



## **AUDIT AND ORGANISATIONAL RISK COMMITTEE MEETING**

# **MINUTES**

**The Audit and Organisational Risk Committee Meeting  
was held in Council Chambers,  
Welcome Road, Karratha,  
on Thursday, 3 November 2016**

A handwritten signature in black ink, appearing to read "Chris Adams", is positioned above a horizontal line.

**CHRIS ADAMS  
CHIEF EXECUTIVE OFFICER**



No responsibility whatsoever is implied or accepted by the City of Karratha for any act, omission or statement or intimation occurring during Council or Committee Meetings. The City of Karratha disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or Committee Meetings.

Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council or Committee Meeting does so at that persons or legal entity's own risk.

In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a license, any statement or intimation of approval made by any member or Officer of the City of Karratha during the course of any meeting is not intended to be and is not taken as notice of approval from the City of Karratha.

The City of Karratha warns that anyone who has any application lodged with the City of Karratha must obtain and should only rely on

**WRITTEN CONFIRMATION**

of the outcome of the application, and any conditions attaching to the decision made by the City of Karratha in respect of the application.

Signed: \_\_\_\_\_  
**Chris Adams - Chief Executive Officer**

## DECLARATION OF INTERESTS (NOTES FOR YOUR GUIDANCE) (updated 13 March 2000)

A member who has a **Financial Interest** in any matter to be discussed at a Council or Committee Meeting, which will be attended by the member, must disclose the nature of the interest:

- (a) In a written notice given to the Chief Executive Officer before the Meeting or;
- (b) At the Meeting, immediately before the matter is discussed.

A member, who makes a disclosure in respect to an interest, must not:

- (c) Preside at the part of the Meeting, relating to the matter or;
- (d) Participate in, or be present during any discussion or decision-making procedure relative to the matter, unless to the extent that the disclosing member is allowed to do so under Section 5.68 or Section 5.69 of the Local Government Act 1995.

## NOTES ON FINANCIAL INTEREST (FOR YOUR GUIDANCE)

The following notes are a basic guide for Councillors when they are considering whether they have a **Financial Interest** in a matter. I intend to include these notes in each agenda for the time being so that Councillors may refresh their memory.

1. A Financial Interest requiring disclosure occurs when a Council decision might advantageously or detrimentally affect the Councillor or a person closely associated with the Councillor and is capable of being measure in money terms. There are exceptions in the *Local Government Act 1995* but they should not be relied on without advice, unless the situation is very clear.
2. If a Councillor is a member of an Association (which is a Body Corporate) with not less than 10 members i.e. sporting, social, religious etc), and the Councillor is not a holder of office of profit or a guarantor, and has not leased land to or from the club, i.e., if the Councillor is an ordinary member of the Association, the Councillor has a common and not a financial interest in any matter to that Association.
3. If an interest is shared in common with a significant number of electors or ratepayers, then the obligation to disclose that interest does not arise. Each case needs to be considered.
4. If in doubt declare.
5. As stated in (b) above, if written notice disclosing the interest has not been given to the Chief Executive Officer before the meeting, then it **MUST** be given when the matter arises in the Agenda, and immediately before the matter is discussed.
6. Ordinarily the disclosing Councillor must leave the meeting room before discussion commences. The **only** exceptions are:
  - 6.1 Where the Councillor discloses the **extent** of the interest, and Council carries a motion under s.5.68(1)(b)(ii) or the Local Government Act; or
  - 6.2 Where the Minister allows the Councillor to participate under s5.69 (3) of the Local Government Act, with or without conditions.

## INTERESTS AFFECTING IMPARTIALITY

**DEFINITION:** *An interest that would give rise to a reasonable belief that the impartiality of the person having the interest would be adversely affected, but does not include an interest as referred to in Section 5.60 of the 'Act'.*

A member who has an **Interest Affecting Impartiality** in any matter to be discussed at a Council or Committee Meeting, which will be attended by the member, must disclose the nature of the interest;

- (a) in a written notice given to the Chief Executive Officer before the Meeting; or
- (b) at the Meeting, immediately before the matter is discussed.

## IMPACT OF AN IMPARTIALITY CLOSURE

There are very different outcomes resulting from disclosing an interest affecting impartiality compared to that of a financial interest. With the declaration of a financial interest, an elected member leaves the room and does not vote.

With the declaration of this new type of interest, the elected member stays in the room, participates in the debate and votes. In effect then, following disclosure of an interest affecting impartiality, the member's involvement in the Meeting continues as if no interest existed.



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# MINUTES

## 1 OFFICIAL OPENING

The Meeting was officially opened at 3.00 pm.

## 2 RECORD OF ATTENDANCES AND APOLOGIES

Committee Members:	Cr Evette Smeathers Cr Grant Cucel Cr Peter Long Cr Daniel Scott	(Chairperson)
Staff:	Chris Adams Phillip Trestrail Henry Eaton  Ray McDermott  Linda Franssen	Chief Executive Officer Director Corporate Services Manager Governance & Organisational Strategy Manager Financial Services/CFO (Items 1 - 5.1) Minute Secretary
External:	Maria Cavallo CA	Director, AMD Chartered Accountants
Apologies:	Nil	
Absent:	Cr Fiona White-Hartig	

## 3 DECLARATIONS OF INTEREST

Nil

## 4 CONFIRMATION OF MINUTES AND BUSINESS ARISING FROM MINUTES OF PREVIOUS MEETINGS

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### OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : AOR42  
MOVED : Cr Cucel  
SECONDED : Cr Scott

That the Minutes of the Audit and Organisational Risk Committee Meeting held on Tuesday, 23 August 2016, be confirmed as a true and correct record of proceedings.

CARRIED

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FOR : Cr Smeathers, Cr Cucel, Cr Long, Cr Scott  
AGAINST :





**CITY OF KARRATHA**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

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

**CITY OF KARRATHA  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2016**

**LOCAL GOVERNMENT ACT 1995  
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the City of Karratha being the annual financial report and other information for the financial year ended 30 June 2016 are in my opinion properly drawn up to present fairly the financial position of the City of Karratha at 30th June 2016 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

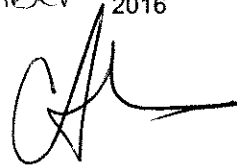
Signed as authorisation of issue on the

30<sup>th</sup>

day of

September

2016



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Chris Adams  
Chief Executive Officer

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
<b>Revenue</b>				
Rates	23	38,154,605	41,263,059	40,113,563
Operating grants, subsidies and contributions	30	8,650,227	10,900,815	18,473,358
Fees and charges	29	41,345,510	44,906,453	44,143,892
Service charges	26	0	0	30,308,739
Interest earnings	2(a)	3,058,125	3,333,891	3,576,356
Other revenue	2(a)	1,073,305	500,239	2,633,866
		<u>92,281,772</u>	<u>100,904,457</u>	<u>139,249,774</u>
<b>Expenses</b>				
Employee costs		(33,240,954)	(36,502,549)	(33,608,639)
Materials and contracts		(24,688,953)	(25,355,482)	(31,298,849)
Utility charges		(4,241,949)	(3,793,942)	(3,946,511)
Depreciation on non-current assets	2(a)	(19,673,466)	(11,116,452)	(12,711,351)
Interest expenses	2(a)	(1,084)	0	0
Insurance expenses		(1,413,578)	(1,396,264)	(1,606,064)
Other expenditure		(3,174,747)	(3,458,421)	(3,891,524)
		<u>(86,434,731)</u>	<u>(81,623,110)</u>	<u>(87,062,938)</u>
		5,847,041	19,281,347	52,186,836
Non-operating grants, subsidies and contributions	30	24,125,427	22,873,255	68,416,278
Profit on asset disposals	21	62,923	39,058	91,172
(Loss) on asset disposals	21	(611,991)	(31,610)	(653,680)
Fair value adjustments to financial assets at				
(Loss) on revaluation of plant & equipment	6(b)	(969,476)	0	(57,730)
(Loss) on revaluation of Infrastructure	7(b)	0	0	(11,317,387)
<b>Net result</b>		<u>28,453,924</u>	<u>42,162,050</u>	<u>108,665,489</u>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	(20,668,593)	0	343,760,723
<b>Total other comprehensive income</b>		<u>(20,668,593)</u>	<u>0</u>	<u>343,760,723</u>
<b>Total comprehensive income</b>		<u>7,785,331</u>	<u>42,162,050</u>	<u>452,426,212</u>

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

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
<b>Revenue</b>	2(a)			
Governance		216,534	251,151	1,115,882
General purpose funding		42,790,251	47,926,146	78,500,516
Law, order, public safety		344,430	382,365	1,451,026
Health		205,357	165,200	230,382
Education and welfare		117,530	58,920	58,900
Housing		421,443	449,046	301,999
Community amenities		10,014,517	10,376,978	11,349,795
Recreation and culture		11,287,436	11,739,312	20,237,270
Transport		25,920,098	29,107,149	24,215,843
Economic services		354,736	442,790	529,393
Other property and services		609,440	5,400	1,258,768
		<u>92,281,772</u>	<u>100,904,457</u>	<u>139,249,774</u>
<b>Expenses</b>	2(a)			
Governance		(3,218,283)	(3,184,985)	(4,356,676)
General purpose funding		(3,631,493)	(4,434,504)	(10,621,027)
Law, order, public safety		(1,857,052)	(1,722,225)	(1,897,764)
Health		(1,300,895)	(1,275,319)	(1,374,758)
Education and welfare		(154,673)	(181,526)	(212,323)
Housing		(922,611)	(474,793)	(904,796)
Community amenities		(12,127,580)	(14,741,404)	(13,655,639)
Recreation and culture		(30,626,498)	(31,042,214)	(30,197,904)
Transport		(28,740,469)	(21,444,435)	(21,438,745)
Economic services		(2,228,762)	(2,893,724)	(2,098,247)
Other property and services		(1,625,331)	(227,981)	(305,059)
		<u>(86,433,647)</u>	<u>(81,623,110)</u>	<u>(87,062,938)</u>
<b>Finance costs</b>	2(a)			
General purpose funding		(1,084)	0	0
		<u>(1,084)</u>	<u>0</u>	<u>0</u>
		5,847,041	19,281,347	52,186,836
Non-operating grants, subsidies and contributions	30	24,125,427	22,873,255	68,416,278
Profit on disposal of assets	21	62,923	39,058	91,172
(Loss) on disposal of assets	21	(611,991)	(31,610)	(653,680)
Fair value adjustments to financial assets at				
(Loss) on revaluation of plant & equipment	6(b)	(969,476)	0	(57,730)
(Loss) on revaluation of Infrastructure	7(b)	0	0	(11,317,387)
		<u>(969,476)</u>	<u>0</u>	<u>(11,375,117)</u>
<b>Net result</b>		<b>28,453,924</b>	<b>42,162,050</b>	<b>108,665,489</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	(20,668,593)	0	343,760,723
<b>Total other comprehensive income</b>		<b>(20,668,593)</b>	<b>0</b>	<b>343,760,723</b>
<b>Total comprehensive income</b>		<b>7,785,331</b>	<b>42,162,050</b>	<b>452,426,212</b>

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

**CITY OF KARRATHA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30TH JUNE 2016**

	NOTE	2016 \$	2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	96,575,259	85,384,687
Trade and other receivables	4	15,792,369	21,022,833
Inventories	5	345,277	1,012,437
<b>TOTAL CURRENT ASSETS</b>		<b>112,712,905</b>	<b>107,419,957</b>
<b>NON-CURRENT ASSETS</b>			
Other receivables	4	3,998,585	6,926,623
Inventories	5	524,439	0
Property, plant and equipment	6	192,178,474	197,959,808
Infrastructure	7	535,438,397	531,091,475
<b>TOTAL NON-CURRENT ASSETS</b>		<b>732,139,895</b>	<b>735,977,906</b>
<b>TOTAL ASSETS</b>		<b>844,852,800</b>	<b>843,397,863</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	9,641,193	16,458,213
Current portion of long term borrowings	9	63,103	0
Provisions	10	3,620,158	3,750,143
<b>TOTAL CURRENT LIABILITIES</b>		<b>13,324,454</b>	<b>20,208,356</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	9	412,513	0
Provisions	10	844,090	705,664
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,256,603</b>	<b>705,664</b>
<b>TOTAL LIABILITIES</b>		<b>14,581,057</b>	<b>20,914,020</b>
<b>NET ASSETS</b>		<b>830,271,743</b>	<b>822,483,843</b>
<b>EQUITY</b>			
Retained surplus		365,330,649	345,569,312
Reserves - cash backed	12	92,784,461	84,089,305
Revaluation surplus	13	372,156,633	392,825,226
<b>TOTAL EQUITY</b>		<b>830,271,743</b>	<b>822,483,843</b>

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

**CITY OF KARRATHA  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2014</b>		<b>257,225,947</b>	<b>62,904,777</b>	<b>49,064,503</b>	<b>369,921,236</b>
Comprehensive income					
Net result		108,665,489	0	0	108,665,489
Changes on revaluation of assets	13	136,395	0	343,760,723	343,897,118
Other adjustments to revalued non-current assets	13	726,866	0	0	0
Adjustments to prior period transactions		(857)	0	0	0
Total comprehensive income		109,527,893	0	343,760,723	452,562,607
Transfers from/(to) reserves		(21,184,528)	21,184,528	0	0
<b>Balance as at 30 June 2015</b>		<b>345,569,312</b>	<b>84,089,305</b>	<b>392,825,226</b>	<b>822,483,843</b>
Comprehensive income					
Net result		28,453,924	0	0	28,453,924
Adjustments to prior period		2,569			2,569
Impairment to revalued non-current assets				(20,640,914)	(20,640,914)
Changes on revaluation of assets	13	0	0	(27,679)	(27,679)
Total comprehensive income		28,456,493	0	(20,668,593)	7,787,900
Transfers from/(to) reserves		(8,695,156)	8,695,156	0	0
<b>Balance as at 30 June 2016</b>		<b>365,330,649</b>	<b>92,784,461</b>	<b>372,156,633</b>	<b>830,271,743</b>

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

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

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		37,815,122	41,263,058	40,576,230
Operating grants, subsidies and contributions		17,177,082	11,625,210	58,856,176
Fees and charges		41,345,522	44,906,454	44,143,892
Service charges		0	4,166,336	30,308,739
Interest earnings		3,058,125	3,333,891	3,576,356
Goods and services tax		0	94,182	214,555
Other revenue		1,069,191	500,239	2,633,866
		<u>100,465,042</u>	<u>105,889,370</u>	<u>180,309,814</u>
<b>Payments</b>				
Employee costs		(34,221,030)	(36,202,549)	(33,009,008)
Materials and contracts		(30,381,848)	(27,108,878)	(25,852,385)
Utility charges		(4,241,949)	(3,793,942)	(3,946,511)
Interest expenses		12,895	0	
Insurance expenses		(1,413,578)	(1,396,264)	(1,606,064)
Goods and services tax		(307,085)	(185,091)	
Other expenditure		(3,174,747)	(3,458,421)	(3,891,524)
		<u>(73,727,342)</u>	<u>(72,145,145)</u>	<u>(68,305,492)</u>
<b>Net cash provided by (used in) operating activities</b>	14(b)	<u>26,737,700</u>	<u>33,744,225</u>	<u>112,004,322</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for development of Land held for resale		(188)	0	(524,251)
Payments for purchase of property, plant & equipment		(22,381,014)	(28,150,381)	(33,756,697)
Payments for construction of infrastructure		(18,780,909)	(15,903,573)	(66,998,040)
Non-operating grants, subsidies and contributions		24,125,427	22,873,255	11,508,482
Proceeds from sale of fixed assets		735,732	841,000	958,228
<b>Net cash provided by (used in) investment activities</b>		<u>(16,300,952)</u>	<u>(20,339,699)</u>	<u>(88,812,278)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Advances to community groups		(475,616)	0	(970,047)
Proceeds from self supporting loans		753,824	6,166	(3,143)
Other Loan Principal Income		0	237,260	235,358
Proceeds from New Debentures		475,616	0	
<b>Net cash provided by (used in) financing activities</b>		<u>753,824</u>	<u>243,426</u>	<u>(737,832)</u>
<b>Net increase (decrease) in cash held</b>		11,190,572	13,647,952	22,454,212
Cash at beginning of year		85,384,687	89,658,374	62,930,475
<b>Cash and cash equivalents at the end of the year</b>	14(a)	<u><u>96,575,259</u></u>	<u><u>103,306,326</u></u>	<u><u>85,384,687</u></u>

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

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

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>Unrestricted surplus/(deficit) b/fwd</b>		63,450	1,434,330	1,617,633
<b>Restricted surplus/(deficit) b/fwd</b>		12,208,160	12,499,009	0
<b>Net current assets at start of financial year - surplus/(deficit)</b>		<u>12,271,610</u>	<u>13,933,339</u>	<u>1,617,633</u>
<b>Revenue from operating activities (excluding rates)</b>				
Governance		216,534	252,530	1,119,962
General purpose funding		4,635,646	6,663,088	38,386,953
Law, order, public safety		345,636	382,365	1,452,352
Health		205,357	165,200	230,949
Education and welfare		117,530	58,920	58,900
Housing		421,443	449,046	301,999
Community amenities		10,062,571	10,376,978	11,364,948
Recreation and culture		11,289,112	11,740,564	20,243,962
Transport		25,922,152	29,143,575	24,274,608
Economic services		354,738	442,790	529,393
Other property and services		619,371	5,400	1,263,357
		<u>54,190,090</u>	<u>59,680,456</u>	<u>99,227,383</u>
<b>Expenditure from operating activities</b>				
Governance		(3,230,734)	(3,188,499)	(15,746,339)
General purpose funding		(3,632,576)	(4,434,504)	(10,621,027)
Law, order, public safety		(1,857,052)	(1,722,225)	(1,947,354)
Health		(1,300,895)	(1,275,319)	(1,374,758)
Education and welfare		(154,673)	(181,526)	(212,323)
Housing		(922,611)	(474,793)	(1,198,538)
Community amenities		(12,302,991)	(14,743,153)	(13,738,127)
Recreation and culture		(30,988,786)	(31,046,909)	(30,207,004)
Transport		(28,790,343)	(21,461,286)	(21,614,633)
Economic services		(2,232,250)	(2,893,856)	(2,098,247)
Other property and services		(1,633,811)	(232,650)	(333,385)
		<u>(87,046,722)</u>	<u>(81,654,720)</u>	<u>(99,091,735)</u>
<b>Operating activities excluded from budget</b>				
(Profit) on disposal of assets	21	(62,923)	(39,058)	(91,172)
Loss on disposal of assets	21	611,991	31,610	653,680
Loss on revaluation of fixed assets		969,476	0	11,375,117
Contributions of Gifted Assets		0	0	(56,907,796)
Movement in accrued salaries and wages		(992,544)	0	229,373
Movement in employee benefit provisions (non-current)		138,426	0	(623,061)
Depreciation and amortisation on assets	2(a)	19,673,466	11,116,452	12,711,351
<b>Amount attributable to operating activities</b>		<u>(247,130)</u>	<u>3,068,079</u>	<u>(30,899,227)</u>
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions		24,125,427	22,873,255	68,416,278
Proceeds from disposal of assets	21	735,732	841,000	958,228
Purchase of land held for resale		(188)	0	(524,251)
Purchase of property, plant and equipment	6(b)	(22,381,014)	(28,150,381)	(33,756,697)
Purchase and construction of infrastructure	7(b)	(18,780,909)	(15,903,573)	(10,090,244)
<b>Amount attributable to investing activities</b>		<u>(16,300,952)</u>	<u>(20,339,699)</u>	<u>25,003,314</u>



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

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
Advances to community groups		0	0	(970,047)
Advances of self supporting loans to community groups		(475,616)	0	0
Repayment of advances to community groups		6,166	6,166	235,358
Repayment of advances of self supporting loans to community groups		5,198	0	0
Other Loan Principal Income		742,460	237,260	0
Proceeds from new debentures	22(a)	475,616	0	0
Transfers to reserves (restricted assets)	12	(42,704,749)	(42,862,762)	(55,667,480)
Transfers from reserves (restricted assets)	12	34,009,593	26,989,571	34,456,129
<b>Amount attributable to financing activities</b>		<u>(7,941,332)</u>	<u>(15,629,765)</u>	<u>(21,946,040)</u>
<b>Surplus(deficiency) before general rates</b>		<u>(24,489,414)</u>	<u>(32,901,385)</u>	<u>(27,841,953)</u>
<b>Total amount raised from general rates</b>	23	<u>38,154,605</u>	<u>41,263,059</u>	<u>40,113,563</u>
<b>Restricted surplus/(deficit) June 30 c/fwd</b>	24	<u>7,905,744</u>	<u>8,332,673</u>	<u>12,208,160</u>
<b>Net current assets at June 30 c/fwd - surplus/(deficit)</b>	24	<u><u>5,759,447</u></u>	<u><u>29,001</u></u>	<u><u>63,450</u></u>

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

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

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

**Critical accounting estimates**

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

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

**The local government reporting entity**

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 20 to these financial statements.

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

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

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

**(c) Cash and Cash Equivalents**

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

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

**(d) Trade and Other Receivables**

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

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

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

**(d) Trade and Other Receivables (Continued)**

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

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

**(e) Inventories**

***General***

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

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

***Land held for sale***

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

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

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

**(f) Fixed Assets**

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

***Mandatory requirement to revalue non-current assets***

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

During the year ended 30 June 2013, the City commenced the process of adopting Fair Value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at Fair Value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the City revalues its asset classes in accordance with this mandatory timetable.

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

***Land under control***

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

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

***Initial recognition and measurement between mandatory revaluation dates***

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework detailed above.

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

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

**(f) Fixed Assets (Continued)**

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the City includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

**Revaluation**

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

**Land under roads**

In Western Australia, all land under roads is Crown Land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB 1051 Land Under Roads and the fact Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

Whilst such treatment is inconsistent with the requirements of AASB 1051, Local Government (Financial Management) Regulation 4(2) provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the City.

**Depreciation**

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

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

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

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

Artwork/sculptures	50 years
Buildings:	
- Buildings 50 years	50 years

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

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

**(f) Fixed Assets (Continued)**

- Buildings fixtures/fittings	11 years
- Buildings on leased land	21 years
- Transportable building	15 years
Furniture and Equipment	
- Computers & peripherals	3 years
- Other electronic equipment	4 years
- Furniture	10 years
Plant	
- Construction plant (e.g. prime movers and trailers)	12 years
- Construction vehicles (e.g. trucks)	8 years
- Light commercial vehicles	5 years
- Passenger vehicles	5 years
- Heavy plant	4 years
Equipment	
- Heavy usage	2.5 years
- Light usage	5 years
Infrastructure:	
- Roads - Surface	20-30 years
- Roads - Pavement Base	50-70 years
- Roads - Formation	80 years
- Paths and cycleways	30-45 years
- Aerodromes	28 years
- Hard-court facility - bitumen	20-30 years
- Hard-court facility - concrete	30-40 years
- Bridges and culverts	40-80 years
- Drainage	56 years
- Miscellaneous structures	15-30 years
- Boat ramps/jetties	50 years
- Access Roads - Seal Surface (Landfill & Transfer Station)	20-30 years
- Access Roads - Seal Pavement (Landfill & Transfer Station)	50-70 years
- Access Roads - Seal Formation (Landfill & Transfer Station)	80 years
- Airport Sealed Taxiway - Formation	80 years
- Airport Sealed Taxiway - Pavement	50 years
- Airport Water System - Hydrants & Valves	40 years
- Airport Water System - Pipework	80 years
- Airport Water System - Pumps	20 years
- Airport Water System - Tanks	60 years
- Ancillary Assets (Leisureplex 50m Pool Boom)	30 years
- Building & Structures	30 years
- Car Park Furniture	40 years
- Car Park Payment System	30 years
- Closed Circuit Television	20 years
- Effluent Ponds	60 years
- Effluent Reuse Supply Pipes	50 years
- Fencing - General	30 years
- Fencing - Specialised	40 years
- Irrigation	20-30 years
- Landfill Cell	50 years
- Lighting - General	30 years
- Lighting - Low output	30 years
- Lighting - Oval & Carpark	40 years
- Parks & Open Space Furniture	15-20 years
- Pedestrian Bridge	40 years
- Playground Equipment	15 years
- Pool Structures	40 years
- Power System	60 years

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

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

**(f) Fixed Assets (Continued)**

- Sea Container - Specialised	40 years
- Sea Container - Standard	30-40 years
- Sealed Taxiways, Runways & Aprons - Seal	20 years
- Settlement Ponds	80 years
- Skate Parks & Courts	40 years
- Sports Courts, Pitches & Tracks	30 years
- Stormwater Network	80 years
- Street Furniture	30 years
- Structures	30 years
- Waste Ancillary Assets	40 years

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

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

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

***Capitalisation threshold***

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

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

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

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

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

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

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

***Fair value hierarchy***

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

**Level 1**

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

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

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

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

**Level 2**

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

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

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

***Valuation techniques***

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

**Market approach**

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

**Income approach**

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

**Cost approach**

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

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the City gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued in accordance with the regulatory framework.

**(h) Financial Instruments**

***Initial recognition and measurement***

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

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

***Classification and subsequent measurement***

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

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

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

**(h) Financial Instruments (Continued)**

***Classification and subsequent measurement (continued)***

Amortised cost is calculated as:

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

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

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

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

***(ii) Loans and receivables***

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

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

***(iii) Held-to-maturity investments***

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

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

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

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

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

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



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

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

**(h) Financial Instruments (Continued)**

*(v) Financial liabilities*

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

***Impairment***

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

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

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

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

***Derecognition***

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

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

**(i) Impairment of Assets**

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

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

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

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

**(j) Trade and Other Payables**

Trade and other payables represent liabilities for goods and services provided to the City prior to the end of the financial year that are unpaid and arise when the City becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

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

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

**(k) Employee Benefits**

**Short-term employee benefits**

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

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

**Other long-term employee benefits**

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

The City's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the City does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

**(l) Borrowing Costs**

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

**(m) Provisions**

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

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

**(n) Leases**

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

Finance leases are capitalised recording an asset and a liability at the lower amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

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

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

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

**(o) Investment in Associates**

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

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

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

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

**(p) Interests in Joint Arrangements**

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

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

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The City's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 17.

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

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

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

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

**(r) Superannuation**

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

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

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

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

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

**(t) Rounding Off Figures**

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

**(u) Comparative Figures**

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

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

**(v) Budget Comparative Figures**

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

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

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

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

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

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

	<b>Title</b>	<b>Issued / Compiled</b>	<b>Applicable <sup>(1)</sup></b>	<b>Impact</b>
(i)	AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the City, it is not anticipated the Standard will have any material effect.
(ii)	AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2017	<p>This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.</p> <p>The effect of this Standard will depend upon the nature of future transactions the City has with those third parties it has dealings with. It may or may not be significant.</p>
(iii)	AASB 16 Leases	February 2016	1 January 2019	<p>Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted.</p> <p>Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the City, the impact is not expected to be significant.</p>

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

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

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

	<b>Title</b>	<b>Issued / Compiled</b>	<b>Applicable <sup>(1)</sup></b>	<b>Impact</b>
(iv)	AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations  [AASB 1 & AASB 11]	August 2014	1 January 2016	<p>This Standard amends AASB 11: <i>Joint Arrangements</i> to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: <i>Business Combinations</i>, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.</p> <p>Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the City's financial statements.</p>
(v)	AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation  [AASB 116 & 138]	August 2014	1 January 2016	<p>This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.</p> <p>Given the City currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.</p>
(vi)	AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	December 2014	1 January 2017	<p>Consequential changes to various Standards arising from the issuance of AASB 15.</p> <p>It will require changes to reflect the impact of AASB 15.</p>

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

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

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

	<b>Title</b>	<b>Issued / Compiled</b>	<b>Applicable <sup>(1)</sup></b>	<b>Impact</b>
(vii)	AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101  [AASB 7, 101, 134 & 1049]	January 2015	1 January 2016	<p>This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements.</p> <p>This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column.</p> <p>It is not anticipated it will have any significant impact on disclosures as they currently exist and any changes will relate to presentation.</p>
(viii)	AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities  [AASB 10, 124 & 1049]	March 2015	1 July 2016	<p>The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.</p> <p>The Standard is expected to have a significant disclosure impact on the financial report of the City as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.</p>

Notes:

<sup>(1)</sup> Applicable to reporting periods commencing on or after the given date.

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

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

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

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

These new and revised standards were as follows:

- (i) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality
- (ii) AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities



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

<b>2. REVENUE AND EXPENSES</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Net Result</b>		
The Net result includes:		
(i) Charging as an expense:		
<b>Auditors remuneration</b>		
- Audit of the Annual Financial Report	39,491	36,205
- Other Services	223	826
<b>Depreciation</b>		
Buildings	2,532,394	2,630,995
Equipment (External)	414,028	129,397
Furniture and equipment	695,090	784,293
Plant	2,009,830	1,872,621
Artwork & Sculptures	21,896	20,220
Roads	8,776,996	2,693,304
Footpaths	858,456	489,640
Drainage	20,313	37,646
Parks & Gardens	242,768	128,900
Hardcourt Facilities	293,304	147,309
Bridges & Culverts	497,897	277,135
Boat Ramps & Jetties	99,716	175,480
Aerodromes	2,170,786	2,056,395
Miscellaneous Structures	1,039,992	1,268,016
	<u>19,673,466</u>	<u>12,711,351</u>
<b>Interest expenses (finance costs)</b>		
Debentures (refer Note 22 (a))	1,084	0
	<u>1,084</u>	<u>0</u>
<b>Rental charges</b>		
- Operating leases	0	7,394
	<u>0</u>	<u>7,394</u>
(ii) Crediting as revenue:		
<b>Other revenue</b>		
Other	1,073,305	2,633,866
	<u>1,073,305</u>	<u>2,633,866</u>

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

**2 REVENUE AND EXPENSES (Continued)**

	<b>2016 Actual \$</b>	<b>2016 Budget \$</b>	<b>2015 Actual \$</b>
<b>Interest earnings</b>			
Employee Entitlement Reserve	94,270	82,944	75,045
Aerodrome Reserve	64,600	171,168	218,368
Dampier Drainage Reserve	0	0	0
Walkington Theatre Reserve	761	1,032	915
Plant Replacement Reserve	47,320	92,508	70,338
Workers Compensation Reserve	13,018	23,244	21,030
Waste Management Reserve	477,397	551,604	573,975
Infrastructure Reserve	761,250	828,088	657,101
Housing Reserve	7,363	11,028	0
Aged Persons Unit Reserve	503	0	2,404
History & Cultural Publications Reserve	0	0	1,695
Mosquito Control Reserve	159	192	180
Medical Services Assistance Package Reserv	7,110	9,588	8,677
Community Development Reserve	26,036	11,784	7,162
Carry Forward Budget Reserve	0	0	0
Restricted Funds Reserve	0	0	0
Partnership Reserve	296,404	400,140	262,056
Pilbara Underground Power Reserve	356,732	372,996	284,141
<b>Earnings on Municipal Funds</b>			
Other funds	345,078	489,575	497,287
Other interest revenue (refer note 28)	560,124	288,000	895,982
	<u>3,058,125</u>	<u>3,333,891</u>	<u>3,576,356</u>

**2. REVENUE AND EXPENSES**

**(b) Statement of Objective**

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

**COMMUNITY VISION**

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

City operations as disclosed in these financial statements encompass the following service orientated activities/programs.

City operations as disclosed in these financial statements encompass the following service orientated activities/programs.

**GOVERNANCE**

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

**GENERAL PURPOSE FUNDING**

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

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

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

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

**LAW, ORDER, PUBLIC SAFETY**

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

**HEALTH**

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

**EDUCATION AND WELFARE**

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

**HOUSING**

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

**COMMUNITY AMENITIES**

Rubbish collection services, operation of tip, administration of town planning schemes and operation of cemeteries. Also included are the costs associated with the maintaining and cleaning of public toilets.

**RECREATION AND CULTURE**

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

**TRANSPORT**

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

**ECONOMIC SERVICES**

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

**OTHER PROPERTY AND SERVICES**

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

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

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

<b>(c) Conditions Over Grants/Contributions</b>	<b>Opening Balance <sup>(1)</sup> 1/07/14 \$</b>	<b>Received <sup>(2)</sup> 2014/15 \$</b>	<b>Expended <sup>(3)</sup> 2014/15 \$</b>	<b>Closing Balance <sup>(1)</sup> 30/06/15 \$</b>	<b>Opening Balance 2015/16 \$</b>	<b>Received <sup>(2)</sup> 2015/16 \$</b>	<b>Expended <sup>(3)</sup> 2015/16 \$</b>	<b>Closing Balance 30/06/16 \$</b>	<b>Reserve</b>
Roebourne Community Recreation Assoc Inc	23,024	0	0	<b>23,024</b>	23,024	0	0	<b>23,024</b> (1) *	REST
PDC Hydrology Grant	40,000	0	0	<b>40,000</b>	40,000	0	0	<b>40,000</b> (1) *	REST
Rio Tinto - Wickham Recreation and Community F	185,155	0	0	<b>185,155</b>	185,155	0	0	<b>185,155</b> (1) *	PART
Rio Tinto - Dampier Community Hub	3,811,206	6,000,000	(2,142,662)	<b>7,668,544</b>	6,941,045	6,492,042	(11,920,051)	<b>1,513,036</b> (1,2) *	PART
Attorney General Dept - CCTV/Graffiti Act	90,000	0	(90,000)	<b>0</b>	0	0	0	<b>0</b>	
WA Police - Karratha CCTV	25,000	0	0	<b>25,000</b>	25,000	0	(27,168)	<b>0</b> (3) *	CFWD
Community Crime Prevention Grant - Lighting the I	25,000	0	(25,000)	<b>0</b>	0	0	0	<b>0</b>	
Rio Tinto - Wickham/Roebourne SES Facility	200,000	200,000	(336,184)	<b>63,816</b>	51,096	0	0	<b>51,096</b> (1) *	PART
Rio Tinto - Partnership Management Team	53,051	2,793,800	(2,793,191)	<b>53,660</b>	79,291	833,490	(767,825)	<b>144,956</b> (1,2) * ^	PART
Rio Tinto - Community Development Services	0	1,352,000	(624,714)	<b>727,286</b>	727,286	0	(676,000)	<b>51,286</b> (1) *	PART
Curtin University - Tobacco Control	2,120	0	(2,120)	<b>0</b>	0	0	0	<b>0</b>	
Department Of Health (Mosquito Control) - FIMMV	2,798	0	(2,798)	<b>0</b>	0	0	0	<b>0</b>	
Pilbara Youth Justice Service	5,000	0	0	<b>5,000</b>	5,000	0	(5,000)	<b>0</b> (3)	REST
Woodside Energy Ltd - Cleansweep Taskforce Initi	20,000	0	(20,000)	<b>0</b>	0	0	0	<b>0</b>	
Pilbara Industry Road Safety Alliance	63,806	60,000	(15,446)	<b>108,360</b>	108,360	0	(39,124)	<b>69,236</b> (1) *	CFWD
PDC - Roebourne Community Aquatic Centre	0	20,000	0	<b>20,000</b>	20,000	0	0	<b>20,000</b> (2) ^	CFWD
Fleetwood Corporation - Searipple Precinct Foresh	0	44,825	0	<b>44,825</b>	44,825	44,825	0	<b>89,650</b> (1,2) * ^	CFWD
Landcorp - Effluent Reuse Scheme	0	1,985,000	0	<b>1,985,000</b>	1,985,000	0	(1,985,000)	<b>0</b> (3)	CFWD
WaterCorp - Karratha Water Recycling Scheme	0	500,000	0	<b>500,000</b>	500,000	0	(500,000)	<b>0</b> (3)	CFWD
PRC - Contribution to Sullage Point	0	11,100	(7,500)	<b>3,600</b>	3,600	0	(1,220)	<b>2,380</b> (1) #	n/a
DSC - VisAbility Grant	0	12,000	(8,777)	<b>3,223</b>	3,223	0	(3,223)	<b>0</b> (3)	#
Rio Tinto - Damiper Community Hub Operations	0	0	0	<b>0</b>	1,000,000	1,000,000	0	<b>2,000,000</b> (1,2) * ^	PART
WALGA - Local Road Safety Activities	0	0	0	<b>0</b>	0	70,899	(69,899)	<b>1,000</b> (2) #	n/a
State Library of Western Australia	0	0	0	<b>0</b>	0	20,010	(17,000)	<b>3,010</b> (2) #	n/a
Dept. of Planning - Coastal Management Strategy	0	0	0	<b>0</b>	0	170,400	(167,350)	<b>3,050</b> (2) #	n/a
Rio Tinto - Wickham Community Hub	0	0	0	<b>0</b>	0	4,500,000	0	<b>4,500,000</b> (2) ^	PART
<b>Total</b>	<b>4,546,160</b>	<b>12,978,725</b>	<b>(6,068,392)</b>	<b>11,456,493</b>	<b>11,741,905</b>	<b>13,131,666</b>	<b>(16,178,860)</b>	<b>8,696,879</b>	

**Notes:**

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

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

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

**(\*)** - Grants/contributions have been received in Municipal cash in previous period and have been transferred to Reserve in previous period

**(^)** - Grants/contributions have been received in Municipal cash and have been transferred to Reserve in 2015/16

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

**Economic Dependency**

A significant portion of revenue is received by way of grants from the State and Federal Government. The total of grant revenue from government sources is disclosed within the Statement of comprehensive Income.

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

	Note	2016 \$	2015 \$
<b>3. CASH AND CASH EQUIVALENTS</b>			
- Cash on Hand		18,705	18,705
- Cash at Municipal Bank		3,762,656	1,249,854
Restricted - Municipal (Unspent Grants/Contributions)		9,440	26,823
Restricted - Reserves		<u>92,784,458</u>	<u>84,089,305</u>
		<u>96,575,259</u>	<u>85,384,687</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Employee Entitlement Reserve	12	4,464,248	3,786,466
Aerodrome Reserve	12	1,880,596	4,703,106
Dampier Drainage Reserve	12	10,000	0
Walkington Theatre Reserve	12	30,261	29,500
Plant Replacement Reserve	12	1,323,200	1,856,646
Workers Compensation Reserve	12	750,000	487,806
Waste Management Reserve	12	19,559,366	18,491,943
Infrastructure Reserve	12	40,398,805	27,101,159
Housing Reserve	12	322,363	315,000
Aged Persons Unit Reserve	12	0	76,384
Mosquito Control Reserve	12	6,964	6,234
Medical Services Assistance Package Reserve	12	365,798	275,666
Community Development Reserve	12	1,546,930	549,449
Carry Forward Budget Reserve	12	176,718	4,223,638
Restricted Funds Reserve	12	270,982	275,982
Partnership Reserve	12	10,831,493	11,932,058
Pilbara Underground Power Reserve	12	10,846,734	9,978,268
Unspent grants	2(c)	<u>9,440</u>	<u>26,823</u>
		<u>92,793,898</u>	<u>84,116,128</u>

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

	Note	2016 \$	2015 \$
<b>4. TRADE AND OTHER RECEIVABLES</b>			
<b>Current</b>			
Rates outstanding		2,310,193	2,100,461
- Service Charge		4,350,816	5,829,349
- Rubbish		962,486	1,020,799
- Fees and Charges for Services		274,445	425,360
- Private Works		3,487	3,487
- Income from Property		129,245	55,153
- Aerodrome		4,197,420	5,421,862
- Grants and Contributions		2,626,616	5,501,758
- Reimbursements and General		12,549	(476,407)
- Excess Rates Receipts		(283,841)	(413,592)
Staff Housing Bonds		23,555	67,085
Pensioner Rebates		0	34,767
Accrued Income		747,960	1,574,633
Prepayments		302,481	106,245
Less Provision for Doubtful Debts		(473,195)	(703,254)
GST receivable		538,782	231,704
Loans receivable - clubs/institutions		69,370	243,423
		<u>15,792,369</u>	<u>21,022,833</u>
<b>Non-current</b>			
Loans receivable - clubs/institutions		443,657	547,812
Service Charge		3,554,928	6,378,811
		<u>3,998,585</u>	<u>6,926,623</u>
<b>5. INVENTORIES</b>			
<b>Current</b>			
Fuel and materials		329,716	480,173
Land held for resale - cost			
Cost of acquisition		0	524,251
Food, Drinks & Merchandise Roebourne Aquatic Centre		420	876
Food, Drinks & Merchandise Youth Shed		2,273	3,356
Food, Drinks & Merchandise Wickham Recreation Precinct		6,582	606
Food, Drinks & Merchandise Karratha Leisureplex		6,286	3,175
		<u>345,277</u>	<u>1,012,437</u>
<b>Non-current</b>			
Land held for resale - cost			
Cost of acquisition		524,439	0
Development costs		0	0
		<u>524,439</u>	<u>0</u>

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

	2016 \$	2015 \$
<b>6 (a). PROPERTY, PLANT AND EQUIPMENT</b>		
Land and buildings		
Land - freehold at:		
- Independant valuation 2014 - level 2	34,174,000	34,172,426
- Additions after valuation - cost	1,574	1,574
- Impairment	<u>(23,806,083)</u>	<u>(4,389,765)</u>
	10,369,491	29,784,235
Land - vested in and under the control of Council at:		
- Independent valuation 2014 - level 3	395,000	395,000
- Management Valuation 2014	<u>169,454</u>	<u>169,454</u>
	564,454	564,454
	<u>10,933,945</u>	<u>30,348,689</u>
Buildings at:		
- Independant valuation 2014 - level 2	126,487,053	126,484,623
- Additions after valuation - cost	2,232,773	1,643,435
- Impairment	<u>(7,918,078)</u>	<u>(6,693,482)</u>
Less: accumulated depreciation	<u>(6,974,588)</u>	<u>(4,442,194)</u>
	113,827,160	116,992,382
Equipment (External) at:		
- Management valuation 2013 - level 3	0	3,253,968
- Independent valuation 2016 - level 1	157,044	0
- Management valuation 2016 - level 3	373,523	0
- Additions after valuation - cost	0	86,404
Less: accumulated depreciation	<u>0</u>	<u>(3,019,491)</u>
	530,567	320,881
	<u>114,357,727</u>	<u>117,313,263</u>
Total land and buildings	<u>125,291,672</u>	<u>147,661,952</u>
Furniture and equipment at:		
- Management valuation 2013 - level 2	0	6,372,496
- Management valuation 2016 - level 3	1,472,822	0
- Additions after valuation - cost	0	626,676
Less accumulated depreciation	<u>0</u>	<u>(4,425,054)</u>
	1,472,822	2,574,118
Plant at:		
- Management valuation 2013 - level 1	0	13,065,126
- Independant valuation 2016 - level 1	7,006,133	0
- Management valuation 2016 - level 3	66,198	0
- Additions after valuation - cost	0	2,464,309
Less accumulated depreciation	<u>0</u>	<u>(6,289,814)</u>
	7,072,331	9,239,621
Artwork & Sculptures at:		
- Management valuation 2015 - level 3	865,250	865,250
- Additions after valuation - cost	196,990	0
Less accumulated depreciation	<u>(21,896)</u>	<u>0</u>
	1,040,344	865,250
Works in Progress	<u>57,301,305</u>	<u>37,618,867</u>
	57,301,305	37,618,867
	<u>192,178,474</u>	<u>197,959,808</u>

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires property, plant and equipment to be shown at fair value.

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

Movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold	29,784,235	0	0		0	(19,416,318)	0	1,574	10,369,491
Land - vested in and under the control of Council	564,454	0	0	0	0	0	0	0	564,454
<b>Total land</b>	<b>30,348,689</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(19,416,318)</b>	<b>0</b>	<b>1,574</b>	<b>10,933,945</b>
Buildings	116,992,382	589,339	0	0	0	(1,224,596)	(2,532,394)	2,429	113,827,160
Equipment (External)	320,881	71,796		47,001	0	0	(414,028)	504,917	530,567
<b>Total buildings</b>	<b>117,313,263</b>	<b>661,135</b>	<b>0</b>	<b>47,001</b>	<b>0</b>	<b>(1,224,596)</b>	<b>(2,946,422)</b>	<b>507,346</b>	<b>114,357,727</b>
<b>Total land and buildings</b>	<b>147,661,952</b>	<b>661,135</b>	<b>0</b>	<b>47,001</b>	<b>0</b>	<b>(20,640,914)</b>	<b>(2,946,422)</b>	<b>508,920</b>	<b>125,291,672</b>
Furniture and equipment	2,574,118	83,163	(33,770)	8,509	0	0	(695,090)	(464,108)	1,472,822
Plant	9,239,621	1,755,714	(900,460)	0	(969,476)	0	(2,009,830)	(43,238)	7,072,331
Artwork & Sculptures	865,250	196,990	0	0	0	0	(21,896)	0	1,040,344
Works in Progress	37,618,867	19,684,012	0	0	0	0	0	(1,574)	57,301,305
<b>Total property, plant and equipment</b>	<b>197,959,808</b>	<b>22,381,014</b>	<b>(934,230)</b>	<b>55,510</b>	<b>(969,476)</b>	<b>(20,640,914)</b>	<b>(5,673,238)</b>	<b>0</b>	<b>192,178,474</b>

The revaluation of Plant resulted in a decrease on revaluation of \$969,476 in the net value of Plant. The decrement was recognised as fair value adjustments to the financial assets through profit or loss in the Statement of Comprehensive Income.

The revaluation of Equipment and Furniture resulted in an increase on revaluation of \$55,510 in the net value of the assets. The increment was recognised as fair value adjustments to financial assets through Other Comprehensive Income and accumulated as a revaluation surplus.

The revaluation of marketable land and building assets resulted in an impairment of \$20,640,914 in the net value of land and buildings. This impairment was debited to the revaluation surplus in the City's equity (refer Note 13)



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

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

**(c) Fair Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of valuation</b>	<b>Date of last Valuation</b>	<b>Inputs used</b>
<b>Land and buildings</b>					
Land - freehold	2	Market Approach using recent observable market data for similar properties	Independent Valuation	June 2014	Price per hectare
Land - vested in and under the control of Council	3	Income Approach	Independent Valuation	June 2014	Comparitive income and expense data
Buildings	2	Market Approach using recent observable market data for similar properties	Independent Valuation	June 2014	Construction costs and current condition
Equipment (External)					
- Independent valuation 2016	1	Market Approach	Independent Valuation	June 2016	Measurements based on quoted prices in active markets for identical assets
- Management valuation 2016	3	Cost Approach using depreciated replacement cost	Management Valuation	June 2016	Purchase costs and current condition (Level 2), residual vales and remaining useful life assessments (Level 3)
<b>Furniture and equipment</b>	3	Cost Approach using depreciated replacement cost	Management Valuation	June 2016	Residual values and remaining estimated useful life
<b>Plant</b>					
- Independant valuation 2016	1	Market Approach	Independent Valuation	June 2016	Measurements based on quoted prices in active markets for identical assets
- Management valuation 2016	3	Cost Approach using depreciated replacement cost	Management Valuation	June 2016	Purchase costs and current condition (Level 2), residual vales and remaining useful life assessments (Level 3)
<b>Artwork &amp; Sculptures</b>	3	Market Approach	Independent Valuation	June 2015	Current condition and compareable market values achieved at auction houses and contact with artists

**CITY OF KARRATHA**  
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	2016 \$	2015 \$
<b>7 (a). INFRASTRUCTURE</b>		
Roads		
- Management valuation 2015 - level 3	357,790,190	357,077,603
- Additions after valuation - cost	1,389,022	0
Less accumulated depreciation	(8,776,996)	0
	<u>350,402,216</u>	<u>357,077,603</u>
Footpaths		
- Management valuation 2015 - level 3	30,919,410	30,813,725
- Additions after valuation - cost	62,440	0
Less accumulated depreciation	(858,456)	0
	<u>30,123,394</u>	<u>30,813,725</u>
Drainage		
- Independent valuation 2015 - level 3	1,576,431	1,576,431
Less accumulated depreciation	(20,313)	0
	<u>1,556,118</u>	<u>1,576,431</u>
Parks & Gardens		
- Independent valuation 2015 - level 3	4,508,815	5,197,030
- Additions after valuation - cost	105,324	0
Less accumulated depreciation	(242,768)	0
	<u>4,371,371</u>	<u>5,197,030</u>
Hardcourt Facilities		
- Independent valuation 2015 - level 3	7,157,891	7,957,736
- Additions after valuation - cost	312,070	0
Less accumulated depreciation	(293,304)	0
	<u>7,176,657</u>	<u>7,957,736</u>
Bridges & Culverts		
- Independent valuation 2015 - level 3	26,453,860	28,509,920
Less accumulated depreciation	(497,897)	0
	<u>25,955,963</u>	<u>28,509,920</u>
Boat Ramps & Jetties		
- Independent valuation 2015 - level 3	3,663,268	4,009,768
- Additions after valuation - cost	409,475	0
Less accumulated depreciation	(99,716)	0
	<u>3,973,027</u>	<u>4,009,768</u>
Aerodromes		
- Independent valuation 2015 - level 3	65,782,279	63,697,864
- Management valuation 2015 - level 3	0	136,564
Less accumulated depreciation	(2,170,786)	0
	<u>63,611,493</u>	<u>63,834,428</u>
Miscellaneous Structures		
- Independent valuation 2015 - level 3	17,628,171	16,935,083
- Management valuation 2015 - level 3	0	2,350
- Additions after valuation - cost	589,827	0
Less accumulated depreciation	(1,039,992)	0
	<u>17,178,006</u>	<u>16,937,433</u>
Works in Progress	31,090,152	15,177,401
	<u>535,438,397</u>	<u>531,091,475</u>

The fair value of infrastructure is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and, where appropriate, the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government *(Financial Management) Regulation 17A (2)* which requires infrastructure to be shown at fair value.

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**7. INFRASTRUCTURE (Continued)**

**(b) Movements in Carrying Amounts**

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Roads	357,077,603	1,389,022	(4,070)	(83,189)	0	0	(8,776,996)	799,846	350,402,216
Footpaths	30,813,725	62,440	0	0	0	0	(858,456)	105,685	30,123,394
Drainage	1,576,431	0	0	0	0	0	(20,313)	0	1,556,118
Parks & Gardens	5,197,030	105,324	0	0	0	0	(242,768)	(688,215)	4,371,371
Hardcourt Facilities	7,957,736	312,070	0	0	0	0	(293,304)	(799,845)	7,176,657
Bridges & Culverts	28,509,920	0	0	0	0	0	(497,897)	(2,056,060)	25,955,963
Boat Ramps & Jetties	4,009,768	409,475	(346,500)	0	0	0	(99,716)	0	3,973,027
Aerodromes	63,834,428	0	0	0	0	0	(2,170,786)	1,947,851	63,611,493
Miscellaneous Structures	16,937,433	589,827	0	0	0	0	(1,039,992)	690,738	17,178,006
Works in Progress	15,177,401	15,912,751	0	0	0	0	0	0	31,090,152
<b>Total infrastructure</b>	<b><u>531,091,475</u></b>	<b><u>18,780,909</u></b>	<b><u>(350,570)</u></b>	<b><u>(83,189)</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>(14,000,228)</u></b>	<b><u>0</u></b>	<b><u>535,438,397</u></b>

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

**7. INFRASTRUCTURE (Continued)**

**(c) Fair Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of valuation</b>	<b>Date of last Valuation</b>	<b>Inputs used</b>
<b>Roads</b>	Level 3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Footpaths</b>	Level 3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Drainage</b>	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Parks &amp; Gardens</b>	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Hardcourt Facilities</b>	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Bridges &amp; Culverts</b>	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Boat Ramps &amp; Jetties</b>	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Aerodromes</b>	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Miscellaneous Structures</b>	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>8. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Sundry creditors	5,320,211	8,882,020
Other Liabilities	60,134	46,155
Retention Monies	695,311	248,402
Accrued Expenses	2,956,596	395,315
Accrued salaries and wages	86,228	1,078,772
Accrued interest on loans	1,084	0
ATO liabilities	3,950	(77)
Income Received in Advance	462,873	5,668,528
Net Trust Liabilities	54,806	139,098
	<u>9,641,193</u>	<u>16,458,213</u>

**9. LONG-TERM BORROWINGS**

<b>Current</b>		
Self Supporting Loan WATC	63,103	0
	<u>63,103</u>	<u>0</u>
<b>Non-current</b>		
Self Supporting Loan WATC	412,513	0
	<u>412,513</u>	<u>0</u>

Additional detail on borrowings is provided in Note 22.

**10. PROVISIONS**

	<b>Provision for Annual Leave \$</b>	<b>Provision for Long Service Leave \$</b>	<b>Total \$</b>
<b>Opening balance at 1 July 2015</b>			
Current provisions	2,630,314	1,119,829	3,750,143
Non-current provisions	0	705,664	705,664
	<u>2,630,314</u>	<u>1,825,493</u>	<u>4,455,807</u>
Additional provision	(178,827)	187,268	8,441
<b>Balance at 30 June 2016</b>	<u>2,451,487</u>	<u>2,012,761</u>	<u>4,464,248</u>
<b>Comprises</b>			
Current	2,451,487	1,168,671	3,620,158
Non-current	0	844,090	844,090
	<u>2,451,487</u>	<u>2,012,761</u>	<u>4,464,248</u>

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

**12. RESERVES - CASH BACKED**

	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$	Budget 2016 Opening Balance \$	Budget 2016 Transfer to \$	Budget 2016 Transfer (from) \$	Budget 2016 Closing Balance \$	Actual 2015 Opening Balance \$	Actual 2015 Transfer to \$	Actual 2015 Transfer (from) \$	Actual 2015 Closing Balance \$
Employee Entitlement Reserve	3,786,466	677,782	0	4,464,248	2,369,889	2,349,594	0	4,719,483	2,299,046	1,487,420	0	3,786,466
Aerodrome Reserve	4,703,106	64,600	(2,887,110)	1,880,596	5,598,402	171,168	(693,655)	5,075,915	14,722,172	780,883	(10,799,949)	4,703,106
Dampier Drainage Reserve	0	10,000	0	10,000	10,000	10,000	0	20,000	0	0	0	0
Walkington Theatre Reserve	29,500	761	0	30,261	29,320	1,032	0	30,352	28,457	1,043	0	29,500
Plant Replacement Reserve	1,856,646	47,320	(580,766)	1,323,200	2,579,398	1,234,856	(766,000)	3,048,254	2,448,687	81,265	(673,306)	1,856,646
Workers Compensation Reserve	487,806	262,194	0	750,000	664,122	85,878	0	750,000	644,269	23,908	(180,371)	487,806
Waste Management Reserve	18,491,943	1,067,423	0	19,559,366	18,040,645	551,604	(49,222)	18,543,027	18,552,708	1,271,224	(1,331,989)	18,491,943
Infrastructure Reserve	27,101,159	18,312,797	(5,015,151)	40,398,805	27,032,140	13,863,191	(2,245,744)	38,649,587	18,132,785	11,412,165	(2,443,791)	27,101,159
Housing Reserve	315,000	7,363	0	322,363	315,000	11,028	0	326,028	0	315,000	0	315,000
Aged Persons Unit Reserve	76,384	503	(76,887)	0	75,920	0	(75,920)	0	73,651	2,733	0	76,384
Public Open Space Reserve	0	0	0	0	0	0	0	0	730	0	(730)	0
History & Cultural Publications Reserve	0	1,945	(1,945)	0	0	0	0	0	55,919	0	(55,919)	0
Mosquito Control Reserve	6,234	730	0	6,964	4,962	762	0	5,724	5,462	772	0	6,234
Medical Services Assistance Package Reserve	275,666	90,132	0	365,798	273,993	57,588	0	331,581	265,803	9,863	0	275,666
Community Development Reserve	549,449	997,481	0	1,546,930	336,733	161,784	(325,000)	173,517	1,149,692	314,365	(914,608)	549,449
Carry Forward Budget Reserve	4,223,638	1,056,397	(5,103,317)	176,718	263,384	9,314,000	(363,384)	9,214,000	0	4,223,638	0	4,223,638
Restricted Funds Reserve	275,982	0	(5,000)	270,982	275,982	0	0	275,982	275,982	0	0	275,982
Partnership Reserve	11,932,058	15,355,367	(16,455,932)	10,831,493	11,432,558	10,217,192	(18,870,646)	2,779,104	4,249,414	16,594,259	(8,911,615)	11,932,058
Pilbara Underground Power Reserve	9,978,268	4,751,954	(3,883,485)	10,846,737	10,656,918	4,833,085	(3,600,000)	11,890,003	0	19,122,119	(9,143,851)	9,978,268
	<u>84,089,305</u>	<u>42,704,749</u>	<u>(34,009,593)</u>	<u>92,784,461</u>	<u>79,959,366</u>	<u>42,862,762</u>	<u>(26,989,571)</u>	<u>95,832,557</u>	<u>62,904,777</u>	<u>55,640,657</u>	<u>(34,456,129)</u>	<u>84,089,305</u>

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

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**12. RESERVES - CASH BACKED**

In accordance with council resolutions in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

<b>Name of Reseve</b>	<b>Anticipated date of use</b>	<b>Purpose of the reserve</b>
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	The purpose of this reserve is to fund the development, operation and maintenance of the Karratha Airport, inclusive of any repayments of borrowings and the funding of employee entitlements.
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
Walkington Theatre Reserve		The purpose of this reserve is to fund the operation and capital works of the Walkington Theatre.
Plant Replacement Reserve	Ongoing	The purposes of this reserve is to fund the capital purchase of plant and equipment.
Workers Compensation Reserve	Ongoing	The purpose of this reserve is to provide Council with sufficient funds to cover its potential liability in regard to the performance based workers compensation scheme of Local Government Insurance Services of which the City of Karratha is a member. Funds within the Reserve that become surplus to requirements will be transferred to Council's Employee Entitlements Reserve via way of Council's Annual Budget.
Waste Management Reserve	Ongoing	The purpose of this reserve is to fund development, operation and maintenance of the Council's Waste Management facilities inclusive of repayments of borrowings and the funding of employee entitlements.
Infrastructure Reserve	Ongoing	The purpose of this reserve is to allow for the use of these reserve funds for the enhancement, replacement, refurbishment and purchase of infrastructure assets or project works of the City of Karratha inclusive of the associated repayment of borrowings on infrastructure. Project works funded from this Reserve may not necessarily belong to the City of Karratha but must be carried out for the benefit of the City of Karratha.
Housing Reserve	Ongoing	The purpose of this reserve is to fund the maintenance, refurbishment, replacement and construction of staff housing inclusive of the purchase. This reserve is funded by annual allocations from the Municipal Fund and from sale of Staff Housing.
Aged Persons Unit Reserve	2016	The purpose of this reserve is to assist in the transfer of Seniors from the current senior's village on Welcome Road to the new village provisioned by the State Government. As this project has been finalised, the remainder of these fund have been transferred to municipal funds in the 2015/16 Financial Year.
Public Open Space Reserve	2015	The purpose of this Reserve is to fund future developments of public open spaces funded by proceeds from the undertaking of Land Transactions and Community Contributions received for the purpose of Public Open Space. This Reserve was closed in the 2014/15 Financial Year.
History & Cultural Publications Reserve	2016	The purpose of this Reserve is to fund future history and cultural publications. The income is generated from the sale of these publications. This Reserve was closed in the 2015/16 Financial Year.
Mosquito Control Reserve	Ongoing	The purpose of this reserve is to fund mosquito control programmes inclusive of the purchase of replacement equipment as required.
Medical Services Assistance Package Reserve	Ongoing	The purpose of this reserve is to fund future assistance to Medical Services in accordance with Council's participation in the Medical Services Incentive Scheme. This is inclusive of retention payments to General Practitioner's in accordance with the Medical Services Incentive Scheme.
Community Development Reserve	Ongoing	The purpose of this reserve is to hold Annual Community Association Grant Scheme unspent payments each year and to fund future projects initiated by Community Associations from time to time via the Annual Community Association Grant Scheme.
Carry Forward Budget Reserve	2017	This reserve is for the purpose of preserving projects funds carried over.
Restricted Funds Reserve	Ongoing	This reserve is for the purpose of holding Unexpended or prepaid Grants (other than Royalties for Regions) and Capital Contributions provided for specific purposes.
Partnership Reserve	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	The purpose of this reserve is to secure the unspent portions pertaining to the City of Karratha's share of costs in relation to the Pilbara Underground Power Project.

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

**13. REVALUATION SURPLUS**

	2016 Opening Balance	2016 Revaluation Increment / Decrement	2016 Impairment Decrement	2016 Total Movement on Revaluation	2016 Closing Balance	2015 Opening Balance	2015 Revaluation Increment	2015 Revaluation Decrement	2015 Total Movement on Revaluation	2015 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land and buildings	37,117,794	0	(20,640,914)	(20,640,914)	16,476,880	48,927,908	(2)	(11,810,112)	(11,810,114)	37,117,794
Furniture and equipment	0	8,509	0	8,509	8,509	0	0	0	0	0
Equipment	0	47,001	0	47,001	47,001	0	0	0	0	0
Roads	272,265,766	(83,189)	0	(83,189)	272,182,577	0	272,265,766	0	272,265,766	272,265,766
Footpaths	24,543,432	0	0	0	24,543,432	0	24,543,432	0	24,543,432	24,543,432
Drainage	113,738	0	0	0	113,738	0	113,738	0	113,738	113,738
Hardcourt Facilities	616,856	0	0	0	616,856	0	616,856	0	616,856	616,856
Bridges & Culverts	27,654,868	0	0	0	27,654,868	0	27,654,868	0	27,654,868	27,654,868
Boat Ramps & Jetties	3,662,964	0	0	0	3,662,964	0	3,662,964	0	3,662,964	3,662,964
Aerodromes	22,340,114	0	0	0	22,340,114	0	22,340,114	0	22,340,114	22,340,114
Miscellaneous Structures	4,509,694	0	0	0	4,509,694	136,595	4,509,494	(136,395)	4,373,099	4,509,694
	<u>392,825,226</u>	<u>(27,679)</u>	<u>(20,640,914)</u>	<u>(20,668,593)</u>	<u>372,156,633</u>	<u>49,064,503</u>	<u>355,707,230</u>	<u>(11,946,507)</u>	<u>343,760,723</u>	<u>392,825,226</u>

Movements on revaluation of fixed assets are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.



**CITY OF KARRATHA**  
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**14. NOTES TO THE STATEMENT OF CASH FLOWS**

**(a) Reconciliation of Cash**

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

	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	<u>96,575,259</u>	<u>103,306,326</u>	<u>85,384,687</u>

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

Net result	28,453,924	42,162,050	108,665,489
Non-cash flows in Net result:			
Depreciation	19,673,466	11,116,452	12,711,351
(Profit)/Loss on sale of asset	549,068	(7,448)	562,508
Fair value adjustments to fixed assets			
at fair value through profit or loss	0		11,375,117
Loss on revaluation of fixed assets	969,476		0
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	7,882,863	4,799,822	(15,216,541)
(Increase)/Decrease in inventories	142,909		(86,297)
Increase/(Decrease) in payables	(6,817,020)	(1,753,396)	5,764,854
Increase/(Decrease) in provisions	8,441	300,000	(263,677)
Grants contributions for			
the development of assets	<u>(24,125,427)</u>	<u>(22,873,255)</u>	<u>(11,508,482)</u>
Net cash from operating activities	<u>26,737,700</u>	<u>33,744,225</u>	<u>112,004,322</u>

**(c) Undrawn Borrowing Facilities**  
**Credit Standby Arrangements**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Bank overdraft limit	1,000,000	1,000,000
Bank overdraft at balance date	0	0
Credit card limit	190,000	185,000
Credit card balance at balance date	<u>(42,594)</u>	<u>(57,456)</u>
<b>Total amount of credit unused</b>	<u>1,147,406</u>	<u>1,127,544</u>

**Loan facilities**

Loan facilities - current	63,103	0
Loan facilities - non-current	<u>412,513</u>	<u>0</u>
<b>Total facilities in use at balance date</b>	<u>475,616</u>	<u>0</u>

<b>Unused loan facilities at balance date</b>	<u>NIL</u>	<u>NIL</u>
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**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**15. CONTINGENT LIABILITIES**

As part of the Pilbara Underground Power Project, Council entered into a funding agreement with Horizon Power for the purpose of managing and implementing the program. The funding agreement was for the lesser of 25% of the total expended amount and \$34,550,000, with associated expenses to be recognised as incurred. At the time of production of this document the project was ongoing and therefore the final amount is unable to be determined. Payments made to date total \$13million while the scheduled payment for 2016-17 is \$4.0million.

The lease for the Gap Ridge transient workforce accommodation camp is scheduled to expire in May 2017 and Council has been advised that the State Government will not be renewing the lease. Based on an expiry date of 1 May 2017, it is anticipated that an interim rate will be calculated and Council will be liable for a rates credit of \$328,275, being the portion of rates levied applicable to the 61 days after surrender of the lease. If the lease is surrendered earlier by mutual agreement, Council will be liable for a greater rates credit. This amount cannot be quantified at the time of production of this document.

**16. CAPITAL AND LEASING COMMITMENTS**

**(a) Operating Lease Commitments**

The City did not have any future operating lease commitments at the reporting date.

**(b) Capital Expenditure Commitments**

The City did not have any future capital expenditure commitments at the reporting date.

**17. JOINT VENTURE ARRANGEMENTS**

The City is not involved in any joint venture arrangements.

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Governance	101,019,878	100,613,591
General purpose funding	10,613,209	10,613,209
Law, order, public safety	883,719	1,146,634
Health	957,878	983,170
Education and welfare	2,539,676	2,593,500
Housing	28,934,342	43,230,327
Community amenities	45,206,973	38,004,311
Recreation and culture	151,001,893	139,152,141
Transport	428,516,899	432,581,524
Economic services	463,829	494,340
Other property and services	7,317,689	9,479,226
Unallocated	67,396,815	64,505,890
	<u>844,852,800</u>	<u>843,397,863</u>

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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	2016	2015	2014
<b>19. FINANCIAL RATIOS</b>			
Current ratio	2.05	1.45	1.09
Asset sustainability ratio	0.92	0.71	1.22
Debt service cover ratio	22,143.03	N/A	401.28
Operating surplus ratio	0.05	0.82	0.20
Own source revenue coverage ratio	0.95	1.19	1.10

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

**Notes:**

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 60 of this document.

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**20. TRUST FUNDS**

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

	1 July 2015	Amounts Received	Amounts Paid	30 June 2016
	\$	\$	(\$)	\$
Building/Kerb Deposits	7,450	0	(3,000)	4,450
Hall Hire Bonds	10,835	9,900	(9,200)	11,535
Ranger Bonds	1,490	0	0	1,490
Verge Bonds	457,050	25,000	(124,000)	358,050
Retention Funds	21,860	0	0	21,860
Staff Airport Parking Cards	2,100	5,450	(1,050)	6,500
Airport ASIC Cards	4,600	8,800	(1,950)	11,450
Staff Travel Allowances	67,584	25,793	(82,799)	10,578
Staff Housing Bonds	0	18,221	(17,522)	699
Nomination Deposits	0	1,520	(1,520)	0
Other Deposits				
Public Open Space Contributions	1,291,199	25,514	0	1,316,713
Karratha Agistment Centre Compensation Funds	0	688,534	(24,523)	664,011
Planning Bonds	539,550	0	0	539,550
Other Bonds & Guarantees	360,555	6,482	(157,683)	209,354
Bonds & Guarantees (old)	2,520	0	(2,520)	0
Kerb Deposits (old)	2,800	0	(2,800)	0
Stale Cheques	3,915	0	0	3,915
ATM Monies	820	0	0	820
Unclaimed Wages	37	0	0	37
NADC Research Funds	805	0	0	805
	<u>2,775,170</u>	<u>815,214</u>	<u>(428,567)</u>	<u>3,161,817</u>

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**21. DISPOSALS OF ASSETS - 2015/16 FINANCIAL YEAR**

The following assets were disposed of during the year.

	<b>Actual Net Book Value \$</b>	<b>Actual Sale Proceeds \$</b>	<b>Actual Profit \$</b>	<b>Actual Loss \$</b>	<b>Budget Net Book Value \$</b>	<b>Budget Sale Proceeds \$</b>	<b>Budget Profit \$</b>	<b>Budget Loss \$</b>
<b>Infrastructure</b>								
Recreation And Culture								
OST000020 (partial)	346,500	0	0	(346,500)	0	0	0	0
RD8140387-998-1 (partial)	4,070	0	0	(4,070)	0	0	0	0
<b>Plant and Equipment</b>								
Governance								
40000462 (P2028)	9,632	9,100	0	(532)	9,387	9,000	0	(387)
40000482 (P1054)	10,409	10,100	0	(309)	11,066	8,000	0	(3,066)
40000385 (P1011)	12,918	11,916	0	(1,002)	10,121	11,500	1,379	0
40000393 (P1016)	0	0	0	0	9,561	9,500	0	(61)
Law, order, public safety								
4000395 (P1017)	16,544	17,750	1,206	0	20,000	20,000	0	0
Community amenities								
40000397 (P2014)	16,218	12,250	0	(3,968)	11,000	11,000	0	0
40000463 (P1025)	6,404	7,000	596	0	6,190	5,000	0	(1,190)
40000340 (P8803)	126,064	30,000	0	(96,064)	35,000	35,000	0	0
40000339 (P8802)	100,146	40,000	0	(60,146)	45,000	45,000	0	0
40000405 (P2017)	16,170	11,250	0	(4,920)	11,000	11,000	0	0
40000403 (P2016)	15,553	14,750	0	(803)	11,500	11,500	0	0
40000333 (P2004)	15,035	15,818	783	0	0	0	0	0
40000332 (P2003)	16,083	17,000	917	0	0	0	0	0
40000334 (P8000)	41,290	58,000	16,710	0	105,000	105,000	0	0
40000404 (P8811)	58,281	86,500	28,219	0	175,000	175,000	0	0
40000457 (P2027)	15,934	11,250	0	(4,684)	11,500	11,500	0	0
40000401 (P2015)	16,078	11,250	0	(4,828)	11,000	11,000	0	0
40000459 (P1022)	14,771	15,600	829	0	11,559	11,000	0	(559)
40000398 (P8809)	0	0	0	0	45,000	45,000	0	0
40000399 (P8810)	0	0	0	0	45,000	45,000	0	0
40000337 (P8800)	0	0	0	0	17,000	17,000	0	0
Recreation and culture								
20000178 (Nilsfisk Buffer)	0	577	577	0	0	0	0	0
40000432 (P2021)	13,475	9,000	0	(4,475)	10,339	11,000	661	0
40000346 (P2009)	13,316	12,750	0	(566)	0	0	0	0
40000344 (P2000)	11,444	10,000	0	(1,444)	11,500	11,500	0	0
40000347 (P2010)	16,966	14,318	0	(2,648)	0	0	0	0
40000389 (P1015)	12,235	9,650	0	(2,585)	12,606	11,000	0	(1,606)
40000416 (P2020)	16,951	18,050	1,099	0	12,939	11,500	0	(1,439)
40000386 (P1012)	0	0	0	0	9,710	9,500	0	(210)
40000290 (P869)	0	0	0	0	23,440	22,000	0	(1,440)
40000453 (P2022)	0	0	0	0	10,408	11,000	592	0
Transport								
40000504 (P1047)	37,094	36,000	0	(1,094)	0	0	0	0
40000477 (P7005)	9,700	0	0	(9,700)	0	0	0	0
40000361 (P8807)	23,615	22,750	0	(865)	25,327	17,000	0	(8,327)
40000370 (P8805)	17,248	18,182	934	0	0	0	0	0
40000446 (P1019)	18,675	17,500	0	(1,175)	0	0	0	0
40000447 (P1021)	17,094	14,000	0	(3,094)	0	0	0	0
40000414 (P2018)	17,220	13,750	0	(3,470)	20,024	11,500	0	(8,524)
40000456 (P2026)	13,341	12,500	0	(841)	10,074	11,500	1,426	0
40000291 (P870)	24,447	16,500	0	(7,947)	0	0	0	0
40000292 (P817)	0	0	0	0		35,000	35,000	0

**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**21. DISPOSALS OF ASSETS - 2015/16 FINANCIAL YEAR (continued)**

The following assets were disposed of during the year.

	<b>Actual Net Book Value \$</b>	<b>Actual Sale Proceeds \$</b>	<b>Actual Profit \$</b>	<b>Actual Loss \$</b>	<b>Budget Net Book Value \$</b>	<b>Budget Sale Proceeds \$</b>	<b>Budget Profit \$</b>	<b>Budget Loss \$</b>
<b>Economic services</b>								
4000460 (P1023)	12,498	12,500	2	0	9,632	9,500	0	(132)
40000379 (P1007)	9,852	6,364	0	(3,488)	0	0	0	0
<b>Other property and services</b>								
20000543 Brush Scrubber	0	568	568	0	0	0	0	0
20000545 Capet Scrubber	0	409	409	0	0	0	0	0
20000542 Floor Polisher	0	273	273	0	0	0	0	0
40000349 (P2002)	14,706	19,500	4,794	0	0	0	0	0
40000455 (P2025)	17,205	16,500	0	(705)	18,000	18,000	0	0
40000367 (P2005)	15,556	16,364	808	0	0	0	0	0
40000374 (P2006)	13,267	15,500	2,233	0	0	0	0	0
40000375 (P2007)	17,220	16,250	0	(970)	20,000	20,000	0	0
40000415 (P2019)	16,955	14,500	0	(2,455)	13,139	11,500	0	(1,639)
40000452 (P2023)	12,850	8,500	0	(4,350)	12,391	11,000	0	(1,391)
40000454 (P2024)	0	0	0	0	13,139	11,500	0	(1,639)
<b>Furniture</b>								
<b>Governance</b>								
30001128 Computer	56	0	0	(56)	0	0	0	0
30000829 Hard Drive	154	0	0	(154)	0	0	0	0
30001000 Barriers	2,630	0	0	(2,630)	0	0	0	0
30001526 Curtains	5,815	0	0	(5,815)	0	0	0	0
30000838 Battery Module	65	0	0	(65)	0	0	0	0
30001205 Rondo Chairs	927	0	0	(927)	0	0	0	0
30000885 Step Tables	958	0	0	(958)	0	0	0	0
<b>Transport</b>								
30001197 Seats	15,768	0	0	(15,768)	0	0	0	0
30001198 Vacuum	1,192	523	0	(669)	0	0	0	0
30000999 Saeco Coffee	0	230	230	0	0	0	0	0
30000956 Vacuum	1,161	318	0	(843)	0	0	0	0
30000982 Concourse seating	1,691	0	0	(1,691)	0	0	0	0
30001179 Pie Warmer	0	90	90	0	0	0	0	0
30000884 Rondo Chairs	963	0	0	(963)	0	0	0	0
30000886 Terminal Chairs	1,754	0	0	(1,754)	0	0	0	0
30001176 Meat Slicer	0	330	330	0	0	0	0	0
30001178 Anvil Countertop	0	470	470	0	0	0	0	0
<b>Other Property Services</b>								
30001370 Autoscrubber	636	1,227	591	0	0	0	0	0
Turbo Hybris	0	255	255	0	0	0	0	0
	<b>1,284,800</b>	<b>735,732</b>	<b>62,923</b>	<b>(611,991)</b>	<b>833,552</b>	<b>841,000</b>	<b>39,058</b>	<b>(31,610)</b>

**CITY OF KARRATHA**  
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**22. INFORMATION ON BORROWINGS**

(a) Repayments - Debentures

Particulars	Principal 1 July 2015 \$	New Loans \$	Principal Repayments Actual \$	Budget \$	Principal 30 June 2016 Actual \$	Budget \$	Interest Repayments Actual \$	Budget \$
<b>Self Supporting Loans</b>								
<b>General purpose funding</b>								
Western Australian Treasury Corporation	0	475,616	0	0	475,616	0	1,084	0
	0	475,616	0	0	475,616	0	1,084	0
	0	475,616	0	0	475,616	0	1,084	0

Self supporting loan financed by payments from third parties.

All other loan repayments were financed by general purpose revenue.

(b) New Debentures - 2015/16

Particulars/Purpose	Amount Borrowed Actual \$	Budget \$	Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used Actual \$	Budget \$	Balance Unspent \$
Karratha Country Club Self Supporting Loan	475,616	0	WATC	Self Supporting	7	57,492	2.44%	(475,616)	0	0
	475,616	0				57,492		(475,616)	0	0

(c) Unspent Debentures

Particulars	Date Borrowed	Balance 1 July 15 \$	Borrowed During Year \$	Expended During Year \$	Balance 30 June 16 \$
Western Australia Treasury Corporation		0	475,616	(475,616)	0
		0	475,616	(475,616)	0

(d) Overdraft

Council has an overdraft facility of \$1,000,000 with Westpac Banking Corporation to assist with the short term liquidity require overdraft at 30 June 2016 was \$0 (2015 was \$0). The facility was renewed for 12 months.

## 23. RATING INFORMATION - 2015/16 FINANCIAL YEAR

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

**24. NET CURRENT ASSETS**

Composition of net current assets

	2016 (30 June 2016 Carried Forward) \$	2016 (1 July 2015 Brought Forward) \$	2015 (30 June 2015 Carried Forward) \$
<b>Surplus/(Deficit) 1 July 15 brought forward</b>	<u>5,759,447</u>	<u>63,450</u>	<u>63,450</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents			
Unrestricted	3,781,360	1,268,559	1,268,559
Restricted - Reserves	92,793,898	84,116,128	84,116,128
Receivables			
Rates outstanding	2,310,195	2,100,461	2,100,461
Sundry Debtors	13,347,219	25,529,310	25,529,310
Less Provision for Doubtful Debts	(473,195)	(703,254)	(703,254)
GST receivable	538,782	231,704	231,704
Loans receivable - clubs/institutions	69,370	243,423	243,423
Inventories			
Fuel and materials	329,716	480,173	480,173
Land held for resale - cost			
Cost of acquisition	0	524,251	524,251
Food, Drinks & Merchandise Roebourne Aquatic Centre	420	876	876
Food, Drinks & Merchandise Youth Shed	2,273	3,356	3,356
Food, Drinks & Merchandise Wickham Recreation Precinct	6,582	606	606
Food, Drinks & Merchandise Karratha Leisureplex	6,286	3,175	3,175
<b>LESS: CURRENT LIABILITIES</b>			
Trade and other payables			
Sundry creditors	(5,320,211)	(8,882,020)	(8,882,020)
Other Liabilities	(60,134)	(46,155)	(46,155)
Retention Monies	(695,311)	(248,402)	(248,402)
Accrued Expenses	(2,956,596)	(395,315)	(395,315)
Accrued salaries and wages	(86,228)	(1,078,772)	(1,078,772)
Accrued interest on loans	(1,084)		
ATO liabilities	(3,950)	77	77
Income Received in Advance	(462,873)	(5,668,528)	(5,668,528)
Net Trust Liabilities	(54,806)	(139,098)	(139,098)
Current portion of long term borrowings			
Self Supporting Loan WATC	(63,103)	0	0
Provisions			
Provision for annual leave	(2,451,487)	(2,630,314)	(2,630,314)
Provision for long service leave	(1,168,671)	(1,119,829)	(1,119,829)
<b>Unadjusted net current assets</b>	<u><b>99,388,452</b></u>	<u><b>93,590,412</b></u>	<u><b>93,590,412</b></u>
<b>Adjustments</b>			
Less: Reserves - restricted cash	(92,793,898)	(84,089,305)	(84,089,305)
Less: Land held for resale - cost			
Cost of acquisition	0	(524,251)	(524,251)
Less: Loans receivable - clubs/institutions	(69,370)	(243,423)	(243,423)
Less: Movement in Accruals	(992,544)	0	0
Less: Movement in Restricted Assets	(7,768,310)	0	0
Add: Self Supporting Loan WATC	63,103	0	0
Add: Movement in Accruals	0	229,373	229,373
Add: Cash - Restricted Unspent Grants	9,440	26,823	26,823
Add: Cash Backed employee provisions	3,620,158	3,281,981	3,281,981
Add: Restricted Surplus/(Deficit) June 30 b/fwd	12,208,160	0	0
Less: Restricted Surplus/(Deficit) June 30 c/fwd	7,905,744	12,208,160	12,208,160
<b>Adjusted net current assets - surplus/(deficit)</b>	<u><b>5,759,447</b></u>	<u><b>63,450</b></u>	<u><b>63,450</b></u>

**Difference**

There was no difference between the surplus/(deficit) 1 July 2015 brought forward position used in the 2016 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2015 audited financial report.

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

**25. SPECIFIED AREA RATE - 2015/16 FINANCIAL YEAR**

The City did not impose an Specified Area Rates.

**26. SERVICE CHARGES - 2015/16 FINANCIAL YEAR**

	Amount of Charge \$	Revenue Raised \$	Budget Revenue \$	Charges Applied to Costs \$	Charges Set Aside to Reserve \$	Reserve Applied to Costs \$	Budget Charges Applied to Costs \$	Budget Charges Set Aside to Reserve \$	Budget Reserve Applied to Costs \$
<b>Service Charges</b>									
Pilbara Underground Power Project	0	0	0	0	0	3,600,000	0	0	3,600,000
		0	0	0	0	3,600,000	0	0	3,600,000

**27. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS**  
**- 2015/16 FINANCIAL YEAR**

**Rates Discounts**

Rate or Fee Discount Granted	Discount % or \$	Actual \$	Budget \$	Circumstances in which Discount is Granted
Cossack Concessions	\$1,400	26,600	26,600	All properties in the Cossack historical township granted concession to cap their rates at \$50.
		26,600	26,600	

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

**28. INTEREST CHARGES AND INSTALMENTS - 2015/16 FINANCIAL YEAF**

	<b>Date Due</b>	<b>Instalment Plan Admin Charge \$</b>	<b>Instalment Plan Interest Rate %</b>	<b>Unpaid Rates Interest Rate %</b>
<b>Instalment Options</b>				
<b>Option One</b>				
Single full payment	28-Sep-15	0	0.00%	11.00%
<b>Option Two</b>				
First Instalment	28-Sep-15	0	0.00%	11.00%
Second Instalment	30-Nov-15	10	5.50%	11.00%
<b>Option Three</b>				
First Instalment	28-Sep-15	0	0.00%	11.00%
Second Instalment	30-Nov-15	10	5.50%	11.00%
Third Instalment	01-Feb-16	10	5.50%	11.00%
Fourth Instalment	04-Apr-16	10	5.50%	11.00%
				<b>Budgeted</b>
				<b>Revenue</b>
				<b>\$</b>
Rates Penalty Interest			338,648	180,000
Rates Instalment Interest			106,436	108,000
Rates Instalment Charges			70,340	75,000
Administration Fee - Adhoc Arrangement			2,800	1,000
Administration Fee - Direct Debit			0	1,000
				<hr/>
				518,224
				<hr/>
				<b>Budgeted</b>
				<b>Revenue</b>
				<b>\$</b>
PUPP Penalty Interest			193,027	135,000
PUPP Instalment Interest			137,412	100,189
PUPP Instalment Charges			65,570	81,760
Sundry Debtors Penalty Interest			28,449	27,575
				<hr/>
				424,458
				<hr/>

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

<b>29. FEES &amp; CHARGES</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Governance	154,274	115,135
General purpose funding	363,236	100,628
Law, order, public safety	79,540	88,857
Health	134,771	122,660
Education and welfare	58,900	58,900
Housing	417,329	301,569
Community amenities	9,590,080	9,927,202
Recreation and culture	4,240,782	4,217,471
Transport	25,803,856	28,698,793
Economic services	323,131	459,935
Other property and services	179,611	52,742
	<u>41,345,510</u>	<u>44,143,892</u>

There were no changes during the year to the amount of the fees or charges detailed in the original budget.

**30. GRANT REVENUE**

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

<b>By Nature or Type:</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Operating grants, subsidies and contributions</b>		
Governance	35,500	35,980
General purpose funding	1,074,320	4,313,824
Law, order, public safety	219,660	1,337,269
Health	70,586	107,722
Education and welfare	58,630	0
Community amenities	279,664	1,217,217
Recreation and culture	6,855,480	11,429,700
Transport	25,532	0
Economic services	30,855	31,646
	<u>8,650,227</u>	<u>18,473,358</u>
<b>Non-operating grants, subsidies and contributions</b>		
Law, order, public safety	65,410	1,170,048
Community amenities	6,493,403	2,540,100
Recreation and culture	13,717,935	1,380,274
Transport	3,848,679	63,325,856
	<u>24,125,427</u>	<u>68,416,278</u>
	<u>32,775,654</u>	<u>86,889,636</u>

**31. EMPLOYEE NUMBERS**

The number of full-time equivalent employees at balance date

	<u>269</u>	<u>283</u>
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**CITY OF KARRATHA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

<b>32. ELECTED MEMBERS REMUNERATION</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
		<b>\$</b>	
The following fees, expenses and allowances were paid to council members and/or the president.			
<b>Sitting Fees</b>			
Mayor	45,000	45,000	45,000
Deputy Mayor	30,000	30,000	30,000
Councillor's	260,390	260,900	256,973
<b>Local Government Allowance</b>			
Mayor	85,000	85,000	85,000
Deputy Mayor (25% of Mayors Allowance)	21,250	21,250	21,250
<b>ICT Allowance</b>			
11 Councillors at \$3,500 per year	36,779	38,496	36,381
<b>Other Expenses</b>			
Childcare (actual costs or \$20/hour whichever is lower)	0	0	0
Travelling Expenses (as per Local Govt Officers Award)	27,037	30,000	0
Training Expenses (11 Councillors at \$5,000 per year)	6,888	53,578	11,236
Councillor Professional Development Allowance (allowance of \$5,500 which covers costs associated with Conferences)	55,919	58,930	11,724
Mayors Discretionary Fund (Council Related Expenses)	187	4,000	1,722
	<u>568,450</u>	<u>627,154</u>	<u>499,286</u>

**33. MAJOR LAND TRANSACTIONS**

The City did not participate in any major land transactions during the 2015/16 financial year.

**34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

If the City did participate in any trading undertakings or major trading undertakings during the 2015/16 financial year.

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

**35. FINANCIAL RISK MANAGEMENT**

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

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

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

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

	<b>Carrying Value</b>		<b>Fair Value</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>				
Cash and cash equivalents	96,575,259	85,384,687	96,575,259	85,384,687
Receivables	19,790,954	27,949,456	19,790,954	27,949,456
	<u>116,366,213</u>	<u>113,334,143</u>	<u>116,366,213</u>	<u>113,334,143</u>
<b>Financial liabilities</b>				
Payables	9,641,193	16,458,213	9,641,193	16,458,213
Borrowings	475,616	0	475,616	0
	<u>10,116,809</u>	<u>16,458,213</u>	<u>10,116,809</u>	<u>16,458,213</u>

Fair value is determined as follows:

- Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.
- Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial assets at fair value through profit and loss, available for sale financial assets - based on quoted market prices at the reporting date or independent valuation.

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

**35. FINANCIAL RISK MANAGEMENT (Continued)**

**(a) Cash and Cash Equivalents**

**Financial assets at fair value through profit and loss**

**Available-for-sale financial assets**

**Held-to-maturity investments**

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

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

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

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

The City manages these risks by diversifying its portfolio and only investing in investments authorised by *Local Government (Financial Management) Regulation 19C*. Council also seeks advice from independent advisers (where considered necessary) before placing any cash and investments.

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Impact of a 10% <sup>(1)</sup> movement in price of investments		
- Equity	0	0
- Statement of Comprehensive Income	0	0
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash		
- Equity	965,753	853,847
- Statement of Comprehensive Income	965,753	853,847

**Notes:**

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

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

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

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

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

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

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

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

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

	<b>2016</b>	<b>2015</b>
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of Pilbara Underground Power Project service charges		
- Current	71%	70%
- Overdue	29%	30%
Percentage of other receivables		
- Current	88%	95%
- Overdue	12%	5%



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

**35. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Payables**  
**Borrowings**

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<b><u>2016</u></b>					
Payables	9,641,193	0	0	9,641,193	9,641,193
Borrowings	63,103	268,288	144,225	475,616	475,616
	<u>9,704,296</u>	<u>268,288</u>	<u>144,225</u>	<u>10,116,809</u>	<u>10,116,809</u>
<b><u>2015</u></b>					
Payables	16,458,213	0	0	16,458,213	16,458,213
Borrowings	0	0	0	0	0
	<u>16,458,213</u>	<u>0</u>	<u>0</u>	<u>16,458,213</u>	<u>16,458,213</u>

**(c) Payables**  
**Borrowings**

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

The following interest rates were applicable to the City's Borrowings at balance date:

	Balance \$	Weighted Average Effective Interest Rate %
<b><u>Year ended 30 June 2016</u></b>		
<b>Borrowings</b>		
<b>Fixed rate</b>		
Self Supporting Loan WATC	475,616	2.44%
Weighted average		
Effective interest rate	2.44%	
<b><u>Year ended 30 June 2015</u></b>		
<b>Borrowings</b>		
<b>Fixed rate</b>		
Debentures	0	0.00%
Weighted average		
Effective interest rate	0.00%	

**INDEPENDENT AUDITOR'S REPORT  
TO THE ELECTORS OF THE CITY OF KARRATHA****Report on the Financial Report**

We have audited the accompanying financial report of the City of Karratha, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity, the rate setting statement, and the statement of cash flows for the year ended 30 June 2016, a summary of significant accounting policies and other explanatory notes, and the Chief Executive Officer's statement.

**Management's responsibility for the financial report**

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended), and for such internal control as Management determines necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

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

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

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

**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

## **Opinion**

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

- i. gives a true and fair view of the City of Karratha's financial position as at 30 June 2016 and of its performance for the financial year ended 30 June 2016;
- ii. complies with Australian Accounting Standards; and
- iii. is prepared in accordance with the requirements of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

## **Statutory Compliance**

In accordance with the Local Government (Audit) Regulations 1996, we also report that:

- i. There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the City.
- ii. There are no other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law noted during the course of our audit.
- iii. The asset consumption ratio and the asset renewal funding ratio included in the annual financial report are supported by verifiable information and reasonable assumptions.
- iv. All necessary information and explanations were obtained by us.
- v. All audit procedures were satisfactorily completed during our audit.

## **AMD Chartered Accountants**



**MARIA CAVALLO**

**Director**

Bunbury, Western Australia

Dated this 30<sup>th</sup> day of September 2016

**CITY OF KARRATHA  
SUPPLEMENTARY RATIO INFORMATION  
FOR THE YEAR ENDED 30TH JUNE 2016**

**RATIO INFORMATION**

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Asset consumption ratio	0.972	0.797	0.765
Asset renewal funding ratio	1	1	1

The above ratios are calculated as follows:

Asset consumption ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

## 5 ITEMS FOR DISCUSSION

### 5.1 AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2016

<b>File No:</b>	<b>FM.1</b>
<b>Responsible Executive Officer:</b>	<b>Director Corporate Services</b>
<b>Reporting Author:</b>	<b>Manager Governance &amp; Organisational Strategy</b>
<b>Date of Report:</b>	<b>1 November 2016</b>
<b>Applicant/Proponent:</b>	<b>Maria Cavallo CA, AMD Chartered Accountants</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Attachment(s):</b>	<ol style="list-style-type: none"> <li><b>1. Annual Financial Report with Audit Opinion</b></li> <li><b>2. Management Report / Audit Findings (Confidential)</b></li> </ol>

#### PURPOSE

To consider the Audit Opinion provided by the City Auditors, AMD Chartered Accountants (AMD) and to receive the Annual Financial Report of the City's affairs for the 2015/16 financial year.

#### BACKGROUND

Council is legislatively obliged to have the accounts and annual financial report for each financial year audited by an auditor appointed by the local government. AMD Chartered Accountants was appointed as the City's Auditors commencing with the financial period ending 30 June 2016.

Following the completion of this year's audit, which commenced in August, AMD has provided the attached Management Report, including an Audit Opinion and audit recommendations.

The audit opinion is unqualified indicating that the accounts are a true and fair representation of the City's financial performance for 2015/16. Additionally, the audit opinion indicates that the City's financial procedures and controls are adequately designed with no significant or moderate findings identified and only two minor findings which are summarised as follows:

<b>Finding</b>	<b>Implication</b>	<b>Recommendation</b>	<b>Management Response</b>
1. Various accounts contain old uncleared balances carried forward from prior years.	Bank reconciliations and liability accounts carry forward old items.	Accounts be reviewed to identify old and unreconciled items.  Cheques older than 18 months be cancelled.	Prior year bank reconciliations are being reviewed to ensure unreconciled transaction lists are accurate.  Old cheques have been cancelled and reissued as EFT payments where possible.

2. Some sundry debtors have been outstanding for a significant period of time.	Risk of material misstatement or omission.	Sundry debtors listing be subject to regular follow-up and review to ensure collection or write-off.	Most outstanding debtors related to grant/project funding or accrued penalty interest. Timing of invoices and write-off processes will be reviewed to ensure more minimise outstanding balances.
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### LEVEL OF SIGNIFICANCE

In accordance with Council Policy *CG-8 Significant Decision Making Policy*, this matter is considered to be of high significance in terms of compliance and Council's ability to perform its role.

### COUNCILLOR/OFFICER CONSULTATION

Financial Services staff together with the CEO, Director Corporate Services and Manager Financial Services/CFO have been consulted regarding the preparation of this report.

### COMMUNITY CONSULTATION

No community consultation is required. The community will be notified of and invited to attend the Annual Electors Meeting to discuss the contents of the City's Annual Report that will contain the Annual Financial Report and the Audit Opinion.

### STATUTORY IMPLICATIONS

Section 7.2 of the *Local Government Act 1995* and Regulation 10 of the *Local Government (Audit) Regulations 1996* provide for the annual audit and the report by auditor.

Section 5.54 of the *Local Government Act 1995* provides for acceptance of annual reports by the local government.

### POLICY IMPLICATIONS

There are no policy implications.

### FINANCIAL IMPLICATIONS

There are no direct financial implications.

### STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2016-2026 and Corporate Business Plan 2016-2021. In particular, the Operational Plan 2016-2017 provides for this activity:

Our Program/Services: 4.c.1.1 Management Accounting Services  
 Our Projects/Actions: 4.c.1.1.1 Conduct monthly and annual financial reviews and reporting

Our Program/Services: 4.e.2.1 Publications and media notices  
 Our Projects/Actions: 4.e.2.1.1 Produce Annual Report

### RISK MANAGEMENT CONSIDERATIONS

The annual audit assists Council in minimising risk from a financial management perspective.

**IMPACT ON CAPACITY**

There is no impact on capacity or resourcing to carry out the Officer's recommendation.

**RELEVANT PRECEDENTS**

The external audit is completed annually and reported to the Audit & Organisational Risk Committee and Council prior to the Annual Electors Meeting.

**VOTING REQUIREMENTS**

Simple Majority.

**OPTIONS:**Option 1

As per Officer's recommendation.

Option 2

That the Audit & Organisational Committee by SIMPLE Majority pursuant to Section 5.54 of the *Local Government Act 1995* RESOLVES to NOT ACCEPT the Audit Opinion from AMD Chartered Accountants for the year ended 30 June 2016 and seek further advice and clarification on the report.

**CONCLUSION**

The Audit Opinion is unqualified indicating that the annual financial report is free from material misstatement and no non-compliance issues identified through the examination of the City's financial affairs. It is recommended that the Audit Opinion and the Annual Financial Report be presented to Council to enable the Annual Electors Meeting to be convened.

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**OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION**

**Res No** : **AOR43**  
**MOVED** : **Cr Long**  
**SECONDED** : **Cr Cucel**

That the Audit & Organisational Risk Committee by SIMPLE Majority pursuant to Section 5.54 and 7.2 of the *Local Government Act 1995* and Regulation 10 of the *Local Government (Audit) Regulations 1996* RESOLVES to:

1. NOTE the Management Report provided by AMD Chartered Accountants for the year ended 30 June 2016;
2. ACCEPT the Audit Opinion from AMD Chartered Accountants for 2015/16; and
3. ACCEPT the Annual Financial Report for the Year ended 30 June 2016.

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**CARRIED**

**FOR** : Cr Smeathers, Cr Cucel, Cr Long, Cr Scott  
**AGAINST** :





**5.2 AUDIT & ORGANISATIONAL RISK COMMITTEE DATES 2017**

<b>File No:</b>	<b>FM.3</b>
<b>Responsible Executive Officer:</b>	<b>Director Corporate Services</b>
<b>Reporting Author:</b>	<b>Manager Governance and Organisational Strategy</b>
<b>Date of Report:</b>	<b>17 October 2016</b>
<b>Applicant/Proponent:</b>	<b>Nil</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Attachment(s):</b>	<b>Nil</b>

**PURPOSE**

To consider dates for Audit & Organisational Risk Committee meetings in 2017.

**BACKGROUND**

The Audit & Organisational Risk Committee has been meeting four times a year to monitor matters of compliance, governance and risk to ensure that the City has effective internal controls in place. The Terms of Reference for the Committee provide for meetings “no less than once every quarter each year”.

It is proposed that similar meeting times be scheduled for the 2017 year.

<b>Date of Meeting</b>	<b>Matters for Discussion</b>
Tuesday 21 February 2017 at 3pm	<ul style="list-style-type: none"> <li>• Receive Annual Compliance Audit 2016</li> <li>• Review recommendations of Internal Audit</li> <li>• Consider Risk Management Review</li> <li>• Business Improvement Progress Report</li> </ul>
Tuesday 23 May 2017 at 3pm	<ul style="list-style-type: none"> <li>• Receive Interim Audit Report 2016/17</li> <li>• Financial Management Review</li> <li>• Business Improvement Progress Report</li> </ul>
Tuesday 22 August 2017 at 3pm	<ul style="list-style-type: none"> <li>• Review recommendations of Internal Audit</li> <li>• Business Improvement Progress Report</li> </ul>
Tuesday 17 October 2017 at 3pm	<ul style="list-style-type: none"> <li>• Consider External Audit Report 2016/17</li> <li>• Receive Annual Financial Report 2016/17</li> <li>• Endorse 2018 AORC Meeting dates</li> <li>• Business Improvement Progress Report</li> </ul>

**LEVEL OF SIGNIFICANCE**

In accordance with Council Policy *CG-8 Significant Decision Making Policy*, this matter is considered to be of low significance in terms of Council’s ability to perform its role.

**COUNCILLOR/OFFICER CONSULTATION**

No Councillor or Officer consultation is required.

**COMMUNITY CONSULTATION**

No community consultation is required.

**STATUTORY IMPLICATIONS**

Division 1A of Part 7 of the *Local Government Act* makes provision for local government audit committees.

**POLICY IMPLICATIONS**

There are no policy implications.

**FINANCIAL IMPLICATIONS**

There are no financial implications.

**STRATEGIC IMPLICATIONS**

This item is relevant to the Council's approved Strategic Community Plan 2016-2026 and Corporate Business Plan 2016-2021.

Our Program/Services: 4.a.2.6 Agenda and Minutes Preparation

**RISK MANAGEMENT CONSIDERATIONS**

There are no risk management considerations applicable.

**IMPACT ON CAPACITY**

There is no impact on capacity or resourcing to carry out the Officer's recommendation.

**RELEVANT PRECEDENTS**

Committee meeting dates are set annually.

**VOTING REQUIREMENTS**

Simple Majority

**OPTIONS:**Option 1

As per Officer's recommendation.

Option 2

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Part 7 of the *Local Government Act 1995* RESOLVES to MEET as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_.

**CONCLUSION**

It is proposed to continue the schedule of Audit and Organisational Risk Committee meetings on a quarterly basis in 2017. In the event that an urgent matter needs to be considered, a special meeting of the Committee can be convened.

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**OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION**

**Res No** : **AOR44**  
**MOVED** : **Cr Cucel**  
**SECONDED** : **Cr Long**

That the Audit and Organisational Risk Committee by **SIMPLE** Majority pursuant to Part 7 of the *Local Government Act 1995* **RESOLVES** to **CONFIRM** the ordinary meeting dates of the Audit and Organisational Risk Committee meetings for 2017 as follows:

- **Tuesday 21 February 2017 at 3pm**
- **Tuesday 23 May 2017 at 3pm**
- **Tuesday 22 August 2017 at 3pm**
- **Tuesday 17 October 2017 at 3pm**

**CARRIED**

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**FOR** : **Cr Smeathers, Cr Cucel, Cr Long, Cr Scott**  
**AGAINST**



## **6 ITEMS FOR INFORMATION ONLY**

**Responsible Officer:** Director Corporate Services

**Reporting Author:** Minute Secretary

**Disclosure of Interest:** Nil

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### **PURPOSE**

To advise the Audit and Organisational Risk Committee of the information items for period ending October 2016.

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### **OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION**

**Res No** : AOR45

**MOVED** : Cr Scott

**SECONDED** : Cr Long

That the Audit and Organisational Risk Committee note the following information items:

- 6.1 Business Improvement- Progress Report
- 6.2 Audits by Office of Auditor General

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**CARRIED**

**FOR** : Cr Smeathers, Cr Cucel, Cr Long, Cr Scott  
**AGAINST**

**6.1 BUSINESS IMPROVEMENT – PROGRESS REPORT****File No:** FM.3**Responsible Executive Officer:** Director Corporate Services**Reporting Author:** Manager Governance and Organisational Strategy**Date of Report:** 1 November 2016**Disclosure of Interest:** Nil**Attachment(s):** Nil

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**PURPOSE**

To provide the Audit & Organisational Risk Committee with a progress update on Business Improvement.

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status	Review Date
<b>1. Strategic Community Plan 2016-2026</b>	Outlines the outcomes expressed by our communities and our response as an organisation in achieving those agreed outcomes in the next 10 years.	<ul style="list-style-type: none"> <li>• Vision</li> <li>• Strategies</li> <li>• Community Engagement</li> <li>• Resources and Commitments</li> </ul>	<ul style="list-style-type: none"> <li>• Review undertaken by Councillors community and staff during 2105/16</li> <li>• SCP to be advertised</li> </ul>	<ul style="list-style-type: none"> <li>• Submitted to Council in July and in October.</li> </ul>
<b>2. Corporate Business Plan 2016-2020</b>	Outlines what the organisation needs to deliver in the next five years. Has been extensively reworked internally over the past 4-6 weeks with a focus on consistency and measurability of KPI's.	<ul style="list-style-type: none"> <li>• Activates Strategic Community Plan</li> <li>• Progress Measures to achieve delivery of outcomes</li> <li>• Budget information for five years</li> </ul>	<ul style="list-style-type: none"> <li>• Approved by Council at October 2016 OCM.</li> </ul>	<ul style="list-style-type: none"> <li>• June 2020.</li> </ul>
<b>3. Operational Plan 2016-2017</b>	Annual slice and dice of Corporate Business Plan. Has been extensively reworked internally to ensure consistency and compliance.	<ul style="list-style-type: none"> <li>• Annual Budget.</li> <li>• Annual Projects and Services</li> </ul>	<ul style="list-style-type: none"> <li>• Approved by Council at October 2016 OCM.</li> </ul>	<ul style="list-style-type: none"> <li>• June 2017.</li> </ul>
<b>4. Asset Management Plan</b>	What Assets are required at what service level to deliver the services expressed by our communities?	<ul style="list-style-type: none"> <li>• Asset Conditions &amp; Ratings</li> <li>• Levels of Service, operational, technical and community</li> <li>• Financial information for maintenance of assets at an agreed level of service</li> <li>• Asset Disposal Strategy and Lifecycle Costing.</li> <li>• Action Plans</li> </ul>	<ul style="list-style-type: none"> <li>• Approved by Council in June 2013.</li> <li>• Asset Management Policy to be submitted to Council by mid-2017 for consideration.</li> </ul>	<ul style="list-style-type: none"> <li>• To be completed by June 2017.</li> </ul>
<b>5. Long Term Financial Plan</b>	Informs the Strategic Community Plan and Corporate Business Plan. CEO has reviewed with EMT. Staff	<ul style="list-style-type: none"> <li>• Sensitivity Analysis</li> <li>• Long Term Financial Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Submitted to the Department of Local Government in June 2013.</li> <li>• Key assumptions</li> </ul>	<ul style="list-style-type: none"> <li>• Jan/Feb 2017.</li> </ul>

Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status	Review Date
	believe that assumptions that inform the financial modelling need review prior to Council adoption.	<ul style="list-style-type: none"> <li>Capital Works Program for next 10 years</li> <li>Financial Modelling</li> <li>Assumptions and Scenarios</li> </ul>	<ul style="list-style-type: none"> <li>and 10 year Capital Works Plan reviewed by Council in June 2015.</li> <li>Workshops held with EMT and Councillors in March 2016 reviewing key assumptions.</li> </ul>	
<b>6. Workforce Plan 2013-2018</b>	Development of an all-encompassing strategy which addresses staff turnover rates and an appreciation of the full number of staff required to deliver City business now and into the future.	<ul style="list-style-type: none"> <li>Structural Review</li> <li>Performance Measurement Systems</li> <li>Performance Appraisal System</li> <li>Retention</li> <li>Recruitment</li> <li>Succession Planning</li> <li>Development and training</li> <li>Staff housing &amp; accommodation</li> </ul>	<ul style="list-style-type: none"> <li>Approved by Council in August 2013.</li> <li>Annual review has been completed and incorporated in the LTFP assumptions.</li> </ul>	<ul style="list-style-type: none"> <li>To be reviewed again in 2017.</li> </ul>
<b>7. Housing Strategy</b>	Development of a strategy to address the housing and accommodation needs of the City from retention and recruitment perspective.	<ul style="list-style-type: none"> <li>Short term review and modifications undertaken.</li> <li>Options for staff housing to be developed (ownership vs leasing vs paying allowances)</li> </ul>	<ul style="list-style-type: none"> <li>Draft strategy currently under review to reflect normalisation of the housing market.</li> </ul>	<ul style="list-style-type: none"> <li>Dec 2016.</li> </ul>
<b>8. Corporate Performance Management System</b>	A tool to integrate all operations including projects and services delivered by the organisation and report on the individual status and financials.	<ul style="list-style-type: none"> <li>Ability for all reporting teams to update their quarterly performances</li> </ul>	<ul style="list-style-type: none"> <li>Contract awarded to Civica Pty Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>KPIs to be reported once upload completed of 2016/17 KPI measures</li> </ul>
<b>9. Procurement and Tendering</b>	Given the large growth and volume of projects that the City is accountable for, there needs to be a review of the way procurement and tendering occurs to ensure a more	<ul style="list-style-type: none"> <li>Centralise and streamline the approach to procurement and tendering</li> <li>Create knowledge management and succession planning of procurement and</li> </ul>	<ul style="list-style-type: none"> <li>Induction and awareness training commenced June 2014.</li> <li>eQuotes for local suppliers introduced in November 2015.</li> <li>Management training provided</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing</li> <li>Internal Audit results from delegations and authorisations to be submitted to Audit and Organisational Risk Committee in Feb 2017.</li> </ul>



Focus Areas	Brief Description	Indicative Activities/Outputs	Current and Future Status	Review Date
	centralised approach is adopted which is connected across the various directorates within the organisation.	tendering through the organisation	at October 2016 EMG meeting. • Internal audit underway on delegations and authorisations	
<b>10. Functional Processes / Service Reviews</b>	A review of the key processes that link how things are done within the organisation and examine the need to streamline and avoid duplication of activity that further create efficiencies in time and cost on how activities are undertaken.	<ul style="list-style-type: none"> <li>• Define what a process is and how these will be recorded.</li> <li>• Conduct a review of current functional processes across the organisation</li> <li>• Define what functional processes are needed, how they will be recorded, understood and applied consistently throughout the organisation.</li> </ul>	<ul style="list-style-type: none"> <li>• Policies adopted.</li> <li>• Current practices are being process mapped as an internal resource and guide to all staff.</li> <li>• 643 processes have been developed with 63% published for organisation to use.</li> <li>• Service reviews have commenced across organisation. 49 service areas to be reviewed over 18 month period.</li> <li>• Tranche 7 Reviews being considered by EMT</li> <li>• Tranche 8 reviews currently underway and are due November 30.</li> </ul>	<ul style="list-style-type: none"> <li>• Service reviews to be completed January 2017</li> <li>• Service reviews submitted as contentious issues to Council for consideration.</li> </ul>
<b>11. Risk Management Review</b>	Review of existing policies, procedures and supporting documentation. Development of Risk Management Framework.	<ul style="list-style-type: none"> <li>• Common, contemporary, compliant framework to be developed and utilised by four (4) Pilbara LGA's.</li> </ul>	<ul style="list-style-type: none"> <li>• Risk plan and policies approved by Council in June 2014.</li> <li>• Risk report presented to Council in September 2015.</li> <li>• Major review of Risk Register underway.</li> </ul>	<ul style="list-style-type: none"> <li>• Policy review to be submitted to AORC for review Feb 2017.</li> </ul>

<b>Focus Areas</b>	<b>Brief Description</b>	<b>Indicative Activities/Outputs</b>	<b>Current and Future Status</b>	<b>Review Date</b>
<b>12. Business Continuity Management Project</b>	A project funded by the PRC to assist Pilbara councils to establish a business continuity framework for their local authorities.	<ul style="list-style-type: none"><li>• BCM Policy and Plan</li><li>• BCM Governance Framework</li><li>• Exercise Maintenance and Awareness Plan</li></ul>	<ul style="list-style-type: none"><li>• Documents prepared and training undertaken by PRC with Critical Response Team in November 2015.</li></ul>	<ul style="list-style-type: none"><li>• Next review of BCMP due in 2018.</li></ul>

## 6.2 LOCAL GOVERNMENT AMENDMENT (AUDITING) BILL 2016

<b>File No:</b>	<b>FM.1</b>
<b>Responsible Executive Officer:</b>	<b>Director Corporate Services</b>
<b>Reporting Author:</b>	<b>Manager Governance &amp; Organisational Strategy</b>
<b>Date of Report:</b>	<b>1 November 2016</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Attachment(s):</b>	<b>Nil</b>

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### PURPOSE

To inform Council of the proposal to introduce legislation providing for the appointment of the Auditor General as the auditor for local governments in WA.

### BACKGROUND

An amendment to the *Local Government (Audit) Regulations 1996* was introduced into Parliament by the Local Government Minister that is 'designed to improve accountability and transparency into the sector'.

The Bill intends to respond to recommendations put forward by the WA Corruption and Crime Commission which has found that without strong financial and governance practices, local governments were vulnerable to fraud, corruption and other misconduct. Additionally, the Public Accounts Committee has recommended raising the standard of accountability of local governments to a level consistent with State Government authorities and public sector agencies.

This Bill allows the Auditor General to contract out some or all of the financial audits but all audits will be done under the supervision of the Auditor General and Office of the Auditor General.

There will be a staged transition arrangement from when the Auditor General takes over auditing on 1 July 2017. As the existing audit contracts of local governments expire, the responsibility for auditing local governments will transition to the Auditor General. By financial year 2019/20, all local governments will be audited by the Auditor General, regardless of whether or not their contracts have expired.

The Bill provides for a new category of audits known as "performance audits" which will examine the economy, efficiency and effectiveness of any aspect of a local government's operations. There is also provision for "supplementary audits" to be conducted at the request of the Minister. Audit fees are to be determined by the Auditor for a financial audit and supplementary audit of the local government and then must be paid by the local government.

### CONCLUSION

The above is provided for information only. The City's external financial audit with AMD Chartered Accountants will cover the financial reporting years 2015/16 – 2017/18. For the year 2018/19 it is likely that audit services will be engaged through the Auditor General's Office. Apart from the cost of audits, the Bill is expected to have little impact on the City.



## **7 CLOSURE & DATE OF NEXT MEETING**

The meeting closed at 3.51pm.

The date of the next meeting is to be held on Tuesday, 21 February 2017 at 3.00 pm in Council Chambers - Welcome Road, Karratha.

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I, Cr Evette Smeathers, Chairperson for the Audit & Organisational Risk Committee of the City of Karratha, hereby declare on behalf of the Committee that the enclosed Minutes are a true and accurate record of the Audit & Organisational Risk Committee Meeting held on Thursday, 3 November 2016.

..... Date \_\_\_\_/\_\_\_\_/\_\_\_\_