

**CITY OF KARRATHA**  
**BUDGET**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**TABLE OF CONTENTS**

Statement of Comprehensive Income by Nature or Type	2
Basis of Preparation	3
Statement of Comprehensive Income by Program	4
Statement of Cash Flows	6
Rate Setting Statement by Program	7
Rates and Service Charges	8
Net Current Assets	19
Reconciliation of Cash	22
Fixed Assets	23
Asset Depreciation	25
Borrowings	26
Cash Backed Reserves	28
Fees and Charges	31
Grant Revenue	31
Other Information	32
Major Land Transactions	33
Major Trading Undertaking	33
Interests in Joint Arrangements	35
Trust	35
Significant Accounting Policies - Other	36
Significant Accounting Policies - Change in Accounting Policies	37

**CITY'S VISION**

To be Australia's most liveable regional city

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30TH JUNE 2020**

**BY NATURE OR TYPE**

	NOTE	2019/20 Budget	2018/19 Actual	2018/19 Budget
		\$	\$	\$
<b>Revenue</b>				
Rates	1(a)	42,075,758	40,488,173	41,399,792
Operating grants, subsidies and contributions	9	8,556,486	15,212,414	12,246,995
Fees and charges	8	43,041,634	38,754,373	42,894,865
Service charges	1(c)	0	861	0
Interest earnings	10(a)	2,316,425	2,363,748	2,126,232
Other revenue	10(b)	938,962	1,054,929	914,498
		96,929,265	97,874,498	99,582,382
<b>Expenses</b>				
Employee costs		(34,467,960)	(34,468,059)	(32,541,395)
Materials and contracts		(28,560,908)	(27,529,233)	(30,222,129)
Utility charges		(6,268,791)	(5,837,501)	(5,573,095)
Depreciation on non-current assets	5	(18,688,498)	(17,906,884)	(20,831,619)
Interest expenses	10(d)	(8,076)	(10,106)	(10,106)
Insurance expenses		(1,724,673)	(1,567,345)	(1,454,133)
Other expenditure		(14,764,981)	(3,108,533)	(2,790,858)
		(104,483,887)	(90,427,661)	(93,423,335)
<b>Subtotal</b>				
		(7,554,622)	7,446,837	6,159,047
Non-operating grants, subsidies and contributions	9	4,085,439	8,464,401	8,411,700
Profit on asset disposals	4(b)	692,199	503,753	2,416
Loss on asset disposals	4(b)	(180,000)	(221,916)	(75,529)
		4,597,638	8,746,238	8,338,587
<b>Net result</b>				
		<b>(2,956,984)</b>	<b>16,193,075</b>	<b>14,497,634</b>
<b>Other comprehensive income</b>				
Changes on revaluation of non-current assets		0	0	0
<b>Total other comprehensive income</b>				
		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>				
		<b>(2,956,984)</b>	<b>16,193,075</b>	<b>14,497,634</b>

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

## FOR THE YEAR ENDED 30TH JUNE 2020

### BASIS OF PREPARATION

The budget has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations. The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Regulation 16 prohibits a local government from recognising as assets Crown land that is a public thoroughfare, such as land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets, including land under roads acquired on or after 1 July 2008, have not been recognised in this budget. This is not in accordance with the requirements of AASB 1051 *Land Under Roads* paragraph 15 and AASB 116 *Property, Plant and Equipment* paragraph 7.

Accounting policies which have been adopted in the preparation of this budget have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the budget has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

### 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 15 to the budget.

### 2018/19 ACTUAL BALANCES

Balances shown in this budget as 2018/19 Actual are estimates as forecast at the time of budget preparation and are subject to final adjustments.

### CHANGE IN ACCOUNTING POLICIES

On the 1 July 2019 the following new accounting policies are to be adopted and have impacted on the preparation of the budget:

- AASB 15 - Revenue from Contracts with Customers;
- AASB 16 - Leases; and
- AASB 1058 - Income of Not-for-Profit Entities.

Explanation of the changes arising from these standards is provided at Note 16.

### KEY TERMS AND DEFINITIONS - NATURE OR TYPE

#### REVENUES

##### RATES

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

##### 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.

Excludes 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.

### REVENUES (CONTINUED)

#### 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.

#### FEES AND CHARGES

Revenue (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, and rebates. Reimbursements and recoveries should be separated by note to ensure the correct calculation of ratios.

### 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 2020**

**BY REPORTING PROGRAM**

	NOTE	2019/20 Budget	2018/19 Actual	2018/19 Budget
<b>Revenue</b>	1, 8, 9, 10(a), (b)	\$	\$	\$
Governance		28,460	83,173	43,480
General purpose funding		47,940,380	46,168,651	46,762,104
Law, order, public safety		795,484	933,972	566,021
Health		156,850	193,646	149,800
Education and welfare		58,008	58,608	58,608
Housing		722,254	685,520	592,840
Community amenities		12,191,200	10,678,071	13,305,650
Recreation and culture		11,666,200	16,299,196	15,388,049
Transport		22,467,845	21,159,974	22,037,586
Economic services		627,440	1,169,930	421,945
Other property and services		275,144	443,757	256,299
		96,929,265	97,874,498	99,582,382
<b>Expenses excluding finance costs</b>	5, 10(c)(e)(f)			
Governance		(3,744,029)	(3,428,140)	(2,866,749)
General purpose funding		(11,618,968)	(1,574,038)	(1,562,329)
Law, order, public safety		(1,867,341)	(1,581,597)	(1,439,700)
Health		(1,188,091)	(1,205,109)	(1,284,185)
Education and welfare		(196,767)	(177,396)	(197,120)
Housing		(830,189)	(419,692)	(387,960)
Community amenities		(16,230,730)	(14,502,822)	(16,663,444)
Recreation and culture		(40,888,559)	(38,737,097)	(36,866,400)
Transport		(25,749,327)	(25,102,273)	(29,871,839)
Economic services		(2,171,286)	(1,993,128)	(2,170,565)
Other property and services		9,476	(1,696,263)	(102,938)
		(104,475,811)	(90,417,555)	(93,413,229)
<b>Finance costs</b>	6, 10(d)			
General purpose funding		(8,076)	(10,106)	(10,106)
		(8,076)	(10,106)	(10,106)
<b>Subtotal</b>		(7,554,622)	7,446,837	6,159,047
Non-operating grants, subsidies and contributions	9	4,085,439	8,464,401	8,411,700
Profit on disposal of assets	4(b)	692,199	503,753	2,416
(Loss) on disposal of assets	4(b)	(180,000)	(221,916)	(75,529)
		4,597,638	8,746,238	8,338,587
<b>Net result</b>		<b>(2,956,984)</b>	<b>16,193,075</b>	<b>14,497,634</b>
<b>Other comprehensive income</b>				
Changes on revaluation of non-current assets		0	0	0
<b>Total other comprehensive income</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>		<b>(2,956,984)</b>	<b>16,193,075</b>	<b>14,497,634</b>

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

**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.

**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 pools, recreation centres, various reserves and operation of libraries. Expenditure includes the cost of the Karratha Leisureplex, Red Earth Arts Precinct and other pavilions, ovals and parks maintenance, Roebourne Swimming Pool, coastal rehabilitation, and four libraries. Expenses relating to the historical town of Cossack 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 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 2020**

**BY NATURE OR TYPE**

	NOTE	2019/20 Budget	2018/19 Actual	2018/19 Budget
		\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		42,724,223	40,488,173	41,399,792
Operating grants, subsidies and contributions		12,891,279	15,212,414	12,927,400
Fees and charges		43,041,634	38,754,373	42,894,865
Service charges		0	861	0
Interest earnings		2,316,425	2,363,748	2,126,232
Other revenue		938,962	1,054,929	914,498
		101,912,523	97,874,498	100,262,787
<b>Payments</b>				
Employee costs		(34,467,960)	(34,468,059)	(32,541,395)
Materials and contracts		(28,560,908)	(27,529,233)	(29,604,147)
Utility charges		(6,268,791)	(5,837,501)	(5,573,095)
Interest expenses		(8,076)	(10,106)	(10,106)
Insurance expenses		(1,724,673)	(1,567,345)	(1,454,133)
Other expenditure		(14,764,981)	(3,108,533)	(2,790,858)
		(85,795,389)	(72,520,777)	(71,973,734)
<b>Net cash provided by (used in) operating activities</b>	3	16,117,134	25,353,721	28,289,053
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment	4(a)	(9,635,805)	(13,180,891)	(14,782,935)
Payments for construction of infrastructure	4(a)	(22,837,018)	(18,767,350)	(24,335,934)
Non-operating grants, subsidies and contributions used for the development of assets	9	4,085,439	8,464,401	8,411,700
Proceeds from sale of plant & equipment	4(b)	1,812,500	1,458,651	499,550
<b>Net cash provided by (used in) investing activities</b>		(26,574,884)	(22,025,189)	(30,207,619)
Repayment of borrowings	6(a)	(83,438)	(81,408)	(81,408)
Proceeds from self supporting loans		6,266	84,032	84,032
<b>Net increase (decrease) in cash held</b>		(10,534,922)	3,331,156	(1,915,942)
Cash at beginning of year		66,298,482	62,967,326	67,536,437
<b>Cash and cash equivalents at the end of the year</b>	3	<b>55,763,560</b>	<b>66,298,482</b>	<b>65,620,495</b>

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

**RATES SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2020**

**BY REPORTING PROGRAM**

	NOTE	2019/20 Budget	2018/19 Actual	2018/19 Budget
		\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
<b>Net current assets at start of financial year - surplus/(deficit)</b>	2 (b)(i)	2,081,456	3,395,700	3,513,546
		2,081,456	3,395,700	3,513,546
<b>Revenue from operating activities (excluding rates)</b>				
Governance		482,566	83,173	43,480
General purpose funding		5,864,622	5,680,478	5,363,496
Law, order, public safety		795,984	933,972	566,021
Health		156,850	193,646	149,800
Education and welfare		58,008	58,608	58,608
Housing		942,747	1,174,005	592,840
Community amenities		12,208,200	10,678,071	13,305,650
Recreation and culture		11,666,200	16,299,196	15,388,049
Transport		22,467,945	21,175,242	22,038,818
Economic services		627,440	1,169,930	421,945
Other property and services		275,144	443,757	256,299
		55,545,706	57,890,078	58,185,006
<b>Expenditure from operating activities</b>				
Governance		(3,744,029)	(3,430,834)	(2,866,749)
General purpose funding		(11,627,044)	(1,584,144)	(1,573,030)
Law, order, public safety		(1,874,341)	(1,585,382)	(1,443,485)
Health		(1,188,091)	(1,205,109)	(1,284,185)
Education and welfare		(196,767)	(177,396)	(197,120)
Housing		(830,189)	(536,194)	(387,960)
Community amenities		(16,275,230)	(14,584,091)	(16,710,961)
Recreation and culture		(40,923,059)	(38,739,263)	(36,869,056)
Transport		(25,831,827)	(25,117,773)	(29,892,240)
Economic services		(2,176,286)	(1,993,128)	(2,170,565)
Other property and services		2,976	(1,696,263)	(103,513)
		(104,663,887)	(90,649,577)	(93,498,864)
Non-cash amounts excluded from operating activities	2 (b)(ii)	18,176,299	17,625,047	20,904,732
<b>Amount attributable to operating activities</b>		(28,860,426)	(11,738,752)	(10,895,580)
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions	9	4,085,439	8,464,401	8,411,700
Purchase property, plant and equipment	4(a)	(9,635,805)	(13,180,891)	(14,782,935)
Purchase and construction of infrastructure	4(a)	(22,837,018)	(18,767,350)	(24,335,934)
Proceeds from disposal of assets	4(b)	1,812,500	1,458,651	499,550
<b>Amount attributable to investing activities</b>		(26,574,884)	(22,025,189)	(30,207,619)
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	6(a)	(83,438)	(81,408)	(81,408)
Proceeds from self supporting loans		83,584	84,032	84,032
Transfers to cash backed reserves (restricted assets)	7(a)	(20,361,285)	(26,466,229)	(25,133,750)
Transfers from cash backed reserves (restricted assets)	7(a)	34,392,649	21,820,829	24,907,415
<b>Amount attributable to financing activities</b>		14,031,510	(4,642,776)	(223,711)
<b>Budgeted deficiency before general rates</b>		(41,403,800)	(38,406,717)	(41,326,910)
<b>Estimated amount to be raised from general rates</b>	1(a)	42,075,758	40,488,173	41,399,792
<b>Net current assets at end of financial year - surplus/(deficit)</b>	2 (b)(i)	<b>671,958</b>	<b>2,081,456</b>	<b>72,882</b>

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

NOTES TO AND FORMING PART OF THE BUDGET  
FOR THE YEAR ENDED 30TH JUNE 2020

1. RATES AND SERVICE CHARGES

(a) Rating Information

RATE TYPE	Rate in	Number of properties	Rateable value	2019/20 Budgeted rate revenue	2019/20 Budgeted interim rates	2019/20 Budgeted back rates	2019/20 Budgeted total revenue	2018/19 Actual total revenue	2018/19 Budget total revenue
	\$		\$	\$	\$	\$	\$	\$	\$
<b>Differential general rate or general rate</b>									
<b>Gross rental valuations</b>									
Residential	0.117479	6,993	143,501,863	16,858,455	50,000	4,000	16,912,455	16,557,147	16,540,049
Commercial / Industrial	0.100770	704	71,483,862	7,203,429	75,000	500	7,278,929	7,005,067	7,116,238
Airport / Strategic Industry	0.156459	18	8,525,270	1,333,855	0	0	1,333,855	1,302,362	1,452,362
Transient Workforce Accommodation / Workforce Accommodation	0.387044	23	13,772,200	5,330,447	270,000	0	5,600,447	5,283,684	5,417,799
<b>Unimproved valuations</b>									
Pastoral	0.103638	10	2,713,590	281,231	0	0	281,231	275,717	275,717
Mining / Other	0.132900	216	6,588,499	875,612	5,000	500	881,112	816,835	771,002
Strategic Industry	0.184880	31	36,578,288	6,762,594	0	0	6,762,594	6,308,828	6,917,487
<b>Sub-Totals</b>		7,995	283,163,572	38,645,623	400,000	5,000	39,050,623	37,549,640	38,490,654
<b>Minimum payment</b>									
	\$								
<b>Gross rental valuations</b>									
Residential	1,549	1,496	12,773,384	2,317,304	0	0	2,317,304	2,248,120	2,286,095
Commercial / Industrial	1,549	397	2,960,185	614,953	0	0	614,953	609,119	543,802
Airport / Strategic Industry	1,549	1	2,600	1,549	0	0	1,549	1,519	1,519
Transient Workforce Accommodation / Workforce Accommodation	1,549	0	0	0	0	0	0	0	0
<b>Unimproved valuations</b>									
Pastoral	325	0	0	0	0	0	0	0	0
Mining / Other	325	207	213,842	67,275	0	0	67,275	55,506	54,868
Strategic Industry	325	11	11	3,575	0	0	3,575	3,190	3,190
<b>Sub-Totals</b>		2,112	15,950,022	3,004,656	0	0	3,004,656	2,917,454	2,889,474
		10,107	299,113,594	41,650,279	400,000	5,000	42,055,279	40,467,094	41,380,128
Discounts/concessions (Refer note 1(d))							(29,980)	(29,380)	(29,380)
Ex-gratia Rates							50,459	50,459	49,044
<b>Total amount raised from general rates</b>							42,075,758	40,488,173	41,399,792
Specified area rates (Refer note 1(c))							0	0	0
<b>Total rates</b>							42,075,758	40,488,173	41,399,792

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 2019/20 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 2020

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
		\$	%	%
<b>Option one</b>				
Payment in Full	26/08/2019	0	0.0%	11.0%
<b>Option two</b>				
Instalment 1	26/08/2019	0	4.5%	11.0%
Instalment 2	28/10/2019	10	4.5%	11.0%
<b>Option three</b>				
Instalment 1	26/08/2019	0	4.5%	11.0%
Instalment 2	28/10/2019	10	4.5%	11.0%
Instalment 3	6/01/2020	10	4.5%	11.0%
Instalment 4	9/03/2020	10	4.5%	11.0%

	2019/20 Budget revenue	2018/19 Actual revenue	2018/19 Budget revenue
	\$	\$	\$
Rates Instalment Admin Charge Revenue	73,000	73,330	82,000
Rates Instalment Plan Interest Earned	97,000	97,003	119,500
Unpaid Rates Interest Earned	330,000	327,500	280,000
Service Charge Instalment Plan Admin Charge Revenue	4,050	5,040	4,140
Service Charge Instalment Plan Interest Earned	38,971	30,481	28,444
Unpaid Service Charges Interest Earned	43,500	47,392	43,500
Administration Fee - Adhoc Arrangement	1,200		1,000
Administration Fee - Direct Debit	800		500
Deferred Pensioner Interest	350	350	350
	588,871	581,096	559,434



## **OBJECTS AND REASONS FOR PROPOSED DIFFERENTIAL RATES FOR THE YEAR ENDING 30 JUNE 2020**

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

### **OVERALL OBJECTIVE**

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

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

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

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

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

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

The Rate in the Dollar applied to the valuations to determine property rates reflects a 2% increase to facilitate Council's objective of raising a total of \$41.6 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 \$41.6 million is below the revenue requirements of Council's Long Term Financial Plan (LTFP) of \$41.9 million for the 2019/20 financial year and provides for Capital Works and Programs which includes:

- Completion of Mooligunn Rd reconstruction
- Construction of the Dampier Foreshore upgrade
- Construction of Welcome Park
- 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;

Efficiency Measures: (cont.)

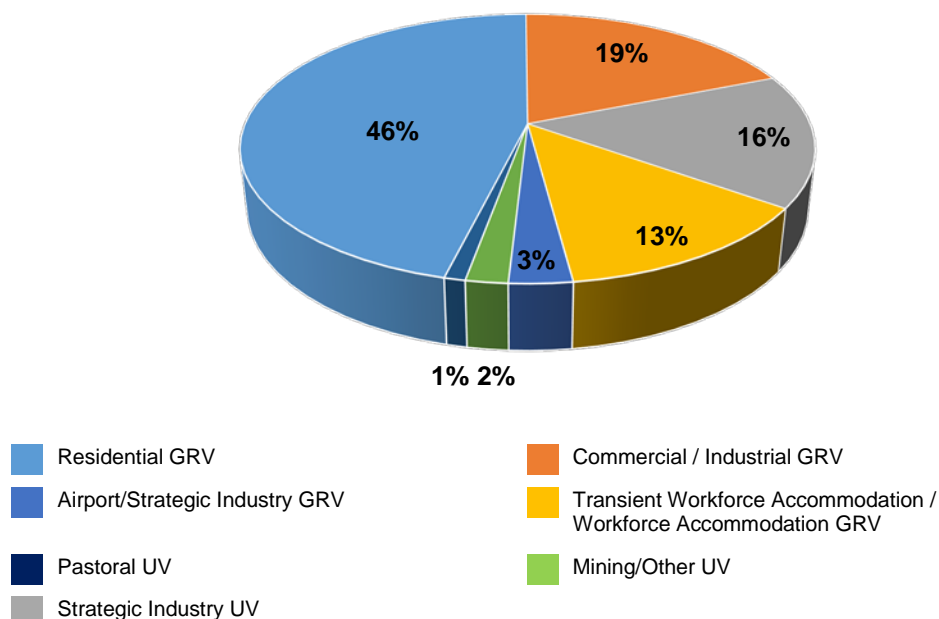
- conducted internal audits of governance and legislative compliance;
- implementing energy and water efficiency strategies and actions;
- continued use of local suppliers whenever possible and appropriate;
- completion of solar PV array at City Operations Centre;
- implementation of GRV rating for capital improvements under the State's Rating Policy – Valuation of Land – Mining;
- implemented Place Branding initiative;
- continued solar path lighting program;
- conduct of two full budget reviews each financial year;
- continued strong investment returns through ownership of The Quarter HQ;
- information systems upgrades including new point to point links;
- development of records digitisation strategy;
- insourcing of payroll processing;
- improvements to procurement processes following OAG audit;
- in-house provision of visitor and tourism services
- airport return on infrastructure.

Service Improvements:

- completed construction of new Wickham Community Hub;
- facilitation of inter-regional flights;
- playground renewal program;
- construction of Class III Cell at 7-mile waste facility;
- commenced reconstruction of Mooligunn Rd in Karratha LIA;
- expansion of local road and footpath network and associated infrastructure;
- design and contract award for Dampier Foreshore redevelopment;
- preliminary design and geotechnical works for Dampier Marina;
- increase in frequency and areas of road sweeping;
- conduct of annual community survey to inform services and priorities;
- finalised negotiations for use of a vacant CBD lot for a 4-star hotel development;
- expansion of parks/open space network including Welcome Park development in CBD;
- proactive development compliance program;
- negotiation of Dampier land transfers with Rio Tinto;
- construction of new helicopter hangar at Karratha Airport;
- purchase of primary waste shredder.

Table 1 represents the total 2019/20 rates to be levied by land use / zoning.

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



## DIFFERENTIAL GENERAL RATES THAT DIFFER FROM THOSE ADVERTISED

As part of its Annual Budget process, Council considered the differential rates model for the 2019/20 financial year at the Ordinary Council Meeting held 15 April 2019. 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 rates incorporated a 2% increase in rates in the dollar for all categories.

On 24 May 2019, Council considered submissions regarding the 2019/20 differential rates model adopted for advertising by Council at the 15 April 2019 Ordinary Council Meeting. Following the review of submissions, Council resolved to 'SEEK Ministerial approval for the [TWA/WA] differential rating category being greater than two times the lowest rate in the dollar (noting that the application is similar to those approved every year since at least 2013)'.

Subsequent to advertising the proposed differential rates model, the Valuer-General's office provided the City with the Rural UV and Mining UV valuation rolls for 2019/20

The Rural UV valuation roll incorporates an overall 3% decrease in valuations for properties in the UV Strategic Industry differential rating category. In order to maintain Council's intended 2% increase in rates levied on this category, the rate in the dollar is required to increase by 3% from the advertised rate to offset the decrease in valuation.

The Mining UV valuation roll incorporates an overall 4.7% increase in valuations for properties in the UV Mining/Other differential rating category. In order to maintain Council's intended 2% increase in rates levied on this category, the rate in the dollar is required to decrease by 4.5% from the advertised rate to offset the decrease in valuation.

The information below shows both the advertised rate and the rate proposed for adoption in the 2019/20 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 2019/20 minimum payments and rates in the dollar for GRV:

**Table 2: Proposed differential rates for 2019/20 financial year (GRV)**  
Including average rate per assessment

Differential Rates 2019/20				
Category	Advertised Minimum Payment	Advertised Rate in the Dollar	Proposed Minimum Payment	Proposed Rate in the Dollar
<b>Gross Rental Value</b>				
Residential	1,549.00	0.117479	1,549.00	0.117479
Commercial / Industrial	1,549.00	0.100770	1,549.00	0.100770
Airport / Strategic Industry (GRV)	1,549.00	0.156459	1,549.00	0.156459
Transient Workforce Accommodation / Workforce Accommodation	1,549.00	0.387044	1,549.00	0.387044

**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 2% with an increase in the rate-in-the-dollar of 2% for the 2019/20 financial year. The minimum rate of \$1,549 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

**Commercial / Industrial** – means any land:

- that is predominately used for either:
  - commercial purposes;
  - tourism purposes;
  - industrial purposes;
  - a combination of industrial, commercial and tourism purposes;
- or**
- which is vacant of any construction, and is zoned as Commercial, Tourism, Town Centre, Industrial or Mixed Business 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, LIA infrastructure, environmental health and regulatory services, and CBD infrastructure and amenities.

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 (including reconstruction of major distributor roads within the LIA such as Mooligunn Road) and replacement and development of footpaths.

This category is an amalgamation of the previous Commercial and Industrial differential rating categories. The rate for this category maintains an increase to the average rate for properties of 2% for the 2019/20 financial year. The minimum rate of \$1,549 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 \$8.5m (excludes recoverable costs) for 2018/19 were incurred with similar operating costs (plus associated CPI and Utility increases) anticipated for 2019/20. 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 2% with an increase in the rate-in-the-dollar of 2% for the 2019/20 financial year. The minimum rate of \$1,549 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 (TWA) category is proposed to be three point two nine times (x3.29) the Residential rate category which equates to three point eight four times (x3.84) the lowest GRV rate in the dollar being Commercial / Industrial.

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 \$1,549 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 2% with an increase in the rate-in-the-dollar of 2% for the 2019/20 financial year. The minimum rate of \$1,549 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 2019/20 minimum payments and rates in the dollar for Unimproved Values:

**Table 3: Proposed differential rates for 2019/20 financial year (UV)  
Including average rate per assessment**

Differential Rates 2019/20				
Category	Advertised Minimum Payment	Advertised Rate in the Dollar	Proposed Minimum Payment	Proposed Rate in the Dollar
<b>Unimproved Value</b>				
Pastoral	\$325	0.103638	\$325	0.103638
Mining/Other	\$325	0.139142	\$325	0.132900
Strategic Industry (UV)	\$325	0.179525	\$325	0.184880

**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% with an increase in the rate-in-the-dollar of 2% for the 2019/20 financial year. The UV minimum rate of \$325 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 2% with a decrease in the rate-in-the-dollar of 2.6% for the 2019/20 financial year. The UV minimum rate of \$325 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 an increase to the average rate for UV Strategic Industry properties of 2% with an increase in the rate-in-the-dollar of 5% for the 2019/20 financial year. The UV minimum rate of \$325 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 2020

1. RATES AND SERVICE CHARGES (CONTINUED)

The City did not raise specified area rates for the year ended 30th June 2020.

(c) Service Charges

	Amount of charge	2019/20 Budgeted revenue	Budget Amount to be applied to costs	Budget Amount to be set aside to reserve	Reserve Amount to be applied to costs	2018/19 Actual revenue	2018/19 Budget revenue
<b>Service charge</b>	\$	\$	\$	\$	\$	\$	\$
PUPP HV Allocation	48.26	0	0	0	0	(121)	0
PUPP LV Allocation	196.38	0	0	0	0	982	0
PUPP Connection Cost	1,022.17	0	0	0	0	0	0
		0	0	0	0	861	0

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.



NOTES TO AND FORMING PART OF THE BUDGET  
FOR THE YEAR ENDED 30 JUNE 2020

1. RATES AND SERVICE CHARGES (CONTINUED)

(d) Waivers or concessions

Rate or fee and charge to which the waiver or concession is granted	Type	Discount %	Discount (\$)	2019/20 Budget	2018/19 Actual	2018/19 Budget	Circumstances in which the waiver or concession is granted	Objects and reasons of the waiver or concession
Cossack Concessions	Concession		\$1,469	\$ 29,980	\$ 29,380	\$ 29,380	All 20 rateable properties within the Cossack Township	To recognise the heritage nature of the Cossack Township, development restrictions and lack of town utilities.
Fees and Charges	Waiver	% or Amount as determined upon application		24,000	35,983	58,107	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	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
Rates	Waiver	100.00%		38,275	41,195	39,287	General Fee Waivers considered on an individual basis administratively by delegated authority  Waiver of Rates for local Sporting Groups where no commercial return is derived from the property	To ensure business continuity, administrative efficiency and marketing opportunities  To assist local sporting organisations to remain operational for the benefit of the Community.
Rates and Penalty Interest	Write Off	Amount as determined upon application		0	18,595	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.

NOTES TO AND FORMING PART OF THE BUDGET  
FOR THE YEAR ENDED 30 JUNE 2020

1. RATES AND SERVICE CHARGES (CONTINUED)

(d) Waivers or concessions

Rate or fee and charge to which the waiver or concession is granted	Type	Discount %	Discount (\$)	2019/20 Budget	2018/19 Actual	2018/19 Budget	Circumstances in which the waiver or concession is granted	Objects and reasons of the waiver or concession
Fees and Charges	Write Off	Amount as determined upon application		\$ 0	\$ 27,238	\$	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.
				92,255	152,391	126,774		

NOTES TO AND FORMING PART OF THE BUDGET  
FOR THE YEAR ENDED 30TH JUNE 2020

2 (a). NET CURRENT ASSETS

		2019/20 Budget 30 June 2020	2019/20 Budget 01 July 2019	2018/19 Estimated Actual 30 June 2019	2018/19 Budget 30 June 2019
	Note	\$	\$	\$	\$
<b>Composition of estimated net current assets</b>					
<b>Current assets</b>					
Cash - unrestricted	3	3,651,657	155,215	155,215	1,005,385
Cash - restricted reserves	3	52,111,903	66,143,267	66,143,267	64,615,110
Receivables		8,834,944	13,732,782	13,732,782	8,542,300
Inventories		401,785	401,785	401,785	331,953
		65,000,289	80,433,049	80,433,049	74,494,748
<b>Less: current liabilities</b>					
Trade and other payables		(11,722,300)	(11,722,300)	(11,722,300)	(10,484,996)
Short term borrowings		(85,520)	(83,438)	(83,438)	(83,437)
Provisions		(4,088,932)	(4,088,932)	(4,088,932)	(3,512,846)
		(15,896,752)	(15,894,670)	(15,894,670)	(14,081,279)
<b>Net current assets</b>		49,103,537	64,538,379	64,538,379	60,413,469

2 (b) EXPLANATION OF DIFFERENCE IN NET CURRENT ASSETS AND SURPLUS/(DEFICIT)

**Operating activities excluded from budgeted deficiency**

When calculating the budget deficiency for the purpose of Section 6.2 (2)(c) of the *Local Government Act 1995* the following amounts have been excluded as provided by *Local Government (Financial Management) Regulation 32* which will not fund the budgeted expenditure.

		2019/20 Budget 30 June 2020	2019/20 Budget 01 July 2019	2018/19 Estimated Actual	2018/19 Budget
	Note	\$	\$	\$	\$
<b>(i) Current assets and liabilities excluded from budgeted deficiency</b>					
<b>Net current assets</b>	2	49,103,537	64,538,379	64,538,379	60,413,469
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement.					
<b>Adjustments to net current assets</b>					
Less: Cash - restricted reserves	3	(52,111,903)	(66,143,267)	(66,143,267)	(64,615,110)
Less: Current assets not expected to be received at end of year - current portion of self supporting loans receivable		(6,266)	(84,032)	(84,032)	(86,141)
Add: Current liabilities not expected to be cleared at end of year - Current portion of borrowings		85,520	83,438	83,438	83,437
- Employee benefit provisions		4,088,932	4,088,932	4,088,932	4,277,227
Add: Movement in provisions between current and non-current provisions		(487,862)	(401,994)	(401,994)	0
<b>Adjusted net current assets - surplus/(deficit)</b>		671,958	2,081,456	2,081,456	72,882

NOTES TO AND FORMING PART OF THE BUDGET  
FOR THE YEAR ENDED 30TH JUNE 2020

2 (b) NET CURRENT ASSETS (CONTINUED)

	Note	2019/20 Budget 30 June 2020	2019/20 Budget 01 July 2019	2018/19 Estimated Actual	2018/19 Budget
		\$	\$	\$	\$
<b>(ii) Operating activities excluded from budgeted deficiency</b>					
The following non-cash revenue or expenditure has been excluded from operating activities within the Rate Setting Statement.					
<b>Adjustments to operating activities</b>					
Less: Profit on asset disposals	4(b)	(692,199)	(503,753)	(503,753)	(2,416)
Add: Loss on disposal of assets	4(b)	180,000	221,916	221,916	75,529
Add: Depreciation on assets	5	18,688,498	17,906,884	17,906,884	20,831,619
<b>Non cash amounts excluded from operating activities</b>		<b>18,176,299</b>	<b>17,625,047</b>	<b>17,625,047</b>	<b>20,904,732</b>

**(iii) Reason for adjustment to Adjusted net current assets - surplus/(deficit) on 1 July 2019**

The City has elected to retrospectively apply the cumulative effect of applying AASB 1058 Income of Not-for-Profit Entities at the date of initial application of the standard, being 1 July 2019. The impact of applying the standard was to recognise unspent grants and contributions for construction of recognisable non-financial assets controlled by the City as a liability.

## 2 (c). NET CURRENT ASSETS (CONTINUED)

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

#### 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.

#### CONTRACT ASSETS

A contract asset is the right to consideration in exchange for goods or services the entity has transferred to a customer when that right is conditioned on something other than the passage of time.

#### PROVISIONS

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

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

#### 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.

#### 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.

#### CONTRACT LIABILITIES

An entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer. Grants to acquire or construct recognisable non-financial assets to be controlled by the City are recognised as a liability until such time as the City satisfies its obligations under the agreement.

#### 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 2020**

**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:

	<b>2019/20 Budget</b>	<b>2018/19 Actual</b>	<b>2018/19 Budget</b>
	\$	\$	\$
Cash - unrestricted	3,651,657	155,215	1,005,385
Cash - restricted	52,111,903	66,143,267	64,615,110
	<b>55,763,560</b>	<b>66,298,482</b>	<b>65,620,495</b>
The following restrictions have been imposed by regulation or other externally imposed requirements:			
Aerodrome Reserve	4,961,403	3,274,164	2,086,861
Carry Forward Budget Reserve	642,089	819,482	333,236
Community Development Reserve	1,378,618	1,342,696	1,272,220
Dampier Drainage Reserve	11,057	10,771	10,786
Economic Development Reserve	832,930	1,298,198	897,530
Employee Entitlement Reserve	5,117,507	4,984,165	4,483,862
Infrastructure Reserve	9,338,768	22,624,481	19,134,019
Medical Services Assistance Package Reserve	351,356	342,237	342,157
Mosquito Control Reserve	10,108	9,291	9,286
Partnership Reserve	5,028,181	8,979,997	9,016,879
Pilbara Underground Power Reserve	0	0	1,010,675
Plant Replacement Reserve	136,736	859,739	410,868
Restricted Funds Reserve	417,024	417,024	531,127
Walkington Theatre Reserve	33,548	32,675	32,657
Waste & Sanitation Management Reserve	23,553,910	20,864,407	24,492,790
Workers Compensation Reserve	298,668	283,940	550,157
	<b>52,111,903</b>	<b>66,143,267</b>	<b>64,615,110</b>
<b>Reconciliation of net cash provided by operating activities to net result</b>			
<b>Net result</b>	(2,956,984)	16,193,075	14,497,634
Depreciation	18,688,498	17,906,884	20,831,619
(Profit)/loss on sale of asset	(512,199)	(281,837)	73,113
(Increase)/decrease in receivables	4,983,258	0	680,405
(Increase)/decrease in contract assets	0	0	0
Increase/(decrease) in payables	0	0	617,982
Increase/(decrease) in contract liabilities	0	0	0
Grants/contributions for the development of assets	(4,085,439)	(8,464,401)	(8,411,700)
<b>Net cash from operating activities</b>	<b>16,117,134</b>	<b>25,353,721</b>	<b>28,289,053</b>

**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 2020

4. FIXED ASSETS

(a) Acquisition of Assets

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

Asset class	Reporting program										2019/20 Budget total	2018/19 Actual total	2018/19 Budget total
	Governance	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>													
Buildings - non-specialised	391,000	0	25,000	55,000	400,000	210,000	412,568	3,640,000	0	0	5,133,568	9,753,198	11,924,695
Furniture and equipment	691,400	0	0	0	0	0	301,837	15,000	0	0	1,008,237	870,648	677,000
Plant	56,000	89,500	85,000	0	0	565,000	626,000	961,000	0	104,000	2,486,500	2,400,145	1,723,500
Equipment (External)	0	0	0	0	0	107,500	0	650,000	0	0	757,500	131,900	257,740
Artwork & Sculptures	0	0	0	0	0	0	200,000	50,000	0	0	250,000	25,000	200,000
	1,138,400	89,500	110,000	55,000	400,000	882,500	1,540,405	5,316,000	0	104,000	9,635,805	13,180,891	14,782,935
<i>Infrastructure</i>													
Infrastructure - Roads	0	0	0	0	0	341,250	0	2,912,445	0	0	3,253,695	6,543,675	3,988,567
Infrastructure - Footpaths	0	0	0	0	0	0	0	842,115	0	0	842,115	1,387,670	900,000
Infrastructure - Drainage	0	0	0	0	0	0	0	250,000	0	0	250,000	2,395,396	250,000
Infrastructure - Parks, Recreation and Open Space	0	0	0	0	0	0	17,072,908	150,000	0	0	17,222,908	4,532,773	10,646,372
Infrastructure - Aerodromes	0	0	0	0	0	0	0	130,000	0	0	130,000	2,211,502	2,157,692
Infrastructure - Miscellaneous Structures	0	0	0	30,000	0	50,000	373,300	600,000	85,000	0	1,138,300	1,696,334	6,393,303
	0	0	0	30,000	0	391,250	17,446,208	4,884,560	85,000	0	22,837,018	18,767,350	24,335,934
<b>Total acquisitions</b>	1,138,400	89,500	110,000	85,000	400,000	1,273,750	18,986,613	10,200,560	85,000	104,000	32,472,823	31,948,241	39,118,869

NOTES TO AND FORMING PART OF THE BUDGET  
FOR THE YEAR ENDED 30TH JUNE 2020

4. FIXED ASSETS (CONTINUED)

(b) Disposals of Assets

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

	2019/20 Budget Net Book Value	2019/20 Budget Sale Proceeds	2019/20 Budget Profit	2019/20 Budget Loss	2018/19 Actual Net Book Value	2018/19 Actual Sale Proceeds	2018/19 Actual Profit	2018/19 Actual Loss	2018/19 Budget Net Book Value	2018/19 Budget Sale Proceeds	2018/19 Budget Profit	2018/19 Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>By Program</b>												
Governance	35,894	490,000	454,106	0	35,694	33,000	0	(2,694)	0	0	0	0
General Purpose Funding	0	0	0	0	0	0	0	0	23,411	24,000	1,184	(595)
Law, order, public safety	30,000	23,500	500	(7,000)	18,285	14,500	0	(3,785)	18,285	14,500	0	(3,785)
Health	29,000	29,000	0	0	0	0	0	0	0	0	0	0
Housing	499,507	720,000	220,493	0	627,800	999,783	488,485	(116,502)	0	0	0	0
Community amenities	151,000	123,500	17,000	(44,500)	143,087	61,818	0	(81,269)	177,917	130,400	0	(47,517)
Recreation and culture	138,000	103,500	0	(34,500)	26,416	24,250	0	(2,166)	16,706	14,050	0	(2,656)
Transport	320,900	238,500	100	(82,500)	325,532	325,300	15,268	(15,500)	324,769	305,600	1,232	(20,401)
Economic services	54,000	49,000	0	(5,000)	0	0	0	0	0	0	0	0
Other property and services	42,000	35,500	0	(6,500)	0	0	0	0	11,575	11,000	0	(575)
	1,300,301	1,812,500	692,199	(180,000)	1,176,814	1,458,651	503,753	(221,916)	572,663	499,550	2,416	(75,529)
<b>By Class</b>												
<i>Property, Plant and Equipment</i>												
Land - freehold land	35,894	490,000	454,106	0	215,029	136,922	38,395	(116,502)	0	0	0	0
Buildings - non-specialised	499,507	720,000	220,493	0	469,999	862,861	450,090	(57,228)	0	0	0	0
Plant	724,400	566,000	17,600	(176,000)	496,286	458,868	15,268	(52,686)	555,462	497,750	2,416	(60,128)
Equipment (External)	40,500	36,500	0	(4,000)	(4,500)	0	0	4,500	17,201	1,800	0	(15,401)
	1,300,301	1,812,500	692,199	(180,000)	1,176,814	1,458,651	503,753	(221,916)	572,663	499,550	2,416	(75,529)



**NOTES TO AND FORMING PART OF THE BUDGET  
FOR THE YEAR ENDED 30TH JUNE 2020**

**5. ASSET DEPRECIATION**

**By Program**

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

**By Class**

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

2019/20 Budget	2018/19 Actual	2018/19 Budget
\$	\$	\$
615,973	584,449	426,249
153,814	152,690	104,688
45,671	45,671	45,684
114,455	114,455	114,455
287,582	291,894	285,344
1,000,917	957,634	522,394
6,024,283	5,737,118	4,679,717
9,240,735	9,078,380	13,947,428
44,662	31,887	16,170
1,160,406	912,706	689,490
<b>18,688,498</b>	<b>17,906,884</b>	<b>20,831,619</b>
5,180,091	4,947,020	4,782,761
792,319	728,955	352,048
1,211,630	963,096	703,399
185,566	185,575	231,765
35,109	40,702	21,606
5,124,928	5,138,870	9,660,077
2,153,236	2,041,453	2,169,145
4,005,619	3,861,213	2,910,818
<b>18,688,498</b>	<b>17,906,884</b>	<b>20,831,619</b>

**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 period 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.

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 5 Years
Artwork & Sculptures	50 Years
Infrastructure	
- Roads	20 to 70 Years
- Paths and cycleways	40 to 50 Years
- Drains	80 to 100 Years
- Parks Developments	15 to 100 Years
- Bridges	40 to 80 Years
- Aerodrome Assets	20 to 40 Years
- Miscellaneous structures	20 to 40 Years
- Boat ramps/jetties	50 Years
- Other Infrastructure	20 to 80 Years
- Street Lighting	30 to 40 Years

**DEPRECIATION (CONTINUED)**

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

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

**RECOGNITION OF ASSETS**

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with *Financial Management Regulation 17A (5)*. These assets are expensed immediately.

6. INFORMATION ON BORROWINGS

(a) Borrowing repayments

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

Purpose	Budget	2019/20	2019/20	2019/20	Budget	Actual	2018/19	2018/19	2018/19	Actual	Budget	2018/19	2018/19	2018/19	Budget
	Principal 1 July 2019	Budget New loans	Budget Principal repayments	Budget Interest repayments	Principal outstanding 30 June 2020	Principal 1 July 2018	Actual New loans	Actual Principal repayments	Actual Interest repayments	Principal outstanding 30 June 2019	Principal 1 July 2018	Budget New loans	Budget Principal repayments	Budget Interest repayments	Principal outstanding 30 June 2019
		\$	\$	\$	\$		\$	\$	\$	\$		\$	\$	\$	\$
<b>Self Supporting Loans</b>															
<b>General Purpose Funding</b>															
Karratha & Districts RSL 2018	63,557	0	15,573	1,616	47,984	80,000	0	15,169	2,020	64,831	80,000	0	15,169	2,020	64,831
Karratha Country Club 2016	279,013	0	67,865	6,460	211,148	347,861	0	66,239	8,086	281,622	347,861	0	66,239	8,086	281,622
	342,570	0	83,438	8,076	259,132	427,861	0	81,408	10,106	346,453	427,861	0	81,408	10,106	346,453

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.

**NOTES TO AND FORMING PART OF THE BUDGET  
FOR THE YEAR ENDED 30TH JUNE 2020**

**6. INFORMATION ON BORROWINGS (CONTINUED)**

**(b) New borrowings - 2019/20**

The City does not intend to undertake any new borrowings for the year ended 30th June 2020

**(c) Unspent borrowings**

The City had no unspent borrowing funds as at 30th June 2019 nor is it expected to have unspent borrowing funds as at 30th June 2020.

**(d) Credit Facilities**

	<b>2019/20 Budget</b>	<b>2018/19 Actual</b>	<b>2018/19 Budget</b>
	\$	\$	\$
<b>Undrawn borrowing facilities credit standby arrangements</b>			
Bank overdraft limit	1,000,000	1,000,000	1,000,000
Bank overdraft at balance date	0	0	0
Credit card limit	115,500	115,500	115,500
Credit card balance at balance date	(28,000)	(21,000)	(30,000)
<b>Total amount of credit unused</b>	<b>1,087,500</b>	<b>1,094,500</b>	<b>1,085,500</b>
<b>Loan facilities</b>			
Loan facilities in use at balance date	259,132	346,453	346,453

**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 2020

7. CASH BACKED RESERVES

(a) Cash Backed Reserves - Movement

	2019/20 Budget Opening Balance	2019/20 Budget Transfer to	2019/20 Budget Transfer (from)	2019/20 Budget Closing Balance	2018/19 Actual Opening Balance	2018/19 Actual Transfer to	2018/19 Actual Transfer (from)	2018/19 Actual Closing Balance	2018/19 Budget Opening Balance	2018/19 Budget Transfer to	2018/19 Budget Transfer (from)	2018/19 Budget Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Aerodrome Reserve	3,274,164	1,687,239	0	4,961,403	4,294,420	104,019	(1,124,277)	3,274,164	3,553,935	48,832	(1,515,906)	2,086,861
Carry Forward Budget Reserve	819,482	0	(177,393)	642,089	1,765,785	186,726	(1,133,029)	819,482	1,490,881	0	(1,157,645)	333,236
Community Development Reserve	1,342,696	35,922	0	1,378,618	1,307,489	35,207	0	1,342,696	1,239,603	32,617	0	1,272,220
Dampier Drainage Reserve	10,771	286	0	11,057	10,488	283	0	10,771	10,510	276	0	10,786
Economic Development Reserve	1,298,198	34,732	(500,000)	832,930	1,264,157	34,041	0	1,298,198	1,264,265	33,265	(400,000)	897,530
Employee Entitlement Reserve	4,984,165	133,342	0	5,117,507	4,853,471	130,694	0	4,984,165	4,368,904	114,958	0	4,483,862
Infrastructure Reserve	22,624,481	14,713,042	(27,998,755)	9,338,768	15,177,939	18,870,256	(11,423,715)	22,624,481	16,810,750	16,908,688	(14,585,419)	19,134,019
Medical Services Assistance Package Reserve	342,237	9,119	0	351,356	386,352	10,281	(54,396)	342,237	386,386	10,167	(54,396)	342,157
Mosquito Control Reserve	9,291	817	0	10,108	8,491	800	0	9,291	8,491	795	0	9,286
Partnership Reserve	8,979,997	1,018,685	(4,970,501)	5,028,181	8,651,358	6,466,510	(6,137,870)	8,979,997	9,656,412	6,554,516	(7,194,049)	9,016,879
Pilbara Underground Power Reserve	0	0	0	0	0	0	0	0	1,010,675	0	0	1,010,675
Plant Replacement Reserve	859,739	22,997	(746,000)	136,736	837,194	22,544	0	859,739	400,335	10,533	0	410,868
Restricted Funds Reserve	417,024	0	0	417,024	417,024	0	0	417,024	531,127	0	0	531,127
Walkington Theatre Reserve	32,675	873	0	33,548	31,817	857	0	32,675	31,821	836	0	32,657
Waste & Sanitation Management Reserve	20,864,407	2,689,503	0	23,553,910	21,955,873	589,577	(1,681,042)	20,864,407	23,088,628	1,404,162	0	24,492,790
Workers Compensation Reserve	283,940	14,728	0	298,668	536,006	14,434	(266,500)	283,940	536,052	14,105	0	550,157
	66,143,267	20,361,285	(34,392,649)	52,111,903	61,497,864	26,466,229	(21,820,829)	66,143,267	64,388,775	25,133,750	(24,907,415)	64,615,110

**NOTES TO AND FORMING PART OF THE BUDGET  
FOR THE YEAR ENDED 30TH JUNE 2020**

**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:

<b>Reserve name</b>	<b>Anticipated date of use</b>	<b>Purpose of the reserve</b>
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.
Carry Forward Budget Reserve	2019	For preserving projects funds carried over.
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.
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.
Economic Development Reserve	Ongoing	To fund economic development activities within the City, including Destination Marketing, Business Attraction, Property Development and Tourism.
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.
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.
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.
Mosquito Control Reserve	Ongoing	To fund mosquito control programmes inclusive of the purchase of replacement equipment as required.
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.
Plant Replacement Reserve	Ongoing	To fund the capital purchase of plant and equipment.
Restricted Funds Reserve	Ongoing	For holding Unexpended or prepaid Grants (other than Royalties for Regions) and Capital Contributions provided for specific purposes.
Walkington Theatre Reserve	Ongoing	To fund the operation and capital works of the Walkington Theatre.

**NOTES TO AND FORMING PART OF THE BUDGET  
FOR THE YEAR ENDED 30TH JUNE 2020**

**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:

<b>Reserve name</b>	<b>Anticipated date of use</b>	<b>Purpose of the reserve</b>
Waste & Sanitation Management Reserve	Ongoing	To fund development, operation and maintenance of the Council's Waste Management facilities and Sanitation services inclusive of repayments of borrowings and the funding of employee entitlements.
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.

NOTES TO AND FORMING PART OF THE BUDGET  
FOR THE YEAR ENDED 30TH JUNE 2020

8. FEES & CHARGES REVENUE

	2019/20 Budget	2018/19 Actual	2018/19 Budget
	\$	\$	\$
Governance	14,720	16,472	37,240
General purpose funding	2,120,961	1,657,719	1,701,786
Law, order, public safety	71,560	70,950	83,600
Health	143,350	141,995	136,300
Education and welfare	58,008	58,608	58,608
Housing	722,254	685,520	592,840
Community amenities	11,941,964	10,345,186	13,095,450
Recreation and culture	5,271,897	5,016,029	4,907,423
Transport	22,114,530	20,272,401	21,879,248
Economic services	554,440	476,437	397,195
Other property and services	27,950	13,056	5,175
	43,041,634	38,754,373	42,894,865

9. GRANT REVENUE

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

**By Program:**

**Operating grants, subsidies and contributions**

Governance	1,500	19,910	0
General purpose funding	1,381,800	1,634,677	1,460,248
Law, order, public safety	670,004	809,922	430,121
Health	13,500	51,651	13,500
Community amenities	0	47,109	0
Recreation and culture	6,213,703	11,254,967	10,297,626
Transport	202,979	700,685	10,000
Economic services	73,000	693,493	24,000
Other property and services	0	0	11,500
	8,556,486	15,212,414	12,246,995

**Non-operating grants, subsidies and contributions**

Law, order, public safety	0	252,942	0
Community amenities	100,000	0	47,109
Recreation and culture	2,607,222	5,500,000	6,540,000
Transport	1,378,217	2,711,459	1,824,591
	4,085,439	8,464,401	8,411,700

NOTES TO AND FORMING PART OF THE BUDGET  
FOR THE YEAR ENDED 30TH JUNE 2020

10. OTHER INFORMATION

	2019/20 Budget	2018/19 Actual	2018/19 Budget
<b>The net result includes as revenues</b>	\$	\$	\$
<b>(a) Interest earnings</b>			
Investments			
- Reserve funds	1,493,470	1,538,476	1,460,700
- Other funds	301,134	307,446	335,682
Late payment of fees and charges *	12,000	15,100	6,000
Other interest revenue (refer note 1b)	509,821	502,726	323,850
	2,316,425	2,363,748	2,126,232
* The City has resolved to charge interest under section 6.13 for the late payment of any amount of money at 11%.			
<b>(b) Other revenue</b>			
Reimbursements and recoveries	938,962	1,054,929	914,498
	938,962	1,054,929	914,498
<b>The net result includes as expenses</b>			
<b>(c) Auditors remuneration</b>			
Audit services	53,000	50,000	71,200
Other services	0	0	1,800
	53,000	50,000	73,000
<b>(d) Interest expenses (finance costs)</b>			
Borrowings (refer Note 6(a))	8,076	10,106	10,106
	8,076	10,106	10,106
<b>(e) Elected members remuneration</b>			
Meeting fees	364,296	345,000	345,000
Mayor/President's allowance	89,753	85,000	85,000
Deputy Mayor/President's allowance	22,438	21,250	21,250
Travelling expenses	30,000	30,000	30,000
Telecommunications allowance	38,500	38,496	38,496
Training	55,000	55,000	55,000
Professional development	25,000	10,000	33,000
Mayors Discretionary Fund (Council Related Expenses)	2,000	2,000	2,000
	626,987	586,746	609,746
<b>(f) Write offs</b>			
General rate	0	18,473	0
	0	18,473	0



NOTES TO AND FORMING PART OF THE BUDGET  
FOR THE YEAR ENDED 30TH JUNE 2020

**11. MAJOR LAND TRANSACTIONS**

It is not anticipated any land transactions or major land transactions will occur in 2019/20.

**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. Forecasts are reviewed annually as part of Council's Long Term Financial Plan. These assumptions underpin future forecasts for airport operations.

**(b) Statement of Comprehensive Income**

	2018/19 Actual	2019/20 Budget	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast
	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>							
- Fees & charges	20,271,721	22,113,780	23,896,033	25,568,756	27,358,569	29,273,668	31,322,825
- Other revenue	68,806	69,636	71,167	72,590	74,042	75,523	77,034
	20,340,527	22,183,416	23,967,200	25,641,346	27,432,611	29,349,192	31,399,859
<b>Expenditure</b>							
- Employee costs	(2,145,621)	(2,234,921)	(2,084,877)	(2,123,827)	(2,155,657)	(2,187,992)	(2,220,812)
- Materials and contracts	(5,115,333)	(5,192,962)	(5,467,413)	(5,628,393)	(5,754,465)	(5,869,554)	(6,022,069)
- Utilities	(1,556,111)	(1,620,674)	(1,540,919)	(1,572,068)	(1,604,053)	(1,636,693)	(1,670,000)
- Insurance	(403,962)	(434,068)	(419,458)	(427,847)	(436,404)	(445,132)	(454,035)
- Depreciation	(2,941,357)	(3,059,757)	(2,851,561)	(2,894,334)	(2,937,749)	(2,981,815)	(3,026,543)
- Other expenditure	(287,573)	(288,073)	(298,604)	(304,576)	(310,668)	(316,881)	(323,219)
	(12,449,957)	(12,830,455)	(12,662,831)	(12,951,047)	(13,198,996)	(13,438,067)	(13,716,677)
<b>NET OPERATING RESULT</b>	7,890,570	9,352,961	11,304,369	12,690,299	14,233,615	15,911,124	17,683,181
<b>Capital Expenditure</b>	(2,755,147)	(2,550,885)	(6,427,448)	(5,224,574)	(8,338,568)	(8,324,975)	(4,230,002)
	(2,755,147)	(2,550,885)	(6,427,448)	(5,224,574)	(8,338,568)	(8,324,975)	(4,230,002)
<b>NET RESULT</b>	5,135,423	6,802,076	4,876,921	7,465,726	5,895,046	7,586,149	13,453,180

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

12. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS (cont.)

**The Quarter HQ**

(a) Details

A Business Plan for The Quarter HQ was prepared and advertised for public submissions. Submissions regarding the proposed purchase were considered by Council on 29 May 2017. The City purchased The Quarter HQ on 21 June 2017, this note has been prepared based on forecasts and are reviewed annually as part of Council's Long Term Financial Plan.

(b) Statement of Comprehensive Income

	2018/19 Actual	2019/20 Budget	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast
	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>							
- Lease Income	1,521,394	1,604,328	1,638,019	1,672,417	1,707,538	1,743,396	1,780,008
- Variable Outgoings Recoveries	781,885	529,008	540,117	551,460	563,040	574,864	586,936
	2,303,279	2,133,336	2,178,136	2,223,877	2,270,578	2,318,260	2,366,944
<b>Expenditure</b>							
- Insurance, cleaning, security and strata fees	(1,376,408)	(1,386,543)	(1,415,660)	(1,445,389)	(1,475,742)	(1,506,733)	(1,538,374)
	(1,376,408)	(1,386,543)	(1,415,660)	(1,445,389)	(1,475,742)	(1,506,733)	(1,538,374)
<b>NET OPERATING RESULT</b>	926,871	746,793	762,476	778,488	794,836	811,527	828,570

**NOTES TO AND FORMING PART OF THE BUDGET  
FOR THE YEAR ENDED 30TH JUNE 2020**

**13. MAJOR LAND TRANSACTIONS AND TRADING UNDERTAKINGS**

It is not anticipated the City will be party to any Major Land Transactions or Trading Undertakings during 2019/20.

**14. INTERESTS IN JOINT ARRANGEMENTS**

It is not anticipated the City will be party to any joint venture arrangements during 2019/20.

**15. 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 July 2019	Estimated amounts received	Estimated amounts paid	Estimated balance 30 June 2020
	\$	\$	\$	\$
Planning Bonds	304,622	0	(76,155)	228,467
Hire Bonds	20,600	15,000	(25,000)	10,600
Public Open Space Cont.	853,833	0	(187,733)	666,100
Treasury - Unclaimed Monies	2,945	0	(2,945)	0
Staff Travel Allowances	12,240	7,280	(11,200)	8,320
Airport Parking Cards	12,050	0	(12,050)	0
Verge Bonds	6,000	0	(3,000)	3,000
ASIC Card Bonds	7,350	0	(7,350)	0
Other Bonds & Guarantees	245,988	0	(223,189)	22,799
VAST Trust	6,855	1,500	0	8,355
	1,472,483	23,780	(548,622)	947,641

**NOTES TO AND FORMING PART OF THE BUDGET  
FOR THE YEAR ENDED 30TH JUNE 2020**

**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 financial 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**

Accounting Policies for the recognition of income and revenue from contracts with customers is described in Note 16.

**16. SIGNIFICANT ACCOUNTING POLICIES - CHANGE  
IN ACCOUNTING POLICIES**

This note explains the impact of the adoption of AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 1058 Income for Not-for-Profit Entities.

**REVENUE FROM CONTRACTS WITH CUSTOMERS**

The City of Karratha will adopt AASB 15 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the City of Karratha will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019.

**LEASES**

On adoption of AASB 16, for leases which had previously been classified as an 'operating lease' when applying AASB 117, the City of Karratha is not required to make any adjustments on transition for leases for which the underlying asset is of low value. Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with Financial Management Regulation 17A (5).

**INCOME FOR NOT-FOR-PROFIT ENTITIES**

The City of Karratha has adopted AASB 1058 from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions AASB 1058, the City of Karratha will adopt the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods shall not be restated in accordance with AASB 1058 transition requirements.

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance give rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates were recognised as a financial asset and a related amount was recognised as a financial liability and no income was recognised by the City of Karratha. When the taxable event occurs the financial liability is extinguished and the City of Karratha recognises income for the prepaid rates that have not been refunded.

Assets that were acquired for consideration that was significantly less than fair value principally to enable the City of Karratha to further its objectives may have been measured on initial recognition under other Australian Accounting Standards at a cost that was significantly less than fair value. Such assets are not required to be remeasured at fair value.

Volunteer Services in relation to Volunteer Fire Services have been recognised in budgeted revenue and budgeted expenditure as the fair value of the services can be reliably estimated and the services would have been purchased if they had not been donated.