transfers to cash backed reserves (restricted assets)	7(a)	(25,133,750)	(25,965,590)	(25,031,224)
Transfers from cash backed reserves (restricted assets)	7(a)	24,907,415	47,297,502	44,867,321
Amount attributable to financing activities		(223,711)	21,333,608	19,837,793
Budgeted deficiency before general rates		(41,326,910)	(36,939,893)	(39,029,460)
Estimated amount to be raised from general rates	1	41,399,792	40,453,439	40,996,741
Net current assets at end of financial year - surplus/(deficit)	2	72,882	3,513,546	1,967,281

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

**RATES SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2019**

BY REPORTING PROGRAM

**Composition of Estimated Surplus/(Deficit)
June 30 C/Fwd**

NOTE	2018/19 Budget	2017/18 Actual	2017/18 Budget
	\$	\$	\$
Less: Estimated Restricted Surplus/(Deficit) June 30 C/Fwd	0	1,019,841	1,034,749
Estimated Restricted Surplus/(Deficit) June 30 C/Fwd	0	1,019,841	1,034,749
Estimated Unrestricted Surplus/(Deficit) June 30 C/Fwd	72,882	2,493,705	932,532
Estimated Surplus/(Deficit) June 30 C/Fwd	72,882	3,513,546	1,967,281

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

Estimated Restricted Surplus/(Deficit) July 1 B/Fwd	2,493,705	4,672,754	4,603,608
Estimated Unrestricted Surplus/(Deficit) July 1 B/Fwd	1,019,841	2,364,705	490,434
Estimated Surplus/(Deficit) July 1 B/Fwd	3,513,546	7,037,459	5,094,042

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 2017/18 financial year will be transferred to the Pilbara Underground Power Reserve to fund expenditure over the remaining years of the project.

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2019

1. RATES AND SERVICE CHARGES

(a) Rating Information

RATE TYPE	Rate in	Number of properties	Rateable value	2018/19 Budgeted rate revenue	2018/19 Budgeted interim rates	2018/19 Budgeted back rates	2018/19 Budgeted total revenue	2017/18 Actual Revenue
	\$		\$	\$	\$	\$	\$	\$
Differential general rate or general rate								
GRV Residential	0.115175	6,983	143,278,045	16,502,049	35,000	3,000	16,540,049	16,371,032
GRV Commercial	0.097836	255	29,316,254	2,868,185	12,500	1,000	2,881,685	2,764,948
GRV Industrial	0.099413	461	42,459,770	4,221,053	12,500	1,000	4,234,553	4,119,418
GRV Airport/Strategic Industry	0.153391	17	8,490,470	1,302,362	150,000	0	1,452,362	1,283,023
GRV Transient Workforce Acc/ Workforce Acc	0.379455	22	13,961,600	5,297,799	120,000	0	5,417,799	5,226,560
UV Pastoral	0.101606	10	2,713,590	275,717	0	0	275,717	270,172
UV Mining/Other	0.136414	184	5,651,927	771,002	0	0	771,002	749,079
UV Strategic Industry	0.176005	33	39,302,788	6,917,487	0	0	6,917,487	7,155,479
Sub-Totals		7,965	285,174,444	38,155,654	330,000	5,000	38,490,654	37,939,711
Minimum								
Minimum payment								
	\$							
GRV Residential	1,519	1,505	0	2,286,095	0	0	2,286,095	2,240,960
GRV Commercial	1,519	221	0	335,699	0	0	335,699	320,350
GRV Industrial	1,519	137	0	208,103	0	0	208,103	205,620
GRV Airport/Strategic Industry	1,519	1	0	1,519	0	0	1,519	1,490
GRV Transient Workforce Acc/ Workforce Acc	1,519	0	0	0	0	0	0	0
UV Pastoral	319	0	0	0	0	0	0	0
UV Mining/Other	319	172	0	54,868	0	0	54,868	46,324
UV Strategic Industry	319	10	0	3,190	0	0	3,190	3,756
Sub-Totals		2,046	0	2,889,474	0	0	2,889,474	2,818,500
		10,011	285,174,444	41,045,128	330,000	5,000	41,380,128	40,758,211
Discounts/concessions (Refer note 1(f))							(29,380)	(355,216)
Ex-gratia Rates							49,044	50,444
Total amount raised from general rates							41,399,792	40,453,439
Specified area rates (Refer note 1(d))							0	0
Total rates							41,399,792	40,453,439

All land (other than 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 of Karratha.

The general rates detailed for the 2018/19 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 local government services/facilities.

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2019

1. RATES AND SERVICE CHARGES (CONTINUED)

(b) Interest Charges and Instalments - Rates and Service Charges

The following instalment options are available to ratepayers for the payment of rates and service charges.

Instalment options	Date due	Instalment plan admin charge	Instalment plan interest rate	Unpaid rates interest rates
		\$	%	%
Option one				
Payment in Full	3/09/2018	0	4.50%	11.00%
Option two				
Instalment 1	3/09/2018	0	4.50%	11.00%
Instalment 2	5/11/2018	10	4.50%	11.00%
Option three				
Instalment 1	3/09/2018	0	4.50%	11.00%
Instalment 2	5/11/2018	10	4.50%	11.00%
Instalment 3	7/01/2019	10	4.50%	11.00%
Instalment 4	11/03/2019	10	4.50%	11.00%

	2018/19 Budget revenue	2017/18 Actual
	\$	\$
Rates Instalment Plan Admin Charge Revenue	82,000	84,080
Rates Instalment Plan Interest Earned	119,500	123,999
Unpaid Rates Interest Earned	280,000	300,250
Service Charge Instalment Plan Admin Charge Revenue	4,140	56,810
Service Charge Instalment Plan Interest Earned	28,444	305,635
Unpaid Service Charges Interest Earned	43,500	12,892
Administration Fee - Adhoc Arrangement	1,000	180
Administration Fee - Direct Debit	500	790
Deferred Pensioner Interest	350	352
	559,434	884,988



OBJECTS AND REASONS FOR PROPOSED DIFFERENTIAL RATES FOR THE YEAR ENDING 30 JUNE 2019

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

OVERALL OBJECTIVE

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

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

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

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

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

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

The Rate in the Dollar applied to the valuations to determine property rates reflects a 2% increase in rate yield to facilitate Council's objective of raising a total of \$41.4 million in rates. This will ensure an equitable distribution of the required rates yield from one year to the next consistent with Council's approach in previous years.

The rate yield of \$41.4 million is in line with the revenue requirements of Council's Long Term Financial Plan (LTFP) of \$41.4 million for the 2018/19 financial year and provides for Capital Works and Programs which includes:

- Completion of the Wickham Community Hub
- Completion of Class III Landfill Cell
- Road reseal/Gravel re-sheeting program
- Continuation of Footpath/Cycleway/Lighting initiatives
- Playground renewal program

Council has reviewed its expenditure and considered efficiency measures as part of its budget deliberations. In particular, the following actions have been undertaken:

Efficiency Measures:

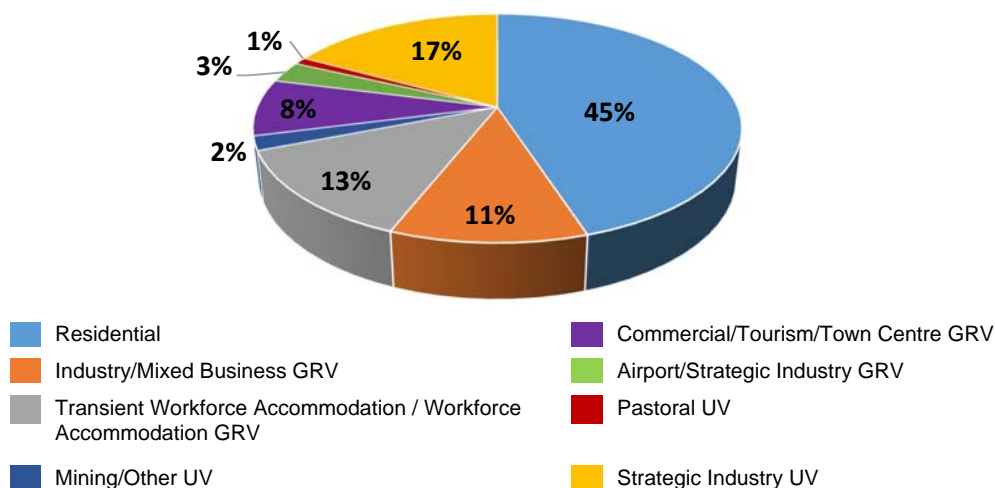
- continued review of the need for and remuneration of each vacant position;
- disposal of surplus housing stock;
- disposal of under-utilised light fleet and plant;
- conducted internal audits of governance and legislative compliance;
- implementing energy and water efficiency strategies and actions;
- Investigated new waste management technologies to improve resource recovery and recycling outcomes;
- outsourced management of Cossack;
- continued use of local suppliers whenever possible and appropriate;
- construction of solar PV array at City Depot;
- implementation of GRV rating for capital improvements under the State's Rating Policy – Valuation of Land – Mining;
- contract awarded for Place Branding initiative;
- continued solar path lighting program;
- effluent reuse scheme extension and irrigation upgrades;
- upgrade of central control reticulation management system;
- improved airport service contracts to reduce ongoing breakdown costs;
- implementation of Major Event Sponsorship & Attraction Program;
- renegotiation of telecommunications services;
- conduct of two full budget reviews each financial year;
- purchase of The Quarter HQ and an alternative investment vehicle for City funds.

Service Improvements:

- completion of the Red Earth Arts Precinct;
- completed upgrade of Roebourne Aquatic Centre;
- finalised expansion of Nickol West Park;
- commenced construction of new Wickham Community Hub;
- upgrade of Karratha Bowling Club facilities;
- facilitation of international flights and additional domestic flight routes;
- expansion of local road and footpath network and associated infrastructure;
- playground renewal program;
- completion of front of terminal and carpark improvements at Karratha Airport;
- completed gym and program room expansion at Karratha Leisureplex;
- foreshore development and improvement works;
- construction of new Bus Shelters;
- expansion of parks and open space network;
- increase in indigenous engagement;
- proactive development compliance program;
- depot redevelopment;
- in ground reticulation upgrades;
- increase in frequency and areas of road sweeping;
- conduct of annual community survey to inform services and priorities;
- negotiation of 4-star hotel development.

Table 1 represents the total 2018/19 rates to be levied by land use / zoning.

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



The 2018/19 Rating Year utilises the most recent general revaluation effective 1 July 2018, with valuations assessed as at September 2017 by the Valuer General's office.

DIFFERENTIAL GENERAL RATES THAT DIFFER FROM THOSE ADVERTISED

As part of its Annual Budget process, Council considered the differential rates model for the 2018/19 financial year at a Special Council Meeting held 7 May 2018. 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 predominant 2% increase in rate yield for all categories.

On 5 June 2018, Council considered submissions regarding the 2018/19 differential rates model adopted for advertising by Council at the 7 May 2018 Special Council Meeting. Following the review of submissions Council resolved to affirm the proposed predominant rate increase for the 2018/19 financial year of 2% at the advertised rates in the dollar and minimum rates with the exception of the Residential rate in the dollar (to be calculated at 1%). Councillors modified the proposed differential rates model to provide financial relief in the Residential rate category by reducing the increase in the rate in the dollar to 1% for the 2018/19 financial year.

The information below shows both the advertised rate and the rate proposed for adoption in the 2018/19 Council budget.

GROSS RENTAL VALUE PROPERTIES (GRV)

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

The Valuer General determines the GRV for all properties within the City of Karratha every three years and assigns a GRV. The most recent general revaluation was effective from 1 July 2018.

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

Table 2 below summarises the proposed 2018/19 minimum payments and rates in the dollar for GRV:

**Table 2: Proposed differential rates for 2018/19 financial year (GRV)
Including average rate per assessment**

Differential Rates 2018/19				
Category	Advertised Minimum Payment	Advertised Rate in the Dollar	Proposed Minimum Payment	Proposed Rate in the Dollar
Gross Rental Value				
Residential	1,519.00	0.116284	1,519.00	0.115175
Commercial	1,519.00	0.097836	1,519.00	0.097836
Industrial	1,519.00	0.099413	1,519.00	0.099413
Airport / Strategic Industry (GRV)	1,519.00	0.153391	1,519.00	0.153391
Transient Workforce Accommodation / Workforce Accommodation	1,519.00	0.379455	1,519.00	0.379455

Residential – means any land:

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

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

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

The rate for this category maintains an increase to the average rate for residential properties of 1.28% with an increase in the rate yield of 1% for the 2018/19 financial year. The minimum rate of \$1,519 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

Commercial – means any land:

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

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

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

The rate for this category maintains an increase to the average rate for Commercial properties of 1.74% with an increase in the rate yield of 2% for the 2018/19 financial year. The minimum rate of \$1,519 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

Industrial – means any land:

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

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

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

The rate for this category maintains an increase to the average rate for Industrial properties of 2.40% with an increase in the rate yield of 2% for the 2018/19 financial year. The minimum rate of \$1,519 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

Airport / Strategic Industry – means any land:

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

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

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

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

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

Karratha Airport is a strategic asset of Council and the services afforded to Airport properties are of significant benefit. Operating costs of circa \$8m (excludes recoverable costs) for 2017/18 were incurred with similar operating costs (plus associated CPI and Utility increases) anticipated for 2018/19.

Council' significant terminal (2015) and forecourt & carpark (2017) redevelopment projects provide a higher amenity and service to airport properties.

The rate for this category results in an increase to the average rate for properties of 1.51% with an increase in the rate yield of 2% for the 2018/19 financial year. The minimum rate of \$1,519 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

Transient Workforce Accommodation / Workforce Accommodation – means any land:

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

The rate in the dollar for the Transient Workforce Accommodation / Workforce Accommodation category is proposed to be three point two nine times (x3.29) the Residential rate category which equates to three point eight eight times (x3.88) the lowest GRV rate in the dollar being Commercial.

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

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

The rates per TWA accommodation unit are less than the equivalent rate per residential accommodation unit and are significantly less than the minimum rate of \$1,519 for a single bedroom residence. Despite the lower rate per accommodation unit, TWA properties have the potential to have a greater impact on Council services/assets than other properties due to their number of occupants in a relatively small land parcel (i.e. concentrated coach/vehicle movements on local roads). In order to appropriately maintain and manage Councils asset and infrastructure in the longer term, a higher differential rate is proposed for this category to reflect the greater potential and actual intensity of use of Council assets and infrastructure.

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

The rate for this category maintains results in an increase to the average rate for TWA's of 0.39% with an increase in the rate yield of 2% for the 2018/19 financial year. The minimum rate of \$1,519 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

UNIMPROVED VALUE PROPERTIES (UV)

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

Table 3 below summarises the proposed 2018/19 minimum payments and rates in the dollar for Unimproved Values:

**Table 3: Proposed differential rates for 2018/19 financial year (UV)
Including average rate per assessment**

Differential Rates 2018/19				
Category	Advertised Minimum Payment	Advertised Rate in the Dollar	Proposed Minimum Payment	Proposed Rate in the Dollar
Unimproved Value				
Pastoral	\$319	0.101606	\$319	0.101606
Mining/Other	\$319	0.136414	\$319	0.136414
Strategic Industry (UV)	\$319	0.176005	\$319	0.176005

Pastoral – means any land:

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

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

The rate for this category maintains an increase to the average rate for Pastoral Stations of 2.00% with an increase in the rate yield of 2% for the 2018/19 financial year. The UV minimum rate of \$319 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

Mining / Other – means any land:

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

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

The rate for this category maintains an increase to the average rate for Mining/Other properties of 3.88% with an increase in the rate yield of 2% for the 2018/19 financial year. The UV minimum rate of \$319 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

Strategic Industry – means any land:

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

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

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

The rate for this category maintains a decrease to the average rate for UV Strategic Industry properties of 1.03% with an increase in the rate yield of 2% for the 2018/19 financial year. The UV minimum rate of \$319 is to ensure that all ratepayers make a minimum contribution for basic services and infrastructure.

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2019

1. RATES AND SERVICE CHARGES (CONTINUED)

(d) Specified Area Rate

The City does not intend to raise specified area rates for the year ended 30th June 2019.

(e) Service Charges

	Amount of charge	2018/19 Budgeted revenue	Budget Amount to be applied to costs	Budget Amount to be set aside to reserve	Reserve Amount to be applied to costs	2017/18 Actual revenue
	\$	\$	\$	\$	\$	\$
Service charge						
PUPP HV Allocation	48.26	0	0	0	0	(965)
PUPP LV Allocation	196.38	0	0	0	0	(3,928)
PUPP Connection Cost	1,022.17	0	0	0	0	(2,044)
		0	0	0	0	(6,937)

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 2017/18 financial year were transferred to the Pilbara Underground Power Reserve to fund expenditure over the life of the project. The project was completed in 2017/18 with the final contribution from the City paid on 29 June 2018 from funds accumulated in the Reserve.

While the project has been completed, Council offered some ratepayers the option to pay their service charges by 40 instalments over 10 years up to 30 June 2024. Outstanding service charges continue to be paid in accordance with the prescribed instalment option.

Service charge amounts remaining unpaid at the end of the 2017/18 financial year were 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.

As the service contract with Horizon Power in relation to the project was completed in 2017/18, the unpaid service charges no longer represent a restricted asset in 2018/19 and therefore this amount has been included in the calculation of Net Current Asset position for the budgeted year.

(f) Waivers or concessions

Rate or fee and charge to which the waiver or concession is granted	Type	Disc % or Amount (\$)	2018/19 Budget	2017/18 Actual	Circumstances in which the waiver or concession is granted	Objects and reasons of the waiver or concession
Cossack (GRV)	Concession	\$1,469	\$ 29,380	\$ 27,360	All 20 rateable properties within the Cossack Township	To recognise the heritage nature of the Cossack Township, development restrictions and lack of town utilities.
Transient Workforce Accommodation/Workforce Accommodation(GRV)	Concession	Various	0	327,856	For TWA/WA (GRV) that but for the Concession offered by Council for the 2016/17 financial year would have experienced a greater than 20% increase in rates due to disparate valuation changes within the category.	To phase in the impact of valuation changes in 2016/17 with concessions in 2017/18 comparative to 2016/17 for eligible properties and to phase out the concession over a 3 year period for properties that remain eligible.
Fees and Charges	Waiver	% or Amount as determined upon application	58,107	122,645	Fee Waivers for local Not for Profit and Community Organisations considered upon application for the use of the City's waste and recreational facilities. Fee Waivers for Economic Development purposes considered on an individual basis by Council or administratively by delegated authority General Fee Waivers considered on an individual basis administratively by delegated authority	To recognise the community benefit provided by local Not for Profit Community Organisations and assist them to remain viable. To encourage economic diversity and growth within the City of Karratha To ensure business continuity, administrative efficiency and marketing opportunities
Rates	Waiver	100.00%	39,287	41,295	Waiver of Rates for local Sporting Groups where no commercial return is derived from the property	To assist local sporting organisations to remain operational for the benefit of the Community.
Rates and Penalty Interest	Write Off	Amount	0	0	Considered on an individual basis by Council or administratively by delegated authority.	To manage the City's rates register in an economically viable manner.
Fees and Charges	Write Off	Amount	0	0	Considered on an individual basis by Council or administratively by delegated authority.	To manage the City's debt portfolio in an economically viable manner.
			126,774	519,156		

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2019**

2. NET CURRENT ASSETS

	Note	2018/19 Budget	2017/18 Actual
		\$	\$
Composition of estimated net current assets			
Current assets			
Cash - unrestricted	3	1,005,385	3,147,662
Cash - restricted reserves	3	64,615,110	64,388,775
Receivables		8,542,300	9,050,495
Inventories		331,953	331,953
		74,494,748	76,918,885
Less: current liabilities			
Trade and other payables		(10,484,996)	(9,867,014)
Long term borrowings		(83,437)	(81,407)
Provisions		(3,512,846)	(3,512,846)
		(14,081,279)	(13,461,267)
Unadjusted net current assets		60,413,469	63,457,618
Adjustments			
Less: Cash - restricted reserves	3	(64,615,110)	(64,388,775)
Less: Current loans - clubs / institutions		(86,141)	(84,032)
Add: Current portion of borrowings		83,437	81,407
Add: Current liabilities not expected to be cleared at end of year		4,277,227	4,447,328
Adjusted net current assets - surplus/(deficit)		72,882	3,513,546

Reason for Adjustments

The differences between the net current assets at the end of each financial year in the rate setting statement and net current assets detailed above arise from amounts which have been excluded when calculating the budget deficiency in accordance with *Local Government (Financial Management) Regulation 32* as movements for these items have been funded within the budget estimates. These differences are disclosed as adjustments above.

SIGNIFICANT ACCOUNTING POLICIES

CURRENT AND NON-CURRENT CLASSIFICATION

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

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.

2. NET CURRENT ASSETS (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES

TRADE AND OTHER PAYABLES

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

PROVISIONS

Provisions are recognised when the City of Karratha 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.

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.

Superannuation

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

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

EMPLOYEE BENEFITS

Short-term employee benefits

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

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

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.

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2019**

3. 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:

	2018/19 Budget	2017/18 Actual	2017/18 Budget
Cash - unrestricted	1,005,385	3,147,662	3,546,573
Cash - restricted	64,615,110	64,388,775	65,141,168
	65,620,495	67,536,437	68,687,741

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

Employee Entitlement Reserve	4,483,862	4,368,904	4,710,140
Aerodrome Reserve	2,086,861	3,553,935	3,091,687
Dampier Drainage Reserve	10,786	10,510	30,814
Walkington Theatre Reserve	32,657	31,821	31,883
Plant Replacement Reserve	410,868	400,335	497,871
Workers Compensation Reserve	550,157	536,052	536,373
Waste Management Reserve	24,492,790	23,088,628	24,600,642
Infrastructure Reserve	19,134,019	16,810,750	19,509,482
Mosquito Control Reserve	9,286	8,491	8,499
Medical Services Assistance Package Reserve	342,157	386,386	386,334
Community Development Reserve	1,272,220	1,239,603	1,632,599
Carry Forward Budget Reserve	333,236	1,490,881	270,718
Restricted Funds Reserve	531,127	531,127	445,982
Partnership Reserve	9,016,879	9,656,412	7,996,424
Pilbara Underground Power Reserve	1,010,675	1,010,675	130,774
Economic Development Reserve	897,530	1,264,265	1,260,946
	64,615,110	64,388,775	65,141,168

Reconciliation of net cash provided by operating activities to net result

Net result	14,497,634	12,473,620	23,477,520
Depreciation	20,831,619	19,910,121	19,004,298
(Profit)/loss on sale of asset	73,113	78,112	78,055
(Increase)/decrease in receivables	680,405	7,390,089	4,030,869
Increase/(decrease) in payables	617,982	(1,076,398)	(1,620,198)
Grants/contributions for the development of assets	(8,411,700)	(17,464,143)	(25,974,052)
Net cash from operating activities	28,289,053	21,311,401	18,996,492

SIGNIFICANT ACCOUNTING POLICES

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 2 - Net Current Assets.

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2019

4. FIXED ASSETS

(a) Acquisition of Assets

The following assets are budgeted to be acquired during the year

Asset class	Reporting program											2018/19 Budget total	2017/18 Actual total
	Governance	General purpose funding	Law, order, public safety	Health	Education and welfare	Housing	Community amenities	Recreation and culture	Transport	Economic services	Other property and services		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Property, Plant and Equipment</i>													
Land - freehold land	0	0	0	0	0	0	0	0	0	0	0	0	1,516,641
Buildings	108,000	0	0	0	0	400,000	47,109	8,364,430	3,005,156	0	0	11,924,695	36,058,993
Furniture and equipment	540,000	0	0	0	0	0	0	22,000	115,000	0	0	677,000	570,083
Plant	160,000	0	55,000	30,000	0	0	300,000	87,000	1,054,500	0	37,000	1,723,500	2,159,419
Artwork & Sculptures	0	0	0	0	0	0	0	200,000	0	0	0	200,000	27,600
Equipment (External)	0	0	0	0	0	0	0	257,740	0	0	0	257,740	149,852
	808,000	0	55,000	30,000	0	400,000	347,109	8,931,170	4,174,656	0	37,000	14,782,935	40,482,588
<i>Infrastructure</i>													
Infrastructure - Roads	0	0	0	0	0	0	0	0	3,988,567	0	0	3,988,567	2,714,812
Infrastructure - Footpaths	0	0	0	0	0	0	0	0	900,000	0	0	900,000	1,368,606
Infrastructure - Drainage	0	0	0	0	0	0	0	0	250,000	0	0	250,000	0
Infrastructure - Parks and Ovals	0	0	0	0	0	0	0	9,075,892	0	0	0	9,075,892	347,815
Infrastructure - Hardcourt Facilities	0	0	0	0	0	0	0	422,620	0	0	0	422,620	99,405
Infrastructure - Boat Ramps & Jetties	0	0	0	0	0	0	0	1,147,860	0	0	0	1,147,860	0
Infrastructure - Aerodromes	0	0	0	0	0	0	0	0	2,157,692	0	0	2,157,692	4,072,885
Infrastructure - Miscellaneous Structures	5,000	0	0	0	44,000	0	4,052,805	945,545	1,345,953	0	0	6,393,303	8,741,067
	5,000	0	0	0	44,000	0	4,052,805	11,591,917	8,642,212	0	0	24,335,934	17,344,590
Total acquisitions	813,000	0	55,000	30,000	44,000	400,000	4,399,914	20,523,087	12,816,868	0	37,000	39,118,869	57,827,178

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2019

4. FIXED ASSETS (CONTINUED)

(b) Disposals of Assets

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

	Net book	Sale	2018/19 Budget		2017/18 Actual		2017/18 Budget	
	value	proceeds	Profit	Loss	Profit	Loss	Profit	Loss
	\$	\$	\$	\$	\$	\$	\$	\$
By Program								
Governance	0	0	0	0	20,236	0	0	0
General Purpose Funding	23,411	24,000	1,184	(595)	0	0	0	0
Law, order, public safety	18,285	14,500	0	(3,785)	2,182	(3,182)	2,182	(3,182)
Community amenities	177,917	130,400	0	(47,517)	0	(85,342)	2,568	(74,545)
Recreation and culture	16,706	14,050	0	(2,656)	1,600	(14,415)	2,964	(6,131)
Transport	324,769	305,600	1,232	(20,401)	4,052	(3,393)	1,273	(3,334)
Other property and services	11,575	11,000	0	(575)	150	0	150	0
	572,663	499,550	2,416	(75,529)	28,220	(106,332)	9,137	(87,192)
By Class								
<u>Property, Plant and Equipment</u>								
Plant	555,462	497,750	2,416	(60,128)	27,470	(106,264)	8,387	(87,192)
Equipment (External)	17,201	1,800	0	(15,401)	750	(68)	750	0
	572,663	499,550	2,416	(75,529)	28,220	(106,332)	9,137	(87,192)

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2019**

5. ASSET DEPRECIATION

By Program

General purpose funding
Law, order, public safety
Health
Education and welfare
Housing
Community amenities
Recreation and culture
Transport
Economic services
Other property and services

By Class

Buildings
Furniture and equipment
Plant
Equipment (External)
Artwork & Sculptures
Roads
Infrastructure Other
Aerodromes

	2018/19 Budget	2017/18 Actual	2017/18 Budget
	\$	\$	\$
	426,249	426,123	353,515
	104,688	104,449	86,552
	45,684	45,671	19,027
	114,455	114,454	53,199
	285,344	284,664	462,011
	522,394	519,359	562,598
	4,679,717	3,766,792	3,441,534
	13,947,428	13,950,147	13,371,513
	16,170	16,166	10,720
	689,490	682,296	643,629
	20,831,619	19,910,121	19,004,298
	4,782,761	3,955,714	3,581,358
	352,048	350,551	301,914
	703,399	696,119	657,452
	231,765	177,573	125,387
	21,606	21,495	21,495
	9,660,077	9,660,325	10,235,977
	2,910,818	2,878,411	1,912,064
	2,169,145	2,169,933	2,168,651
	20,831,619	19,910,121	19,004,298

SIGNIFICANT ACCOUNTING POLICIES

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 of the lease or the estimated useful life of the improvements.

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

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

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

DEPRECIATION (CONTINUED)

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

Buildings	10 to 100 Years
Furniture and equipment	3 to 10 Years
Plant	2 to 15 Years
Equipment (External)	2 to 15 Years
Artwork & Sculptures	50 Years
Infrastructure:	
- Roads	20 to 70 Years
- Paths and cycleways	40 to 50 Years
- Aerodrome Assets	20 to 40 Years
- Parks Developments	15 to 100 Years
- Bridges	40 to 80 Years
- Drains	80 to 100 Years
- Miscellaneous structures	20 to 40 Years
- Boat ramps/jetties	50 Years
- Other Infrastructure	20 to 80 Years
- Street Lighting	30 to 40 Years
- Stormwater Network	80 Years

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2019

6. INFORMATION ON BORROWINGS

(a) Borrowing repayments

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

	Principal 30-Jun-18	New loans	Principal repayments		Principal outstanding		Interest repayments	
			2018/19 Budget	2017/18 Actual	2018/19 Budget	2017/18 Actual	2018/19 Budget	2017/18 Actual
Self Supporting Loans								
General purpose funding								
Karratha & Districts RSL 2018	80,000	0	15,169	0	64,831	80,000	2,020	0
Karratha Country Club 2016	347,861	0	66,239	64,664	281,622	347,861	8,086	9,633
	427,861	0	81,408	64,664	346,453	427,861	10,106	9,633
	427,861	0	81,408	64,664	346,453	427,861	10,106	9,633

All borrowing repayments, other than Self Supporting Loans, will be financed by general purpose revenue. The self supporting loan(s) repayment will be fully reimbursed.

(b) New borrowings - 2018/19

The City does not intend to undertake any new borrowings for the year ended 30th June 2019

(c) Unspent borrowings

The City had no unspent borrowing funds as at 30th June 2018 nor is it expected to have unspent borrowing funds as at 30th June 2019.

(d) Credit Facilities

	2018/19 Budget	2017/18 Actual	2017/18 Budget
	\$	\$	\$
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	115,500	115,500	200,000
Credit card balance at balance date	(30,000)	(18,500)	(50,000)
Total amount of credit unused	1,085,500	1,097,000	1,150,000
Loan facilities			
Loan facilities in use at balance date	346,453	427,861	347,849

SIGNIFICANT ACCOUNTING POLICIES

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.

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2019

7. CASH BACKED RESERVES

(a) Cash Backed Reserves - Movement

	2018/19 Budget Opening Balance	2018/19 Budget Transfer to	2018/19 Budget Transfer (from)	2018/19 Budget Closing Balance	2017/18 Actual Opening Balance	2017/18 Actual Transfer to	2017/18 Actual Transfer (from)	2017/18 Actual Closing Balance	2017/18 Budget Opening Balance	2017/18 Budget Transfer to	2017/18 Budget Transfer (from)	2017/18 Budget Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Employee Entitlement Reserve	4,368,904	114,958	0	4,483,862	4,261,568	107,336	0	4,368,904	4,589,359	120,781	0	4,710,140
Aerodrome Reserve	3,553,935	48,832	(1,515,906)	2,086,861	6,586,618	153,575	(3,186,257)	3,553,935	6,783,735	169,869	(3,861,917)	3,091,687
Dampier Drainage Reserve	10,510	276	0	10,786	10,231	279	0	10,510	20,259	10,555	0	30,814
Walkington Theatre Reserve	31,821	836	0	32,657	31,038	783	0	31,821	31,065	818	0	31,883
Plant Replacement Reserve	400,335	10,533	0	410,868	816,698	19,638	(436,000)	400,335	910,982	22,889	(436,000)	497,871
Workers Compensation Reserve	536,052	14,105	0	550,157	522,883	13,169	0	536,052	522,612	13,761	0	536,373
Waste Management Reserve	23,088,628	1,404,162	0	24,492,790	22,826,018	571,794	(309,185)	23,088,628	22,779,216	1,821,426	0	24,600,642
Infrastructure Reserve	16,810,750	16,908,688	(14,585,419)	19,134,019	22,253,786	14,280,743	(19,723,778)	16,810,750	21,363,811	14,146,919	(16,001,248)	19,509,482
Mosquito Control Reserve	8,491	795	0	9,286	7,726	765	0	8,491	7,725	774	0	8,499
Medical Services Assistance Package Reserve	386,386	10,167	(54,396)	342,157	376,893	9,493	0	386,386	376,420	9,914	0	386,334
Community Development Reserve	1,239,603	32,617	0	1,272,220	1,209,141	30,462	0	1,239,603	1,590,726	41,873	0	1,632,599
Carry Forward Budget Reserve	1,490,881	0	(1,157,645)	333,236	1,821,785	980,252	(1,311,156)	1,490,881	1,487,874	0	(1,217,156)	270,718
Restricted Funds Reserve	531,127	0	0	531,127	431,127	100,000	0	531,127	445,982	0	0	445,982
Partnership Reserve	9,656,412	6,554,516	(7,194,049)	9,016,879	12,726,119	5,819,539	(8,889,246)	9,656,412	11,772,916	4,722,090	(8,498,582)	7,996,424
Pilbara Underground Power Reserve	1,010,675	0	0	1,010,675	10,605,853	3,846,703	(13,441,880)	1,010,675	11,066,036	3,917,156	(14,852,418)	130,774
Economic Development Reserve	1,264,265	33,265	(400,000)	897,530	1,233,206	31,059	0	1,264,265	1,228,547	32,399	0	1,260,946
	64,388,775	25,133,750	(24,907,415)	64,615,110	85,720,690	25,965,590	(47,297,502)	64,388,775	84,977,265	25,031,224	(44,867,321)	65,141,168

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2019

7. CASH BACKED RESERVES (CONTINUED)

(b) Cash Backed Reserves - Purposes

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

Reserve name	Anticipated date of use	Purpose of the reserve
Employee Entitlement Reserve	Ongoing	To fund employee leave entitlements when on extended leave, including long service leave as well as periods of Annual Leave for periods greater than 4 weeks duration thereby retaining salary and wages budgets for the funding of replacement staffing during extended periods of leave.
Aerodrome Reserve	Ongoing	To fund the development, operation and maintenance of the Karratha Airport, inclusive of any repayments of borrowings and the funding of employee entitlements.
Dampier Drainage Reserve	Ongoing	This reserve is maintained as part of an agreement between the Council and Hamersley Iron. The purpose of the reserve is to ensure funds are available for the maintenance of drainage in Dampier. Hamersley Iron pay to the Council each year a \$10,000 contribution towards this maintenance with any additional works required being drawn from this reserve and similarly, any funds remaining unspent being transferred to this reserve.
Walkington Theatre Reserve	Ongoing	To fund the operation and capital works of the Walkington Theatre.
Plant Replacement Reserve	Ongoing	To fund the capital purchase of plant and equipment.
Workers Compensation Reserve	Ongoing	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	Ongoing	To fund development, operation and maintenance of the Council's Waste Management facilities inclusive of repayments of borrowings and the funding of employee entitlements.
Infrastructure Reserve	Ongoing	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.
Mosquito Control Reserve	Ongoing	To fund mosquito control programmes inclusive of the purchase of replacement equipment as required.
Medical Services Assistance Package Reserve	Ongoing	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.
Community Development Reserve	Ongoing	To hold Annual Community Association Grant Scheme unspent payments each year and to fund future projects initiated by Community Associations from time to time via the Annual Community Association Grant Scheme.
Carry Forward Budget Reserve	2019	For preserving projects funds carried over.
Restricted Funds Reserve	Ongoing	For holding Unexpended or prepaid Grants (other than Royalties for Regions) and Capital Contributions provided for specific purposes.
Partnership Reserve	Ongoing	This reserve is maintained as part of the Community Infrastructure and Services Partnership (the Partnership) and the related funding agreements between the Council and Rio Tinto Iron Ore. The purpose of the reserve is to preserve funds received under each funding agreement under the Partnership and restrict the funds for the purpose of each funding agreements.
Pilbara Underground Power Reserve	2025	To secure the unspent portions pertaining to the City of Karratha's share of costs in relation to the Pilbara Underground Power Project.
Economic Development Reserve	Ongoing	To fund economic development activities within the City, including Destination Marketing, Business Attraction, Property Development and Tourism.

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2019**

8. FEES & CHARGES REVENUE

	2018/19 Budget	2017/18 Actual
	\$	\$
Governance	37,240	115,344
General purpose funding	1,701,786	1,842,939
Law, order, public safety	83,600	88,580
Health	136,300	135,100
Education and welfare	58,608	58,920
Housing	592,840	523,257
Community amenities	13,095,450	10,293,114
Recreation and culture	4,907,423	4,054,957
Transport	21,879,248	19,693,970
Economic services	397,195	332,363
Other property and services	5,175	27,107
	42,894,865	37,165,651

9. GRANT REVENUE

	2018/19 Budget	2017/18 Actual
	\$	\$
Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive Income:		
By Program:		
Operating grants, subsidies and contributions		
Governance	0	298,190
General purpose funding	1,460,248	2,271,785
Law, order, public safety	430,121	506,309
Health	13,500	51,945
Education and welfare	0	15,000
Community amenities	0	176,591
Recreation and culture	10,297,626	8,331,431
Transport	10,000	365,928
Economic services	24,000	30,100
Other property and services	11,500	0
	12,246,995	12,047,279
Non-operating grants, subsidies and contributions		
Governance	0	404,284
Community amenities	47,109	515,000
Recreation and culture	6,540,000	14,622,184
Transport	1,824,591	1,922,675
	8,411,700	17,464,143

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2019**

10. OTHER INFORMATION

	2018/19 Budget	2017/18 Actual	2017/18 Budget
	\$	\$	\$
The net result includes as revenues			
(a) Interest earnings			
Investments			
- Reserve funds	1,460,700	1,912,571	2,234,287
- Other funds	335,682	337,690	330,160
Late payment of fees and charges *	6,000	73,432	0
Other interest revenue (refer note 1b)	323,850	313,494	417,000
	2,126,232	2,637,187	2,981,447
* The City has resolved to charge interest under section 6.13 for the late payment of any amount of money at 11%.			
(b) Other revenue			
Reimbursements and recoveries	141,538	648,398	850,393
Insurance settlement proceeds	180,000	836,704	167,000
Fines and Penalties	117,550	116,780	121,750
Other	475,410	989,682	257,690
	914,498	2,591,564	1,396,833
The net result includes as expenses			
(c) Auditors remuneration			
Audit services	71,200	36,640	34,840
Other services	1,800	0	1,800
	73,000	36,640	36,640
(d) Interest expenses (finance costs)			
Borrowings (refer note 6(a))	10,106	9,633	9,633
	10,106	9,633	9,633
(e) Elected members remuneration			
Meeting fees	345,000	344,057	345,000
Mayor/President's allowance	85,000	85,000	85,000
Deputy Mayor/President's allowance	21,250	21,134	21,250
Travelling expenses	30,000	40,550	30,000
Telecommunications allowance	38,496	38,391	38,496
Training	55,000	58,286	55,000
Professional Development	33,000	2,400	66,000
Mayors Discretionary Fund (Council Related Expenses)	2,000	1,045	2,000
	609,746	590,863	642,746

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2019

11. MAJOR LAND TRANSACTIONS

It is not anticipated any land transactions or major land transactions will occur in 2018/19.

12. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Airport Operations

(a) Details

The City operates the only airport within the district and operates the aerodrome with the purpose of producing a profit. The Karratha Airport Development Business Plan was adopted by Council on 16 December 2013 (Resolution 152720), this has recently been updated to include the impact of current market conditions.

(b) Statement of Comprehensive Income

	2017/18 Budget	2017/18 Actual	2018/19 Budget	2019/20 Business Plan	2020/21 Business Plan	2021/22 Business Plan	2022/23 Business Plan
	\$	\$	\$	\$	\$	\$	\$
Revenue							
- Fees & Charges	17,008,862	15,632,584	17,617,989	17,522,955	17,785,799	18,052,586	18,323,375
- Terminal Leases	590,124	449,124	318,000	607,960	617,080	626,336	635,731
- Grants & Contributions	1,264,036	790,442	835,000	1,302,241	1,321,775	1,341,602	1,361,726
- Other Revenue	3,533,789	2,821,202	3,176,797	3,640,598	3,695,207	3,750,635	3,806,894
	22,396,811	19,693,352	21,947,786	23,073,754	23,419,861	23,771,159	24,127,726
Expenditure							
- Employee Costs	(1,641,308)	(1,646,382)	(1,734,558)	(1,691,503)	(1,716,876)	(1,742,629)	(1,768,769)
- Materials & Contracts	(5,004,634)	(4,134,044)	(4,592,323)	(5,155,899)	(5,233,238)	(5,311,736)	(5,391,412)
- Utilities	(1,501,152)	(1,501,335)	(1,383,248)	(1,546,524)	(1,569,722)	(1,593,268)	(1,617,167)
- Insurance	(521,242)	(490,881)	(380,177)	(536,997)	(545,051)	(553,227)	(561,526)
- Depreciation	(3,051,125)	(3,067,288)	(3,066,866)	(3,143,345)	(3,190,495)	(3,238,353)	(3,286,928)
- Other Expenditure	(882,797)	(944,111)	(794,515)	(909,480)	(923,122)	(936,969)	(951,023)
	(12,602,258)	(11,784,041)	(11,951,687)	(12,983,748)	(13,178,504)	(13,376,181)	(13,576,825)
NET OPERATING RESULT	9,794,553	7,909,311	9,996,099	10,090,006	10,241,357	10,394,978	10,550,901
Capital Expenditure	(5,467,688)	(4,534,316)	(4,798,806)	(2,150,000)	(2,450,000)	(2,500,000)	(15,000,000)
	(5,467,688)	(4,534,316)	(4,798,806)	(2,150,000)	(2,450,000)	(2,500,000)	(15,000,000)
NET RESULT	4,326,865	3,374,995	5,197,293	7,940,006	7,791,357	7,894,978	(4,449,099)

Airport operations are cash backed by the Aerodrome Reserve, more information pertaining to this can be found in Note 7.

The Quarter HQ

(a) Details

A Business Plan for The Quarter HQ was prepared and was advertised for public submissions. Submissions about the proposed purchase were considered by Council on 29 May 2017. The City purchased The Quarter HQ on 21st June 2017, this note has been prepared on the basis of the Business Plan. Since the preparation of the Business Plan additional leases have been entered in to which will substantively improve the net result.

(b) Statement of Comprehensive Income

	2017/18 Budget	2017/18 Actual	2018/19 Budget
	\$	\$	\$
Revenue			
- Lease Income	1,450,060	1,326,659	1,420,002
- Variable Outgoings Recoveries	436,543	411,317	480,000
- Contribution to Fitout (refund of unspent contribution)	0	(114,151)	0
	1,886,603	1,623,825	1,900,002
Expenditure			
- Insurance, cleaning, security and strata fees	(936,855)	(1,068,853)	(1,117,275)
	(936,855)	(1,068,853)	(1,117,275)
NET OPERATING RESULT	949,748	554,972	782,727

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2019**

13. INTERESTS IN JOINT ARRANGEMENTS

It is not anticipated the City will be party to any joint venture arrangements during 2018/19.

14. 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 30-Jun-18	Estimated amounts received	Estimated amounts paid	Estimated balance 30-Jun-19
	\$	\$	(\$)	\$
Planning Bonds	304,622	0	(40,013)	264,609
Hire Bonds	3,750	17,100	(16,225)	4,625
Public Open Space Cont.	853,833	0	(853,833)	0
Treasury - Unclaimed Monies	26,906	0	(24,237)	2,669
Staff Travel Allowances	9,440	4,160	(8,000)	5,600
Airport Parking Card Bonds	10,350	3,550	(1,650)	12,250
Verge Bonds	15,000	0	(9,000)	6,000
ASIC Card Bonds	15,400	4,650	(3,200)	16,850
Other Bonds	682,417	300	(300)	682,417
	1,921,718	29,760	(956,458)	995,020

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2019**

**15. SIGNIFICANT ACCOUNTING POLICIES - OTHER
INFORMATION**

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.

CRITICAL ACCOUNTING ESTIMATES

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

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

ROUNDING OFF FIGURES

All figures shown in this statement are rounded to the nearest dollar.

COMPARATIVE FIGURES

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

BUDGET COMPARATIVE FIGURES

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

REVENUE RECOGNITION

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