



AUDIT AND ORGANISATIONAL RISK COMMITTEE MEETING

MINUTES

**The Audit and Organisational Risk Committee Meeting
Was held in Council Chambers,
Welcome Road, Karratha,
on Monday, 24 May 2021**

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

**CHRIS ADAMS
CHIEF EXECUTIVE OFFICER**



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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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AGENDA

1 OFFICIAL OPENING

The Meeting was officially opened at 3.33 pm.

2 RECORD OF ATTENDANCES AND APOLOGIES

Committee Members:	Cr Peter Long Cr Kelly Nunn Cr Daniel Scott	(Chairperson)
Staff:	Chris Adams Henry Eaton Ray McDermott	Chief Executive Officer A/Director Corporate Services Manager Financial Services/CFO
External:	Nil	
Apologies:	Cr Evette Smeathers Phillip Trestrail	Director Corporate Services

3 DECLARATIONS OF INTEREST

Nil

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

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : AOR104
MOVED : Cr Nunn
SECONDED : Cr Scott

That the Minutes of the Audit and Organisational Risk Committee Meeting held on Friday, 19 March 2021, be confirmed as a true and correct record of proceedings.

CARRIED

FOR : Cr Long, Cr Nunn Cr Scott
AGAINST : Nil

5 ITEMS FOR DISCUSSION

5.1 2019/20 AUDIT OPINION AND ANNUAL FINANCIAL REPORT

File No:	FM.1
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Manager Governance and Organisational Strategy
Date of Report:	6 May 2021
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	<ol style="list-style-type: none">1. Annual Financial Report 2019/202. Independent Auditors Report 2019/203. Management Report and Findings

PURPOSE

To receive the Annual Financial Report of the City's affairs for the 2019/20 financial year and to consider the Independent Auditor's Report and Management Report provided by the Office of the Auditor General (OAG).

BACKGROUND

The OAG has subcontracted AMD Chartered Accountants to undertake the annual financial audit for the 2019/20 year. This is AMD's final year of being subcontracted by the OAG with RSM Australia subcontracted for the next three years.

AMD's site visit was undertaken during the period 14-19 September 2020 where they commenced their field work on the City's 2019/20 financial affairs. The finalisation of the audit was delayed by the late release of legislative amendments in November 2020 that impacted upon the financial reporting for the 2019/20 financial year.

Following the completion of the audit, the OAG provided the attached Independent Auditor's Report and Management Report dated 7 April 2021, including audit findings and recommendations.

The Audit Opinion is unqualified indicating that the Annual Financial Report is based on proper accounts and records, and the accounts are a true and fair representation of the City's financial performance for 2019/20. The Independent Auditor's Report does include the following Emphasis of Matter regarding the Basis of Accounting:

Basis of Accounting

I draw attention to Note 1 and 10 to the annual financial report, which describe the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the City's annual financial reporting responsibilities under the Act. Including the Local Government (Financial Management) Regulations 1996 (Regulations). My opinion is not modified in respect of these matters:

- Regulation 17A requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from*

AASB 16 Leases which would have required the entity to measure the vested improvements also at zero cost.

- (ii) *In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report.*

Additionally, the Management Report indicates that the City's financial procedures and controls are adequately designed with only one finding identified that is summarised as follows:

Finding	Implication	Recommendation	Management Response
High Annual Leave Accrual at Year End Risk rating: Moderate	Excessive accrued annual leave balances increases the risk of an adverse impact through excessive financial liabilities and may also indicate over-reliance on key individuals. As well as for managing leave liabilities, it is important for staff to take regular leave for their health and wellbeing, and to develop staff to perform the tasks of others. In addition, fraud can be more easily concealed by staff who do not take leave.	The City should continue to manage and monitor the excessive annual leave accruals to reduce the financial liability, risk of business interruption and fraud.	The City reviews annual leave balances on a fortnightly basis. Employees are sent an email once they have accrued 10 weeks annual leave. Once the employee accrues 12 weeks leave they are issued a letter advising they need to submit a leave plan. Some of the employees identified as having excess annual leave had leave plans cancelled or postponed due to COVID. Completion date: Ongoing

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 economic issues and Council's ability to perform its role.

COUNCILLOR/OFFICER CONSULTATION

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

The Audit & Organisational Risk Committee Chairperson, CEO and Director Corporate Services participated in the Audit Exit Meeting with the OAG and AMD.

COMMUNITY CONSULTATION

No community consultation is required. The community will be 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 Independent Auditor's Report.

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

The financial affairs have been prepared in accordance with the Australian and International Accounting Standards and in accordance with Council Policy *CF01 Local Government Accounting Directions*.

FINANCIAL IMPLICATIONS

In summary, the Annual Financial Report indicated that the City had as at 30 June 2020:

	30 June 2020	30 June 2019	Inc /(Dec)
Net Result	\$6,337,772	\$21,863,421	-\$15,525,649
Net Assets	\$756,101,235	\$758,662,061	-\$2,560,826
- Total Assets	\$783,629,773	\$774,071,123	\$9,558,650
- Total Liabilities	\$27,528,538	\$15,409,062	\$12,119,476
Loan Liability	\$236,014	\$346,453	-\$110,439
Cash Reserves	\$67,506,603	\$66,847,807	\$658,796
Property, Plant & Equipment	\$250,813,979	\$258,518,365	-\$7,704,386
Investment Property	\$25,619,936	\$21,750,000	\$3,869,936
Infrastructure Assets	\$426,824,872	\$410,595,902	\$16,228,970
Final Surplus (Restricted)	\$453,046	\$656,270	-\$203,224
Final Surplus (Unrestricted)	\$1,700,172	\$3,941,964	-\$2,241,792

The OAG invoices the City for the conduct of the audit on a full cost recovery basis. The costs for the 2019/20 audit was approximately \$65,000.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2020-2030 and the Corporate Business Plan 2020-2025. In particular, the Operational Plan 2020-2021 provided 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 level of risk to the City is considered to be as follows:

Category	Risk level	Comments
Health	N/A	Nil
Financial	Moderate	Significant controls and oversight in place throughout the year to monitor financial performance. Audits assist in minimising risks.
Service Interruption	N/A	Nil
Environment	N/A	Nil

Category	Risk level	Comments
Reputation	Low	Significant controls and oversight in place throughout the year to protect the City from reputational damage.
Compliance	Moderate	Significant controls and oversight in place throughout the year to ensure high levels of compliance.

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 Independent Auditor's Report from the Office of the Auditor General for the year ended 30 June 2020 and seek further advice and clarification on the report.

CONCLUSION

The Audit Opinion is unqualified indicating that the Annual Financial Report is based on proper accounts and records, and the accounts are a true and fair representation of the City's financial performance for 2019/20. The OAG's Management Report has highlighted one moderate risk finding in relation to the high level of annual leave accrued at the end of the year owing largely to the impact of COVID.

It is recommended that the Annual Financial Report and the Independent Auditor's Report be presented to Council to enable the Annual Electors' Meeting to be convened.

OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION

Res No : **AOR105**

MOVED : **Cr Scott**

SECONDED : **Cr Nunn**

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. ACCEPT the Annual Financial Report for the Year ended 30 June 2020;**
- 2. ACCEPT the Independent Auditor's Report from the Office of the Auditor General for 2019/20; and**
- 3. NOTE the Management Report provided by the Office of the Auditor General for the year ended 30 June 2020.**

CARRIED

FOR : **Cr Long, Cr Nunn Cr Scott**
AGAINST : **Nil**

CITY OF KARRATHA
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

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

CITY OF KARRATHA
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

Local Government Act 1995
Local Government (Financial Management) Regulations 1996

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the City of Karratha for the financial year ended 30 June 2020 is based on proper accounts and records to present fairly the financial position of the City of Karratha and the results of the operations for the financial year then ended in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 26 March 2021



Chris Adams
Chief Executive Officer

CITY OF KARRATHA
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
Rates	26(a)	42,115,888	42,075,758	40,488,172
Operating grants, subsidies and contributions	2(a)	14,722,534	8,556,486	13,840,155
Fees and charges	2(a)	39,009,825	43,041,634	38,548,526
Service charges	26(b)	(1,022)	0	861
Interest earnings	2(a)	1,997,559	2,324,501	2,455,903
Other revenue	2(a)	1,962,576	930,886	995,327
		99,807,360	96,929,265	96,328,944
Expenses				
Employee costs		(36,285,412)	(34,467,960)	(35,315,195)
Materials and contracts		(31,369,835)	(28,560,908)	(26,036,342)
Utility charges		(6,032,628)	(6,268,791)	(5,824,123)
Depreciation on non-current assets	10(b)	(20,456,483)	(18,688,498)	(17,692,578)
Interest expenses	2(b)	(8,907)	(8,076)	(9,919)
Insurance expenses		(1,777,732)	(1,724,673)	(1,573,650)
Other expenditure		(3,332,909)	(14,764,981)	(2,726,957)
		(99,263,906)	(104,483,887)	(89,178,764)
		543,454	(7,554,622)	7,150,180
Non-operating grants, subsidies and contributions	2(a)	5,752,377	4,085,439	14,696,422
Profit on asset disposals	10(a)	121,201	692,199	134,365
(Loss) on asset disposals	10(a)	(3,461,196)	(180,000)	(1,674,523)
Adjustment to accounting changes		0	0	(290,670)
Fair value adjustments to financial assets at fair value through profit or loss		0	0	122,620
Fair value adjustments to investment property	13	3,381,936	0	1,745,200
(Loss) on revaluation of furniture and equipment	8(a)	0	0	(20,173)
		5,794,318	4,597,638	14,713,241
Net result for the period		6,337,772	(2,956,984)	21,863,421
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	(7,149,718)	0	157,537
Total other comprehensive income for the period		(7,149,718)	0	157,537
Total comprehensive income for the period		(811,946)	(2,956,984)	22,020,958

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 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
Governance	2(a)	721,825	28,460	562,981
General purpose funding		49,595,865	47,940,380	47,319,049
Law, order, public safety		866,319	795,484	1,183,740
Health		151,626	156,850	162,457
Education and welfare		71,752	58,008	58,900
Housing		862,233	722,254	693,891
Community amenities		11,375,966	12,191,200	10,617,201
Recreation and culture		11,435,570	11,666,200	12,246,895
Transport		23,465,074	22,467,845	21,904,357
Economic services		631,527	627,440	1,098,240
Other property and services		629,603	275,144	481,233
		99,807,360	96,929,265	96,328,944
Expenses				
Governance	2(b)	(2,708,189)	(3,744,029)	(2,913,346)
General purpose funding		(1,402,490)	(11,618,968)	(1,159,013)
Law, order, public safety		(1,727,258)	(1,867,341)	(1,543,003)
Health		(1,119,686)	(1,188,091)	(1,314,428)
Education and welfare		(396,813)	(196,767)	(177,629)
Housing		(1,016,957)	(830,189)	(731,936)
Community amenities		(15,912,828)	(16,230,730)	(14,504,500)
Recreation and culture		(38,468,764)	(40,888,559)	(37,435,458)
Transport		(34,337,360)	(25,749,327)	(27,035,426)
Economic services		(1,918,519)	(2,171,286)	(2,007,829)
Other property and services		(246,135)	9,476	(346,277)
		(99,254,999)	(104,475,811)	(89,168,845)
Finance Costs				
General purpose funding	2(b)	(7,883)	(8,076)	(9,919)
Recreation and culture		(1,024)	0	0
		(8,907)	(8,076)	(9,919)
		543,454	(7,554,622)	7,150,180
Non-operating grants, subsidies and contributions	2(a)	5,752,377	4,085,439	14,696,422
Profit on disposal of assets	10(a)	121,201	692,199	134,365
(Loss) on disposal of assets	10(a)	(3,461,196)	(180,000)	(1,674,523)
Asset Accounting Change - Regulation 17A		0	0	(290,670)
Fair value adjustments to financial assets at fair value through profit or loss		0	0	122,620
Fair value adjustments to investment property	13	3,381,936	0	1,745,200
(Loss) on revaluation of furniture and equipment	8(a)	0	0	(20,173)
		5,794,318	4,597,638	14,713,241
Net result for the period		6,337,772	(2,956,984)	21,863,421
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	(7,149,718)	0	157,537
Total other comprehensive income for the period		(7,149,718)	0	157,537
Total comprehensive income for the period		(811,946)	(2,956,984)	22,020,958

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

CITY OF KARRATHA
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	NOTE	2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents	3	55,175,670	25,756,187
Trade and other receivables	6	10,252,019	13,218,161
Financial Assets - Term Deposits	5(a)	13,163,678	42,291,566
Other financial assets at amortised cost	5(a)	0	24,777
Inventories	7	488,469	411,358
TOTAL CURRENT ASSETS		79,079,836	81,702,049
NON-CURRENT ASSETS			
Trade and other receivables	6	453,046	656,270
Other financial assets at fair value through profit and loss	5(b)	122,620	122,620
Other financial assets at amortised cost	5(b)	199,690	237,559
Inventories	7	488,358	488,358
Property, plant and equipment	8	250,813,979	258,518,365
Infrastructure	9	426,824,872	410,595,902
Investment property	13	25,619,936	21,750,000
Right of use assets	11(a)	27,436	0
TOTAL NON-CURRENT ASSETS		704,549,937	692,369,074
TOTAL ASSETS		783,629,773	774,071,123
CURRENT LIABILITIES			
Trade and other payables	14	6,195,306	10,361,336
Contract liabilities	15	2,119,876	0
Lease liabilities	16(a)	14,998	0
Borrowings	17(a)	85,520	83,439
Employee related provisions	18	4,618,608	4,122,988
TOTAL CURRENT LIABILITIES		13,034,308	14,567,763
NON-CURRENT LIABILITIES			
Lease liabilities	16(a)	12,831	0
Borrowings	17(a)	177,494	263,014
Employee related provisions	18	457,080	578,285
Other provisions	19	13,846,825	0
TOTAL NON-CURRENT LIABILITIES		14,494,230	841,299
TOTAL LIABILITIES		27,528,538	15,409,062
NET ASSETS		756,101,235	758,662,061
EQUITY			
Retained surplus		452,276,363	448,643,288
Reserves - cash/financial asset backed	4	67,506,603	66,847,807
Revaluation surplus	12	236,318,269	243,170,966
TOTAL EQUITY		756,101,235	758,662,061

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

CITY OF KARRATHA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

			RESERVES CASH/FINANCIAL		
	NOTE	RETAINED SURPLUS	ASSET BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2018		432,129,810	61,497,864	243,013,429	736,641,103
Comprehensive income					
Net result for the period		21,863,421	0	0	21,863,421
Other comprehensive income	12	0	0	157,537	157,537
Total comprehensive income		21,863,421	0	157,537	22,020,958
Transfers from reserves	4	21,764,339	(21,764,339)	0	0
Transfers to reserves	4	(27,114,282)	27,114,282	0	0
Balance as at 30 June 2019		448,643,288	66,847,807	243,170,966	758,662,061
Change in accounting policy	31(b)	(2,045,901)	0	297,021	(1,748,880)
Restated total equity at 1 July 2019		446,597,387	66,847,807	243,467,987	756,913,181
Comprehensive income					
Net result for the period		6,337,772	0	0	6,337,772
Other comprehensive income	12	0	0	(7,149,718)	(7,149,718)
Total comprehensive income		6,337,772	0	(7,149,718)	(811,946)
Transfers from reserves	4	19,947,616	(19,947,616)	0	0
Transfers to reserves	4	(20,606,412)	20,606,412	0	0
Balance as at 30 June 2020		452,276,363	67,506,603	236,318,269	756,101,235

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

CITY OF KARRATHA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		43,663,978	42,724,223	40,697,982
Operating grants, subsidies and contributions		15,357,838	12,891,279	12,020,549
Fees and charges		39,949,453	43,041,634	38,548,526
Service charges		(1,022)	0	861
Interest received		1,997,559	2,316,425	2,455,903
Goods and services tax received (net)		597,254	0	1,698,593
Other revenue		1,962,576	938,962	995,327
		103,527,636	101,912,523	96,417,741
Payments				
Employee costs		(35,694,966)	(34,467,960)	(35,411,111)
Materials and contracts		(36,305,942)	(28,560,908)	(27,526,250)
Utility charges		(6,032,628)	(6,268,791)	(5,824,123)
Interest expenses		(8,907)	(8,076)	(9,735)
Insurance paid		(1,777,732)	(1,724,673)	(1,573,650)
Other expenditure		(3,332,909)	(14,764,981)	(2,726,957)
		(83,153,084)	(85,795,389)	(73,071,826)
Net cash provided by (used in) operating activities	20	20,374,552	16,117,134	23,345,915
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	8(a)	(7,851,645)	(9,635,805)	(13,976,935)
Payments for construction of infrastructure	9(a)	(18,692,310)	(22,837,018)	(19,515,800)
Payments for financial assets		0	0	(122,620)
Payments for investment property	13	(18,000)	0	0
Non-operating grants, subsidies and contributions	2(a)	5,752,377	4,085,439	14,696,422
Proceeds from financial assets at amortised cost - term deposits		29,127,888	0	0
Proceeds from financial assets at amortised cost - self supporting loans		56,480	6,266	88,979
Proceeds on loans receivable - clubs/institutions		6,166	0	0
Proceeds from sale of property, plant & equipment	10(a)	761,990	1,812,500	645,851
Net Movement of term deposits classified as financial assets		0	0	6,414,297
Net cash provided by (used in) investment activities		9,142,946	(26,568,618)	(11,769,806)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	17(b)	(83,439)	(83,438)	(81,409)
Payments for principal portion of lease liabilities	16(b)	(14,576)	0	0
Net cash provided by (used in) financing activities		(98,015)	(83,438)	(81,409)
Net increase (decrease) in cash held		29,419,483	(10,534,922)	11,494,700
Cash at beginning of year		25,756,187	66,298,482	14,261,487
Cash and cash equivalents at the end of the year	20	55,175,670	55,763,560	25,756,187

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

CITY OF KARRATHA
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

OPERATING ACTIVITIES

Restricted surplus/(deficit) b/fwd - Pilbara Underground Power
Unrestricted surplus/(deficit) b/fwd
Net current assets at start of financial year - surplus/(deficit)

Revenue from operating activities (excluding rates)

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

Expenditure from operating activities

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

Non-cash amounts excluded from operating activities

Amount attributable to operating activities

INVESTING ACTIVITIES

Non-operating grants, subsidies and contributions
Proceeds from disposal of assets
Proceeds from self supporting loans
Purchase of property, plant and equipment
Purchase and construction of infrastructure
Purchase of investment property

Amount attributable to investing activities

FINANCING ACTIVITIES

Repayment of borrowings
Payments for principal portion of lease liabilities
Transfers to reserves (restricted assets)
Transfers from reserves (restricted assets)

Amount attributable to financing activities

Surplus/(deficit) before imposition of general rates

Total amount raised from general rates

Restricted surplus/(deficit) June 30 c/fwd - Pilbara Underground Power

Surplus/(deficit) after imposition of general rates

NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
	831,611	805,297	831,611
27 (b)	1,896,063	1,276,159	2,564,089
	2,727,674	2,081,456	3,395,700
	723,888	482,566	685,601
	7,479,977	5,864,622	6,830,877
	866,351	795,984	1,183,740
	151,626	156,850	162,457
	71,752	58,008	58,900
	981,339	942,747	826,592
	11,375,966	12,208,200	10,617,481
	11,435,570	11,666,200	12,247,335
	23,465,074	22,467,945	21,905,301
	4,013,463	627,440	2,843,440
	629,603	275,144	481,233
	61,194,609	55,545,706	57,842,957
	(2,714,208)	(3,744,029)	(2,941,387)
	(1,416,953)	(11,627,044)	(1,172,857)
	(1,732,448)	(1,874,341)	(1,546,082)
	(1,119,686)	(1,188,091)	(1,316,019)
	(689,953)	(196,767)	(177,629)
	(1,016,957)	(830,189)	(858,914)
	(15,941,177)	(16,275,230)	(14,594,236)
	(39,269,366)	(40,923,059)	(37,700,523)
	(36,653,786)	(25,831,827)	(28,475,634)
	(1,924,433)	(2,176,286)	(2,012,006)
	(246,135)	2,976	(368,843)
	(102,725,102)	(104,663,887)	(91,164,130)
27(a)	19,588,068	18,176,299	17,528,370
	(19,214,751)	(28,860,426)	(12,397,103)
2(a)	5,752,377	4,085,439	14,696,422
10(a)	761,990	1,812,500	645,851
	56,480	83,584	88,979
8(a)	(7,851,645)	(9,635,805)	(13,976,935)
9(a)	(18,692,310)	(22,837,018)	(19,515,800)
13	(18,000)	0	0
	(19,991,108)	(26,491,300)	(18,061,483)
17(b)	(83,439)	(83,438)	(81,409)
16(b)	(14,576)	0	0
4	(20,606,412)	(20,361,285)	(27,114,282)
4	19,947,616	34,392,649	21,764,339
	(756,811)	13,947,926	(5,431,352)
	(39,962,670)	(41,403,800)	(35,889,938)
26(a)	42,115,888	42,075,758	40,488,172
6	453,046	644,630	656,270
27(b)	1,700,172	27,328	3,941,964

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

CITY OF KARRATHA
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FOR THE YEAR ENDED 30 JUNE 2020

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1. 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) and Interpretations of the Australian Accounting Standards Board, and the Local Government Act 1995 and accompanying regulations.

AMENDMENTS TO LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

The Local Government (Financial Management) Regulations 1996 take precedence over Australian Accounting Standards. Prior to 1 July 2019, Financial Management Regulation 16 arbitrarily prohibited a local government from recognising as assets Crown land that is a public thoroughfare, i.e. land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets pertaining to vested land, including land under roads acquired on or after 1 July 2008, were not recognised in previous financial reports of the City. This was not in accordance with the *requirements of AASB 1051 Land Under Roads paragraph 15* and AASB 116 Property, Plant and Equipment paragraph 7.

From 1 July 2019, the City has applied AASB 16 Leases which requires leases to be included by lessees in the statement of financial position. Also, the Local Government (Financial Management) Regulations 1996 have been amended to specify that vested land is a right-of-use asset to be measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the statement of financial position) rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the City to measure any vested improvements at zero cost.

The City has accounted for the removal of the vested land values associated with vested land previously recognised by removing the land value and associated revaluation reserve as at 1 July 2019. The comparative year amounts have been retained as AASB 16 does not require comparatives to be restated in the year of transition.

Therefore the departure from AASB 1051 and AASB 16 in respect of the comparatives for the year ended 30 June 2019 remains.

Accounting policies which have been adopted in the preparation of this financial report 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.

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

On 1 July 2020 the following new accounting standards are to be adopted:

- AASB 1059 Service Concession Arrangements: Grantors
- AASB 2018-7 Amendments to Australian Accounting Standards - Materiality

AASB 1059 Service Concession Arrangements: Grantors is not expected to impact the financial report.

Specific impacts of AASB 2018-7 Amendments to Australian Accounting Standards - Materiality, have not been identified.

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 31 to these financial statements.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE AND EXPENSES

REVENUE RECOGNITION

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates	General rates	Over time	Payment dates adopted by Council during the year	None	Adopted by Council annually	When taxable event occurs	Not applicable	When rates notice is issued
Service charges	Charge for specific service	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	Adopted by Council annually	When taxable event occurs	Not applicable	When rates notice is issued
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE RECOGNITION (cont.)

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Licences/ Registrations/ Approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming	Single point in time	Full payment prior to issue	None	Set by state legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment and issue of the licence, registration or approval
Pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	Set by state legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle
Other inspections	Regulatory Food, Health and Safety	Single point in time	Full payment prior to inspection	None	Set by state legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by Council annually	Apportioned equally across the collection period	Not applicable	Output method based on regular weekly and fortnightly period as proportionate to collection service
Waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	Adopted by Council annually	Based on timing of entry to facility	Not applicable	On entry to facility
Airport landing charges	Permission to use facilities and runway	Single point in time	Monthly in arrears	None	Adopted by Council annually	Applied fully on timing of landing/take-off	Not applicable	On landing/departure event
Property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within 7 days	Adopted by Council annually	Based on timing of entry to facility	Returns limited to repayment of transaction price	On entry or at conclusion of hire

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE RECOGNITION POLICY (cont.)

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Memberships	Gym and pool membership	Over time	Payment in full in advance	Refund for unused portion on application	Adopted by council annually	Apportioned equally across the access period	Returns limited to repayment of transaction price	Output method over 12 months matched to access right
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Sale of stock	Kiosk and visitor centre stock	Single point in time	In full in advance, on 40 day credit	Refund for faulty goods	Adopted by council annually, set by mutual agreement	Applied fully based on timing of provision	Returns limited to repayment of transaction price	Output method based on goods
Commissions	Commissions on ticket sales/artwork	Over time	Payment in full on sale	None	Set by mutual agreement with the customer	On receipt of funds	Not applicable	When assets are controlled
Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE AND EXPENSES

(a) Grant revenue

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

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Operating grants, subsidies and contributions			
Governance	0	1,500	18,492
General purpose funding	3,255,647	1,381,800	2,721,573
Law, order, public safety	673,910	670,004	844,230
Health	12,543	13,500	50,923
Housing	18,000	0	0
Community amenities	195,900	0	11,600
Recreation and culture	7,136,121	6,213,703	10,040,939
Transport	3,363,413	202,979	75,398
Economic services	67,000	73,000	77,000
	14,722,534	8,556,486	13,840,155
Non-operating grants, subsidies and contributions			
Governance	0	0	469,999
Law, order, public safety	748,128	0	190,726
Community amenities	80,000	100,000	0
Recreation and culture	2,786,114	2,607,222	7,627,863
Transport	2,138,135	1,378,217	5,777,341
Economic services	0	0	630,493
	5,752,377	4,085,439	14,696,422
Total grants, subsidies and contributions	20,474,911	12,641,925	28,536,577
Fees and charges			
Governance	30,863	14,720	18,495
General purpose funding	2,248,981	2,120,961	1,664,861
Law, order, public safety	88,449	71,560	79,130
Health	139,083	143,350	111,534
Education and welfare	71,752	58,008	58,900
Housing	844,233	722,254	693,891
Community amenities	11,015,823	11,941,964	10,311,610
Recreation and culture	4,282,284	5,271,897	5,216,536
Transport	19,651,765	22,114,530	19,958,395
Economic services	564,527	554,440	390,747
Other property and services	72,065	27,950	44,427
	39,009,825	43,041,634	38,548,526

During the financial year ended 30th June 2020, Council resolved at its November meeting of Council (Res No: 154465) to impose new fees for the hire of the meeting room at the Karratha Tourism and Visitor Centre, effective from 1 January 2020.

Effective January 2020

KTVC Meeting Room Hire (per hour) - Commercial	\$30.00 (GST incl)
KTVC Meeting Room Hire (per hour) - Community Group/ Not-for-profit	\$15.00 (GST incl)

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

Operating grants, subsidies and contributions are grants, subsidies or contributions that are operating in nature.

Non-operating grants, subsidies and contributions are amounts received for the acquisition or construction of recognisable non-financial assets to be controlled by the local government.

Fees and Charges

Revenue (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information, fines, penalties and administration fees.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Contracts with customers and transfers for recognisable non-financial assets

Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the City was recognised during the year for the following nature or types of goods and services:

Operating grants, subsidies and contributions	14,722,534	8,556,486	13,840,155
Non-operating grants, subsidies and contributions	5,752,377	4,085,439	14,696,422
	20,474,911	12,641,925	28,536,577

Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the City is comprised of:

Contracts with customers included as a contract liability at the start of the period	1,806,942	0	0
Other revenue from contracts with customers recognised during the year	14,722,534	8,556,486	13,840,155
Transfers intended for acquiring or constructing recognisable non financial assets included as a contract liability at the start of the period	238,959	0	0
Other revenue from performance obligations satisfied during the year	3,706,476	4,085,439	14,696,422
	20,474,911	12,641,925	28,536,577

Information about receivables, contract assets and contract liabilities from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non-financial assets is:

Trade and other receivables from contracts with customers	8,407,718	0	8,011,246
Contract liabilities from contracts with customers	(1,558,858)	0	0
Financial assets held from transfers for recognisable financial assets	561,018	0	0
Contract liabilities from transfers for recognisable non financial assets	(561,018)	0	0

Contract liabilities for contracts with customers primarily relate to grants with performance obligations received in advance, for which revenue is recognised over time as the performance obligations are met. Information is not provided about remaining performance obligations for contracts with customers that had an original expected duration of one year or less. Consideration from contracts with customers is included in the transaction price. Performance obligations in relation to contract liabilities from transfers for recognisable non financial assets are satisfied as project milestones are met or completion of construction or acquisition of the asset. All associated performance obligations are expected to be met over the next 12 months.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

Revenue from statutory requirements was recognised during the year for the following nature or types of goods or services:

General rates
Service charges

Other revenue

Insurance reimbursements
Fines and penalties
Other

Interest earnings

Financial assets at amortised cost - self supporting loans
Interest on reserve funds
Rates instalment and penalty interest (refer Note 26(d))
Late payment of fees and charges *
Other interest earnings

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
General rates	42,064,449	42,025,299	40,437,713
Service charges	(1,022)	0	861
	42,063,427	42,025,299	40,438,574
Insurance reimbursements	636,251	616,921	393,489
Fines and penalties	162,156	117,850	131,220
Other	1,164,169	196,115	470,618
	1,962,576	930,886	995,327
Financial assets at amortised cost - self supporting loans	7,883	8,076	7,586
Interest on reserve funds	1,159,082	1,493,470	1,522,031
Rates instalment and penalty interest (refer Note 26(d))	456,421	509,821	544,939
Late payment of fees and charges *	24,570	12,000	52,697
Other interest earnings	349,603	301,134	328,650
	1,997,559	2,324,501	2,455,903

* For the year ended 30 June 2020, Council resolved (Res No: 154367) to charge interest under section 6.13 for the late payment of any amount of money at 11%

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest earnings (continued)

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report

Interest expenses (finance costs)

Borrowings
Lease liabilities

Note	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
	56,900	53,000	33,000
	56,900	53,000	33,000
17(b)	7,883	8,076	9,919
16(b)	1,024	0	0
	8,907	8,076	9,919

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

3. CASH AND CASH EQUIVALENTS

	NOTE	2020 \$	2019 \$
Cash and Cash Equivalents			
Cash at bank and on hand		55,175,670	5,720,928
Term deposits		0	20,035,259
Total cash and cash equivalents		55,175,670	25,756,187
Financial Assets			
Principal Amount of term deposit	5	13,163,678	42,291,566
Total		68,339,348	68,047,753
Restrictions			
The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents		55,175,670	24,593,013
- Financial assets at amortised cost		13,163,678	42,291,566
		68,339,348	66,884,579

The restricted assets are a result of the following specific purposes to which the assets may be used:

Reserve accounts

Aerodrome Reserve	4	3,490,739	2,809,608
Carry Forward Budget Reserve	4	540,043	552,476
Community Development Reserve	4	912,174	894,049
Dampier Drainage Reserve	4	10,981	10,763
Economic Development Reserve	4	1,323,651	1,297,351
Employee Entitlement Reserve	4	5,075,015	5,005,136
Infrastructure Reserve	4	25,669,327	22,636,685
Medical Services Assistance Package Reserve	4	404,535	396,497
Mosquito Control Reserve	4	9,999	9,285
Partnership Reserve	4	7,361,483	9,945,793
Plant Replacement Reserve	4	812,415	859,177
Restricted Funds Reserve	4	1,615,999	1,893,835
Walkington Theatre Reserve	4	33,314	32,652
Waste Management Reserve	4	19,854,280	20,119,654
Workers Compensation Reserve	4	392,648	384,846
		67,506,603	66,847,807

Other restricted cash and cash equivalents

Contract liabilities from contracts with customers*	15	271,727	0
Contract liabilities from transfers for recognisable non financial assets	15	561,018	0
Unspent grants, subsidies and contributions		0	36,772
Total restricted assets		68,339,348	66,884,579

*This is a reduced balance to reflect a sum of contract liabilities held in Reserve accounts.

SIGNIFICANT ACCOUNTING POLICIES

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 with original maturities of three months or less 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.

Restricted assets

Restricted asset balances are not available for general use by the local government due to externally imposed restrictions. Externally imposed restrictions are specified in an agreement, contract or legislation. This applies to reserves, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

**4. RESERVES -
CASH/FINANCIAL ASSET
BACKED**

	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance	2020 Budget Opening Balance	2020 Budget Transfer to	2020 Budget Transfer (from)	2020 Budget Closing Balance	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Aerodrome Reserve	2,809,608	681,131	0	3,490,739	3,274,164	1,687,239	0	4,961,403	4,294,418	100,447	(1,585,259)	2,809,608
(b) Carry Forward Budget Reserve	552,476	0	(12,433)	540,043	819,482	0	(177,393)	642,089	1,765,785	186,726	(1,400,035)	552,476
(c) Community Development Reserve	894,049	18,125	0	912,174	1,342,696	35,922	0	1,378,618	1,307,489	33,457	(446,897)	894,049
(d) Dampier Drainage Reserve	10,763	218	0	10,981	10,771	286	0	11,057	10,488	275	0	10,763
(e) Economic Development Reserve	1,297,351	26,300	0	1,323,651	1,298,198	34,732	(500,000)	832,930	1,264,157	33,194	0	1,297,351
(f) Employee Entitlement Reserve	5,005,136	101,443	(31,564)	5,075,015	4,984,165	133,342	0	5,117,507	4,853,471	151,665	0	5,005,136
(g) Infrastructure Reserve	22,636,685	15,236,928	(12,204,286)	25,669,327	22,624,481	14,713,042	(27,998,755)	9,338,768	15,177,939	17,515,056	(10,056,310)	22,636,685
(h) Medical Services Assistance Package Reserve	396,497	8,038	0	404,535	342,237	9,119	0	351,356	386,352	10,145	0	396,497
(i) Mosquito Control Reserve	9,285	714	0	9,999	9,291	817	0	10,108	8,491	794	0	9,285
(j) Partnership Reserve	9,945,793	4,099,797	(6,684,107)	7,361,483	8,979,997	1,018,685	(4,970,501)	5,028,181	8,651,358	6,980,532	(5,686,097)	9,945,793
(k) Plant Replacement Reserve	859,177	17,278	(64,040)	812,415	859,739	22,997	(746,000)	136,736	837,194	21,983	0	859,177
(l) Restricted Funds Reserve	1,893,835	0	(277,836)	1,615,999	417,024	0	0	417,024	417,024	1,500,000	(23,189)	1,893,835
(m) Walkington Theatre Reserve	32,652	662	0	33,314	32,675	873	0	33,548	31,817	835	0	32,652
(n) Waste Management Reserve	20,119,654	407,976	(673,350)	19,854,280	20,864,407	2,689,503	0	23,553,910	21,955,873	565,422	(2,401,641)	20,119,654
(o) Workers Compensation Reserve	384,846	7,802	0	392,648	283,940	14,728	0	298,668	536,006	13,751	(164,911)	384,846
	66,847,807	20,606,412	(19,947,616)	67,506,603	66,143,267	20,361,285	(34,392,649)	52,111,903	61,497,862	27,114,282	(21,764,339)	66,847,807

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserves - cash/financial assets backed.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

4. RESERVES - CASH/FINANCIAL ASSET BACKED (Continued)

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

Name of reserve	Anticipated date of use	Purpose of the reserve
(a) 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.
(b) Carry Forward Budget Reserve	Ongoing	This reserve is for the purpose of preserving projects funds carried over.
(c) 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.
(d) Dampier Drainage Reserve	Ongoing	This reserve is maintained as part of an agreement between the Council and Hamersley Iron. The purpose of the reserve is to ensure funds are available for the maintenance of drainage in Dampier. Hamersley Iron pay to the Council each year a \$10,000 contribution towards this maintenance with any additional works required being drawn from this reserve and similarly, any funds remaining unspent being transferred to this reserve.
(e) Economic Development Reserve	Ongoing	To fund economic development activities within the City, including Destination Marketing, Business Attraction, Property Development and Tourism.
(f) 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.
(g) 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.
(h) 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.
(i) Mosquito Control Reserve	Ongoing	The purpose of this reserve is to fund mosquito control programmes inclusive of the purchase of replacement equipment as required.
(j) 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.
(k) Plant Replacement Reserve	Ongoing	The purposes of this reserve is to fund the capital purchase of plant and equipment.
(l) 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.
(m) Walkington Theatre Reserve	2022	The purpose of this reserve is to fund the operation and capital works of the Walkington Theatre.
(n) 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.
(o) 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.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

5. OTHER FINANCIAL ASSETS

(a) Current assets

Other financial assets at amortised cost
Other loans and receivables

Other financial assets at amortised cost

Term deposits
Self supporting loans
Loans receivable - clubs/institutions

(b) Non-current assets

Financial assets at amortised cost - self supporting loans
Financial assets at fair value through profit and loss
Other loans and receivables

Financial assets at amortised cost

Self supporting loans
Loans receivable - clubs/institutions

Financial assets at fair value through profit and loss

Units in Local Government House Trust

2020	2019
\$	\$
13,163,678	42,291,566
0	24,777
13,163,678	42,316,343
13,163,678	42,291,566
0	18,611
0	6,166
13,163,678	42,316,343
184,826	219,612
122,620	122,620
14,864	17,947
322,310	360,179
184,826	219,612
14,864	17,947
199,690	237,559
122,620	122,620
122,620	122,620

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 17(b) as self supporting loans.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

The City classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit and loss

The City classifies the following financial assets at fair value through profit and loss:

- Debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- Equity investments which the City has not elected to recognise fair value gains and losses through other comprehensive income.

Local Government House Units are held with a fair value as at 30 June 2018.

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 28.

6. TRADE AND OTHER RECEIVABLES

Current

Rates receivable
Sundry receivables
GST receivable
Allowance for impairment of trade receivables
Accrued Income
Prepayments

Non-current

Service Charge

2020	2019
\$	\$
1,407,505	2,383,258
8,407,718	8,011,246
91,662	688,916
(1,768,054)	(1,347,908)
1,935,423	3,289,671
177,765	192,978
10,252,019	13,218,161
453,046	656,270
453,046	656,270

Reconcillation of changes in the allowance for impairment of receivables:

Balance at start of period
Restated balance at start of period
Expected credit losses expense
Amounts written off during the period

Balance at end of period

1,347,908	1,355,831
1,347,908	1,355,831
434,427	19,315
(14,281)	(27,238)
1,768,054	1,347,908

SIGNIFICANT ACCOUNTING POLICIES

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.

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 40 days.

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 28.

Classification and subsequent measurement

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.

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

7. INVENTORIES

Current	
Fuel and materials	
Corporate uniform	
Food, drinks & merchandise Roebourne Aquatic Centre	
Food, drinks & merchandise Youth Shed	
Food, drinks & merchandise Wickham Recreation Precinct	
Food, drinks & merchandise Karratha Leisureplex	
Food, drinks & merchandise Red Earth Arts Precinct	
Food, drinks & merchandise Karratha Visitor Centre	
Land held for resale - cost	
Cost of acquisition	
Non-current	
Land held for resale - cost	
Cost of acquisition	
The following movements in inventories occurred during the year:	
Carrying amount at beginning of period	
Inventories expensed during the year	
Additions to inventory	
Carrying amount at end of period	

2020	2019
\$	\$
383,479	328,638
32,626	24,524
230	243
2,825	3,056
1,132	1,371
2,767	3,469
16,317	14,164
13,200	0
35,893	35,893
488,469	411,358
488,358	488,358
488,358	488,358
899,716	926,029
(1,394,688)	(28,654)
1,471,799	2,341
976,827	899,716

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

Land held for resale

Land held for development and resale 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.

Land held for resale (Continued)

Borrowing 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 onto the buyer at this point.

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

CITY OF KARRATHA
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FOR THE YEAR ENDED 30 JUNE 2020

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings	Total buildings	Total land and buildings	Furniture and equipment	Plant	Equipment	Artwork & Sculptures	Works in Progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	10,630,892	564,454	11,195,346	217,698,254	217,698,254	228,893,600	2,706,145	7,090,082	488,248	1,859,816	10,805,644	251,843,535
Additions	470,000		470,000	20,259,302	20,259,302	20,729,302	725,060	2,352,649	118,031	41,605	(9,989,712)	13,976,935
(Disposals)	(215,030)	0	(215,030)	(205,787)	(205,787)	(420,817)	(2,706)	(343,839)	(612)	0	0	(767,974)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	0	0	0	(8,509)	149,221	16,825	0	0	157,537
Revaluation (loss) / reversals transferred to profit or loss	0	0	0	0	0	0	(20,173)	0	0	0	0	(20,173)
Depreciation (expense)	0	0	0	(5,001,857)	(5,001,857)	(5,001,857)	(672,913)	(771,761)	(184,122)	(40,842)	0	(6,671,495)
Carrying amount at 30 June 2019	10,885,862	564,454	11,450,316	232,749,912	232,749,912	244,200,228	2,726,904	8,476,352	438,370	1,860,579	815,932	258,518,365
Comprises:												
Gross carrying amount at 30 June 2019	34,691,945	564,454	35,256,399	275,352,744	275,352,744	310,609,143	2,726,904	8,476,352	438,370	1,898,024	815,932	324,964,725
Accumulated depreciation at 30 June 2019	0	0	0	(34,684,754)	(34,684,754)	(34,684,754)	0	0	0	(37,445)	0	(34,722,199)
Accumulated impairment loss at 30 June 2019	(23,806,083)	0	(23,806,083)	(7,918,078)	(7,918,078)	(31,724,161)	0	0	0	0	0	(31,724,161)
Carrying amount at 30 June 2019	10,885,862	564,454	11,450,316	232,749,912	232,749,912	244,200,228	2,726,904	8,476,352	438,370	1,860,579	815,932	258,518,365
Change in accounting policy*	9,454	(564,454)	(555,000)	3,646	3,646	(551,354)	0	0	0	47,998	0	(503,356)
Carrying amount at 1 July 2019	10,895,316	0	10,895,316	232,753,558	232,753,558	243,648,874	2,726,904	8,476,352	438,370	1,908,577	815,932	258,015,009
Additions	0	0	0	4,976,409	4,976,409	4,976,409	723,721	2,104,012	22,971	353,858	(329,326)	7,851,645
(Disposals)	(61,074)	0	(61,074)	(1,004,274)	(1,004,274)	(1,065,348)	(16,110)	(690,877)	(1,287)	(19,199)	0	(1,792,821)
Revaluation increments / (decrements) transferred to revaluation surplus**	0	0	0	(6,060,544)	(6,060,544)	(6,060,544)	0	0	0	0	0	(6,060,544)
Depreciation (expense)	0	0	0	(5,340,661)	(5,340,661)	(5,340,661)	(533,766)	(716,067)	(96,519)	(42,297)	0	(6,729,310)
Transfers	(470,000)	0	(470,000)	0	0	(470,000)	0	0	0	0	0	(470,000)
Carrying amount at 30 June 2020	10,364,242	0	10,364,242	225,324,488	225,324,488	235,688,730	2,900,749	9,173,420	363,535	2,200,939	486,606	250,813,979
Comprises:												
Gross carrying amount at 30 June 2020	10,364,242	0	10,364,242	264,497,467	264,497,467	274,861,709	3,432,041	9,864,785	454,429	2,279,880	486,606	291,379,450
Accumulated depreciation at 30 June 2020	0	0	0	(31,254,901)	(31,254,901)	(31,254,901)	(531,292)	(691,365)	(90,894)	(78,941)	0	(32,647,393)
Accumulated impairment loss at 30 June 2020	0	0	0	(7,918,078)	(7,918,078)	(7,918,078)	0	0	0	0	0	(7,918,078)
Carrying amount at 30 June 2020	10,364,242	0	10,364,242	225,324,488	225,324,488	235,688,730	2,900,749	9,173,420	363,535	2,200,939	486,606	250,813,979

*The increases in asset valuations relate to 2 gifted parks valued at the time of implementing the accounting policy. The transfer of \$9,454 is a result of a review of the vested land in accordance with the accounting policy and was reclassified as freehold land.

**The revaluation surplus was used to write off the removal of the balances relating to Cossack/Jarman Island lighthouse as the management order expired and the assets were handed back to the State Government as per council resolution 154544.

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	2	Market Approach using recent observable market data for similar properties	Independent Valuation	June 2017	Comparable market values
Land - vested in and under the control of Council	2	Market Approach using recent observable market data for similar properties	Independent Valuation	June 2017	Comparable market values
Buildings	3	Cost Approach using depreciated replacement cost	Independent Valuation	June 2017	Replacement cost and remaining estimated useful life
Furniture and equipment	3	Market and Cost Approach using depreciated replacement cost	Independent and Management Valuation	June 2019	Measurements based on quoted prices in active markets for identical assets. Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3)
Equipment	3	Market and Cost Approach using depreciated replacement cost	Independent and Management Valuation	June 2019	Measurements based on quoted prices in active markets for identical assets. Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3)
Artwork & Sculptures	3	Market and Cost Approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Current condition and comparable market values achieved at auction houses and contact with artists

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 by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

CITY OF KARRATHA
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FOR THE YEAR ENDED 30 JUNE 2020

9. INFRASTRUCTURE

(a) 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.

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Parks, Recreation and Open Space	Infrastructure - Aerodromes	Infrastructure - Miscellaneous Structures	Works in Progress	Landfill Post Closure Asset	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	224,959,412	37,481,542	17,645,453	48,607,821	59,223,499	4,084,729	11,516,764	0	403,519,220
Additions	5,771,915	2,549,955	1,130,335	4,376,650	4,136,575	4,550,639	(3,000,269)		19,515,800
(Disposals)	(1,301,054)	(57,561)	0	(59,420)	0	0	0	0	(1,418,035)
Depreciation (expense)	(4,568,500)	(716,082)	(577,206)	(2,725,984)	(2,016,160)	(417,151)	0		(11,021,083)
Carrying amount at 30 June 2019	224,861,773	39,257,854	18,198,582	50,199,067	61,343,914	8,218,217	8,516,495	0	410,595,902
Comprises:									
Gross carrying amount at 30 June 2019	265,265,198	52,612,016	22,813,085	68,623,718	82,433,881	13,580,536	8,516,495	0	513,844,929
Accumulated depreciation at 30 June 2019	(40,403,425)	(13,354,162)	(4,614,503)	(18,424,651)	(21,089,967)	(5,362,319)	0	0	(103,249,027)
Carrying amount at 30 June 2019	224,861,773	39,257,854	18,198,582	50,199,067	61,343,914	8,218,217	8,516,495	0	410,595,902
Change in accounting policy*	0	85,267	0	715,110	0	0	0	0	800,377
Carrying amount at 1 July 2019	0	39,343,121	0	50,914,177	0	0	0	0	90,257,298
Additions	7,697,910	3,236,315	1,324,772	9,947,202	837,368	868,685	(5,219,942)	13,846,825	32,539,135
(Disposals)	(1,830,170)	(252,373)	(67,263)	(159,358)	0	0	0	0	(2,309,164)
Revaluation increments / (decrements) transferred to revaluation surplus**	(1,076,202)	0	(12,972)	0	0	0	0	0	(1,089,174)
Depreciation (expense)	(6,982,006)	(759,155)	(475,154)	(3,014,204)	(2,066,292)	(415,393)	0		(13,712,204)
Carrying amount at 30 June 2020	222,671,305	41,567,908	18,967,965	57,687,817	60,114,990	8,671,509	3,296,553	13,846,825	517,082,170
Comprises:									
Gross carrying amount at 30 June 2020	269,263,844	55,390,925	24,012,657	78,836,393	83,271,249	14,523,221	3,296,553	13,846,825	542,441,667
Accumulated depreciation at 30 June 2020	(46,592,539)	(13,823,017)	(5,044,692)	(21,148,576)	(23,156,259)	(5,851,712)	0	0	(115,616,795)
Carrying amount at 30 June 2020	222,671,305	41,567,908	18,967,965	57,687,817	60,114,990	8,671,509	3,296,553	13,846,825	426,824,872

*The increases in asset valuations relate to 2 gifted parks valued at the time of implementing the accounting policy.

**The revaluation surplus was used to write off assets damaged in the Cyclone and removal of the balances relating to Cossack/Jarman Island lighthouse as the management order expired and the assets were handed back to the State Government as per council resolution 154544.

CITY OF KARRATHA
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9. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Footpaths	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Drainage	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Parks, Recreation and Open Space	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Aerodromes	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Miscellaneous Structures	Level 3	Cost approach using depreciated replacement cost	Independent and Management Valuation	June 2018	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.

10. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

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 zero cost or otherwise significantly less than fair value, 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 fixed overheads.

Individual assets that are land, buildings, infrastructure and investment properties acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of land, buildings,infrastructure and investment properties is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvments) on vested land acquired by the City.

At the end of each 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 land, buildings, infrastructure, investment properties and vested improvements to be shown at fair value.

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 class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control prior to 1 July 2019

In accordance with the then *Local Government (Financial Management) Regulation 16(a)(ii)*, the City was previously required to include as an asset (by 30 June 2013), vested 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.

Land under roads prior to 1 July 2019

In Western Australia, most 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 then *Local Government (Financial Management) Regulation 16(a)(i)* which arbitrarily prohibited local governments from recognising such land as an asset. This regulation has now been deleted.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, the then *Local Government (Financial Management) Regulation 16(a)(i)* prohibited 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 was not included as an asset of the City.

Land under roads from 1 July 2019

As a result of amendments to the *Local Government (Financial Management) Regulations 1996*, effective from 1 July 2019, vested land, including land under roads, are treated as right-of-use assets measured at zero cost. Therefore, the previous inconsistency with *AASB 1051* in respect of non-recognition of land under roads acquired on or after 1 July 2008 has been removed, even though measurement at zero cost means that land under roads is still not included in the statement of financial position.

The City has accounted for the removal of the vested land values associated with vested land previously recognised by removing the land value and associated revaluation reserve as at 1 July 2019. The comparatives have not been restated.

Vested improvements from 1 July 2019

The measurement of vested improvements at fair value in accordance with *Local Government (Financial Management) Regulation 17A(2)(iv)* is a departure from *AASB 16* which would have required the City to measure the vested improvements as part of the related right-of-use assets at zero cost.

Refer to Note 11 that details the significant accounting policies applying to leases (including right of use assets).

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

10. FIXED ASSETS

(a) Disposals of Assets

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
	\$	\$	\$	\$
Land - freehold land	61,074	102,430	41,356	0
Buildings	1,004,274	192,570	77,750	(889,454)
Furniture and equipment	16,110	0	0	(16,110)
Plant	690,877	466,790	2,095	(226,182)
Equipment	1,287	200	0	(1,087)
Artwork & Sculptures	19,199	0	0	(19,199)
Infrastructure - Roads	1,830,170	0	0	(1,830,170)
Infrastructure - Footpaths	252,373	0	0	(252,373)
Infrastructure - Drainage	67,263	0	0	(67,263)
Infrastructure - Parks, Recreation and Open Space	159,358	0	0	(159,358)
	4,101,985	761,990	121,201	(3,461,196)

	2020 Budget Net Book Value	2020 Budget Sale Proceeds	2020 Budget Profit	2020 Budget Loss
	\$	\$	\$	\$
	35,894	490,000	454,106	0
	499,507	720,000	220,493	0
	0	0	0	0
	724,400	566,000	17,600	(176,000)
	40,500	36,500	0	(4,000)
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	1,300,301	1,812,500	692,199	(180,000)

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$
	215,030	137,323	38,395	(116,102)
	205,787	242,861	94,306	(57,232)
	2,706	0	0	(2,706)
	343,839	264,272	269	(79,836)
	612	1,395	1,395	(612)
	0	0	0	0
	1,301,054	0	0	(1,301,054)
	57,561	0	0	(57,561)
	0	0	0	0
	59,420	0	0	(59,420)
	2,186,009	645,851	134,365	(1,674,523)

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

10. FIXED ASSETS (Continued)

(a) Disposals of Assets (Continued)

Land

Housing

LAND000035 - 38 Clarkson Way (Lot 830)

Buildings

Housing

SH000002 - 38 Clarkson Way (Lot 830)

Recreation and culture

Cossack assets

Education and welfare

BC000094 - Wickham Early Learning Centre

Furniture and Equipment

Recreation and culture

30001740 - Roebourne Library Fitout

Cossack assets

Plant

General purpose funding

40000480 - P1049 Subaru Forrester

40000481 - P1045 Subura Forrester

40000520 - P1063 Toyota Prado

40000552 - P1075 Toyota Prado

40000499 - P1046 Suzuki Grand Vitara

Law, order, public safety

40000500 - P1052 Toyota Corolla Hatch

40000511 - P1044 Toyota Hilux

Community amenities

40000421 - P8814 Fuso Tandem Axle Tip Truck

40000338 - P8801 Fuso Fighter Rubbish Truck

Recreation and culture

40000521 - P1056 Toyota Hilux

40000515 - P1051 Toyota Corolla Hatch

40000530 - P1048 Toyota Corolla Accent

Cossack assets

Transport

40000587 - P2061 2016 Holden Colorado

40000532 - P2039 Toyota Hilux

40000365 - P8004 Hitachi Excavator

40000371 - P9407 Semi Trailer Water Tanker

Equipment

Recreation and culture

20000663 - Tennant Walk behind Sweeper

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
	\$	\$	\$	\$
	61,074	102,430	41,356	0
	61,074	102,430	41,356	0
	114,820	192,570	77,750	0
	596,314	0	0	(596,314)
	293,140	0	0	(293,140)
	1,004,274	192,570	77,750	(889,454)
	6,523	0	0	(6,523)
	9,587	0	0	(9,587)
	16,110	0	0	(16,110)
	13,970	9,500	0	(4,470)
	13,970	9,500	0	(4,470)
	28,436	30,500	2,064	0
	38,165	32,250	0	(5,915)
	13,710	11,600	0	(2,110)
	9,140	9,171	31	0
	22,690	17,500	0	(5,190)
	102,062	47,273	0	(54,789)
	65,087	38,182	0	(26,905)
	15,383	12,355	0	(3,028)
	10,060	9,198	0	(862)
	10,898	10,471	0	(427)
	14,285	0	0	(14,285)
	20,325	16,250	0	(4,075)
	16,473	10,250	0	(6,223)
	118,340	57,727	0	(60,613)
	49,778	38,864	0	(10,914)
	690,877	466,790	2,095	(226,182)
	1,287	200	0	(1,087)
	1,287	200	0	(1,087)

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

10. FIXED ASSETS (Continued)

(a) Disposals of Assets (Continued)

The following assets were disposed of during the year.

Artwork & Sculptures

Recreation and culture

Cossack assets

Infrastructure - Roads

Transport

Mooligunn Road - Disposal prior to reconstruction

Road Damage - Tropical Cyclone Veronica

Road Damage - Tropical Cyclone Damien

Infrastructure - Footpaths

Transport

BR000039 - Balmoral Road

BR000068 - Searipple Road

BR000069 - Searipple Road

FP002164 - Church Road

FP115941 - Church Road

FP115917 - Searipple Road

Infrastructure - Drainage

Transport

Mooligunn Road - Disposal prior to reconstruction

Road Damage - Tropical Cyclone Veronica

Infrastructure - Parks, Recreation and Open Space

Recreation and culture

BC000459 - Dampier Foreshore Park Playground Shelter

BC000538 - Dampier Foreshore Reserve - Shelter

LT000174 - Park light - Dampier Palms - Hampton Palms Light 1

LT000175 - Park light - Dampier Palms - Hampton Palms Light 2

LT000176 - Park light - Dampier Palms - Hampton Palms Light 3

PE000023 - Richardson Way Park - Spinner

PE000060 - Waters Park - Swings

PE000065 - Ausburn Park - Spinner

PE000067 - Malster Park - Combination unit

PE000068 - Malster Park - Double swing

PE000069 - Malster Park - Spring ride - Train

PE000072 - Malster Park - Spring ride - Spinner

PE000357 - Cattrall Park - Slide

PF000001 - Tambrey Oval - Barbeque

PF000328 - Bulgarra Oval - AFL Goal Posts

PF000329 - Bulgarra Oval - AFL Goal Posts

PF001200 - Point Samson Community Park - Barbeque

PF001306 - Karratha Cemetery Bench Seating

Cossack assets

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
	\$	\$	\$	\$
Cossack assets	19,199	0	0	(19,199)
	19,199	0	0	(19,199)
Infrastructure - Roads				
Transport				
Mooligunn Road - Disposal prior to reconstruction	844,045	0	0	(844,045)
Road Damage - Tropical Cyclone Veronica	387,173	0	0	(387,173)
Road Damage - Tropical Cyclone Damien	598,952	0	0	(598,952)
	1,830,170	0	0	(1,830,170)
Infrastructure - Footpaths				
Transport				
BR000039 - Balmoral Road	42,164	0	0	(42,164)
BR000068 - Searipple Road	166,267	0	0	(166,267)
BR000069 - Searipple Road	7,105	0	0	(7,105)
FP002164 - Church Road	2,294	0	0	(2,294)
FP115941 - Church Road	30,833	0	0	(30,833)
FP115917 - Searipple Road	3,710	0	0	(3,710)
	252,373	0	0	(252,373)
Infrastructure - Drainage				
Transport				
Mooligunn Road - Disposal prior to reconstruction	66,934	0	0	(66,934)
Road Damage - Tropical Cyclone Veronica	329	0	0	(329)
	67,263	0	0	(67,263)
Infrastructure - Parks, Recreation and Open Space				
Recreation and culture				
BC000459 - Dampier Foreshore Park Playground Shelter	49,184	0	0	(49,184)
BC000538 - Dampier Foreshore Reserve - Shelter	7,468	0	0	(7,468)
LT000174 - Park light - Dampier Palms - Hampton Palms Light 1	3,365	0	0	(3,365)
LT000175 - Park light - Dampier Palms - Hampton Palms Light 2	3,365	0	0	(3,365)
LT000176 - Park light - Dampier Palms - Hampton Palms Light 3	3,365	0	0	(3,365)
PE000023 - Richardson Way Park - Spinner	728	0	0	(728)
PE000060 - Waters Park - Swings	1,223	0	0	(1,223)
PE000065 - Ausburn Park - Spinner	1,856	0	0	(1,856)
PE000067 - Malster Park - Combination unit	10,657	0	0	(10,657)
PE000068 - Malster Park - Double swing	1,359	0	0	(1,359)
PE000069 - Malster Park - Spring ride - Train	1,439	0	0	(1,439)
PE000072 - Malster Park - Spring ride - Spinner	1,439	0	0	(1,439)
PE000357 - Cattrall Park - Slide	3,990	0	0	(3,990)
PF000001 - Tambrey Oval - Barbeque	15,144	0	0	(15,144)
PF000328 - Bulgarra Oval - AFL Goal Posts	5,492	0	0	(5,492)
PF000329 - Bulgarra Oval - AFL Goal Posts	5,491	0	0	(5,491)
PF001200 - Point Samson Community Park - Barbeque	11,590	0	0	(11,590)
PF001306 - Karratha Cemetery Bench Seating	2,948	0	0	(2,948)
Cossack assets	29,255	0	0	(29,255)
	159,358	0	0	(159,358)
	4,101,985	761,990	121,201	(3,461,196)

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

10. FIXED ASSETS

(b) Depreciation

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings	5,340,661	5,180,091	5,001,857
Furniture and equipment	533,766	792,319	672,913
Plant	716,067	1,211,630	771,761
Equipment	96,519	185,566	184,122
Artwork & Sculptures	42,297	35,109	40,842
Infrastructure - Roads	6,982,006	5,124,928	4,568,500
Infrastructure - Footpaths	759,155	694,680	716,082
Infrastructure - Drainage	475,154	423,568	577,206
Infrastructure - Parks, Recreation and Open Space	3,014,204	2,466,036	2,725,984
Infrastructure - Aerodromes	2,066,292	2,153,236	2,016,160
Infrastructure - Miscellaneous Structures	415,393	421,335	417,151
Right of use assets - buildings	14,969	0	0
	20,456,483	18,688,498	17,692,578

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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.

Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included below:

Asset Class	Useful life
Artworks	50 years
Buildings	10 to 100 years
Furniture and equipment	3 to 10 years
Plant and equipment	2 to 15 years
Infrastructure	
- Roads	12 to 80 years
- Pathways and Cycleways	10 to 80 years
- Aerodrome Assets	10 to 80 years
- Park Developments	15 to 30 years
- Bridges	60 years
- Drains and Stormwater Network	40 to 80 years
- Miscellaneous Structures	15 to 100 years
- Boat Ramps/ Jetties	25 years
- Lighting	15 to 20 years
Right of use	Based on the remaining lease period
Landfill Post Closure	Based on open landfill cells
Asset	(currently 9 years)

Depreciation on revaluation

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) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or

(b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Amortisation

All intangible assets with a finite useful life, are amortised on a straight-line basis over the individual asset's useful life from the time the asset is held for use.

The residual value of intangible assets is considered to be zero and the useful life and amortisation method are reviewed at the end of each financial year.

Amortisation is included within Depreciation on non-current assets in the Statement of Comprehensive Income and in the note above.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

11. LEASES

(a) Right of Use Assets

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

	Right of use assets - buildings \$	Right of use assets Total
Carrying amount at 30 June 2019	0	0
Recognised on initial application of AASB 16	42,405	42,405
Restated total equity at the beginning of the financial year	42,405	42,405
Depreciation (expense)	(14,969)	(14,969)
Carrying amount at 30 June 2020	27,436	27,436
(b) Cash outflow from leases		
Interest expense on lease liabilities	1,024	1,024
Total cash outflow from leases	1,024	1,024

The City has 4 leases, one relating to buildings and the remainder to land, which are zero cost concessionary leases and are therefore recognised as operating leases. The lease terms are as per those included in Note 16. The measurement of lease liabilities does not include any future cash outflows associated with leases not yet commenced to which the City is committed.

SIGNIFICANT ACCOUNTING POLICIES

Leases

At inception of a contract, the City assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a right-of-use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the City uses its incremental borrowing rate.

All contracts that are classified as short-term leases (i.e. a lease with a remaining term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Leases for right-of-use assets are secured over the asset being leased.

Right-of-use assets - valuation

Right-of-use assets are measured at cost. This means that all right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the statement of financial position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 10 for details on the significant accounting policies applying to vested improvements.

Right-of-use assets - depreciation

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the City anticipates to exercise a purchase option, the specific asset is amortised over the useful life of the underlying asset.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

12. REVALUATION SURPLUS

	2020 Opening Balance	2020 Change in Accounting Policy**	2020 Revaluation Increment	2020 Revaluation (Decrement)*	Total Movement on Revaluation	2020 Closing Balance	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Movement on Revaluation	2019 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	5,871,847	0	0	0	0	5,871,847	5,871,847	0	0	0	5,871,847
Revaluation surplus - Land - vested in and under the control of Council	555,000	(555,000)	0	0	0	0	555,000	0	0	0	555,000
Revaluation surplus - Buildings	17,484,855	3,646	0	(6,060,544)	(6,060,544)	11,427,957	17,484,855	0	0	0	17,484,855
Revaluation surplus - Furniture and equipment	0	0	0	0	0	0	8,509	0	(8,509)	(8,509)	0
Revaluation surplus - Plant	196,222	0	0	0	0	196,222	47,001	149,221	0	149,221	196,222
Revaluation surplus - Equipment	16,825	0	0	0	0	16,825	0	16,825	0	16,825	16,825
Revaluation surplus - Artwork & Sculptures	0	47,998	0	0	0	47,998	0	0	0	0	0
Revaluation surplus - Infrastructure - Roads	148,060,533	0	0	(1,076,202)	(1,076,202)	146,984,331	148,060,533	0	0	0	148,060,533
Revaluation surplus - Infrastructure - Footpaths	30,637,280	85,267	0	0	0	30,722,547	30,637,280	0	0	0	30,637,280
Revaluation surplus - Infrastructure - Drainage	16,047,658	0	0	(12,972)	(12,972)	16,034,686	16,047,658	0	0	0	16,047,658
Revaluation surplus - Infrastructure - Parks, Recreation and Open Space	5,886,099	715,110	0	0	0	6,601,209	5,886,099	0	0	0	5,886,099
Revaluation surplus - Infrastructure - Aerodromes	17,008,351	0	0	0	0	17,008,351	17,008,351	0	0	0	17,008,351
Revaluation surplus - Infrastructure - Miscellaneous Structures	1,406,296	0	0	0	0	1,406,296	1,406,296	0	0	0	1,406,296
	243,170,966	297,021	0	(7,149,718)	(7,149,718)	236,318,269	243,013,429	166,046	(8,509)	157,537	243,170,966

Movements on revaluation of property, plant and equipment (including infrastructure) 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.

*The revaluation surplus was used to write off assets damaged in the Cyclone and removal of the balances relating to Cossack/Jarman Island lighthouse as the management order expired and the assets were handed back to the State Government as per council resolution.

** The increases in asset valuations relate to 2 gifted parks valued at the time of implementing the accounting policy.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

13. INVESTMENT PROPERTY

Non-current assets - at fair value

Carrying balance at 1 July
 Transfers
 Capitalised subsequent expenditure
 Net gain/(loss) from fair value adjustment
 Closing balance at 30 June

Amounts recognised in profit or loss for investment properties

Rental income
 Direct operating expenses from property that generated rental income
 Fair value gain recognised in other income

Leasing arrangements

Investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

Within one year
 Later than one year but not later than 5 years
 Later than 5 years

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Carrying balance at 1 July	21,750,000	21,750,000	20,004,800
Transfers	470,000	0	0
Capitalised subsequent expenditure	18,000	0	0
Net gain/(loss) from fair value adjustment	3,381,936	0	1,745,200
Closing balance at 30 June	25,619,936	21,750,000	21,750,000
Rental income	2,617,127	2,133,336	2,453,688
Direct operating expenses from property that generated rental income	(1,420,975)	(1,386,543)	(1,301,861)
Fair value gain recognised in other income	3,381,936	0	1,745,200
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:			
Within one year	2,145,061	1,697,685	1,823,278
Later than one year but not later than 5 years	7,003,937	5,947,764	6,326,030
Later than 5 years	7,002,214	6,386,077	7,927,907
	16,151,212	14,031,526	16,077,215

SIGNIFICANT ACCOUNTING POLICIES

Investment properties

Investment properties are principally freehold buildings, held for long-term rental yields and not occupied by the City. They are carried at fair value. Changes in the fair values are presented in profit or loss as a part of other revenue.

Fair value of investment properties

An independent valuation was performed to determine the fair value of investment properties. The main Level 3 inputs used in the valuation were discount rates, rental yields, expected vacancy rates and rental growth rates estimated based on comparable transactions and industry data.

14. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Prepaid rates
Income Received In Advance
Accrued salaries and wages
Other Liabilities
Retention Monies
Accrued Expenses

2020	2019
\$	\$
3,840,068	6,253,308
572,336	0
738,273	833,675
441,947	225,916
320,945	363,426
245,586	707,762
36,151	1,977,249
6,195,306	10,361,336

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Prepaid rates

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the City recognises revenue for the prepaid rates that have not been refunded.

15. CONTRACT LIABILITIES

	2020	2019
	\$	\$
Current		
Contract liabilities from contracts with customers	1,558,858	0
Contract liabilities from transfers for recognisable non financial assets	561,018	0
	<u>2,119,876</u>	<u>0</u>
Restrictions		
Municipal funded - Contract liabilities from contracts with customers	271,727	0
Reserve funded - Contract liabilities from contracts with customers	1,287,131	0
Municipal funded - Contract liabilities from transfers for recognisable non financial assets	561,018	0
	<u>2,119,876</u>	<u>0</u>

SIGNIFICANT ACCOUNTING POLICIES

Contract Liabilities

Contract liabilities represent the the City's obligation to transfer goods or services to a customer for which the City has received consideration from the customer.

With respect to transfers for recognisable non-financial assets, contract liabilities represent performance obligations which are not yet satisfied.

Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

CITY OF KARRATHA
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FOR THE YEAR ENDED 30 JUNE 2020

16. LEASE LIABILITIES

(a) Lease Liabilities

	2020	2019
	\$	\$
Current	14,998	0
Non-current	12,831	0
	<u>27,829</u>	<u>0</u>

(b) Movements in Carrying Amounts

Purpose	Lease Number	Institution	Lease Interest Rate	Lease Term	Actual Lease Principal 1 July 2019	30 June 2020 Actual Lease Principal Repayments	30 June 2020 Actual Lease Principal Outstanding	30 June 2020 Actual Lease Interest Repayments	Budget Lease Principal 1 July 2019	30 June 2020 Budget Lease Principal Repayments	30 June 2020 Budget Lease Principal Outstanding	30 June 2020 Budget Lease Interest Repayments	Actual Lease Principal 1 July 2018	30 June 2019 Actual Lease Principal Repayments	30 June 2019 Actual Lease Principal Outstanding	30 June 2019 Actual Lease Interest Repayments
					\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Recreation and culture																
Roebourne Library		Wawardu Ltd	2.90%	3 years	42,405	14,576	27,829	1,024	0	0	0	0	0	0	0	0
					<u>42,405</u>	<u>14,576</u>	<u>27,829</u>	<u>1,024</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

CITY OF KARRATHA
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17. INFORMATION ON BORROWINGS

(a) Borrowings

	2020	2019
	\$	\$
Current	85,520	83,439
Non-current	177,494	263,014
	263,014	346,453

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2020 Actual Principal 1 July 2019	30 June 2020 Actual Principal repayments	30 June 2020 Actual Interest repayments	30 June 2020 Actual Principal outstanding	Budget Principal 1 July 2019	30 June 2020 Budget Principal repayments	30 June 2020 Budget Interest repayments	30 June 2020 Budget Principal outstanding	Actual Principal 1 July 2018	30 June 2019 Actual Principal repayments	30 June 2019 Actual Interest repayments	30 June 2019 Actual Principal outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Self Supporting Loans															
General purpose funding															
Karratha Country Club	1	WATC	2.44%	281,622	67,866	6,302	213,756	279,013	67,865	6,460	211,148	347,861	66,240	8,079	281,622
Karratha RSL	100	WATC	2.65%	64,831	15,573	1,581	49,258	63,557	15,573	1,616	47,984	80,000	15,169	1,840	64,831
				346,453	83,439	7,883	263,014	342,570	83,438	8,076	259,132	427,861	81,409	9,919	346,453
				346,453	83,439	7,883	263,014	342,570	83,438	8,076	259,132	427,861	81,409	9,919	346,453

* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 5 as other financial assets at amortised cost.
All other loan repayments were financed by general purpose revenue.

CITY OF KARRATHA
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FOR THE YEAR ENDED 30 JUNE 2020

17. INFORMATION ON BORROWINGS (Continued)

	2020	2019
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	1,000,000	1,000,000
Bank overdraft at balance date	0	0
Credit card limit	106,000	130,500
Credit card balance at balance date	(2,550)	(26,610)
Total amount of credit unused	1,103,450	1,103,890
 Loan facilities		
Loan facilities - current	85,520	83,439
Loan facilities - non-current	177,494	263,014
Lease liabilities - current	14,998	0
Lease liabilities - non-current	12,831	0
Total facilities in use at balance date	290,843	346,453

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are recognised at fair value when the City becomes a party to the contractual provisions to the instrument.

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

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.

18. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

Opening balance at 1 July 2019

Current provisions
Non-current provisions

Additional provision
Amounts used

Balance at 30 June 2020

Comprises

Current
Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2019			
Current provisions	2,379,025	1,743,963	4,122,988
Non-current provisions	0	578,285	578,285
	2,379,025	2,322,248	4,701,273
Additional provision	3,103,159	430,824	3,533,983
Amounts used	(2,784,843)	(374,725)	(3,159,568)
Balance at 30 June 2020	2,697,341	2,378,347	5,075,688
Comprises			
Current	2,697,341	1,921,267	4,618,608
Non-current	0	457,080	457,080
	2,697,341	2,378,347	5,075,688

Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date
More than 12 months from reporting date
Expected reimbursements from other WA local governments
Expected reimbursements to other WA local governments

	2020	2019
	\$	\$
Less than 12 months after the reporting date	4,614,941	4,114,725
More than 12 months from reporting date	458,424	596,776
Expected reimbursements from other WA local governments	(97,746)	(74,958)
Expected reimbursements to other WA local governments	100,069	64,730
	5,075,688	4,701,273

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees. Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

SIGNIFICANT ACCOUNTING POLICIES

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.

Other long-term employee benefits

The City’s obligations for employees’ annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

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

Other long-term employee benefits (Continued)

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.

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.

19. OTHER PROVISIONS

	Provision for Remediation	
	Costs	Total
	\$	\$
Opening balance at 1 July 2019		
Current provisions	0	0
Non-current provisions	0	0
	<u>0</u>	<u>0</u>
 Additional provision	 13,846,825	 13,846,825
Balance at 30 June 2020	13,846,825	13,846,825
 Comprises		
Current	0	0
Non-current	13,846,825	13,846,825
	<u>13,846,825</u>	<u>13,846,825</u>

Provision for remediation costs

The City operates the Seven Mile Waste Disposal site at Exploration Drive, Gap Ridge. The facility is an active operation and is designed for 12 waste cells with rolling stages of cell construction until November 2048. To date, 3 cells have been constructed, and as such the City has an obligation to rehabilitate constructed cells to minimise potential environmental impacts.

A post closure management plan has been prepared with rehabilitation estimates for the capping and restoration of the cells currently in use. This plan was approved by the Department of Water and Environmental Regulation (DWER) on the 28 August 2020.

A provision for the costs included in the approved plan prepared by an independent consultant has been recognised in these financial statements, based on the discounted future values of the estimated costs for the three established cells and using the financial information provided with our application to DWER and inflation rate provided by Western Australia Treasury Corporation as at 30 June 2020. Increments in the provision are to be calculated annually based on the change in the net present value of the future cash outflows of costs for site rehabilitation (unwinding of the discount rate).

20. NOTES TO THE STATEMENT OF CASH FLOWS

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:

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Cash and cash equivalents	55,175,670	55,763,560	25,756,187
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	6,337,772	(2,956,984)	21,863,421
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss	0	0	290,670
Adjustments to fair value of investment property	(3,381,936)	0	(1,745,200)
Depreciation on non-current assets	20,456,483	18,688,498	17,692,578
(Profit) on sale of asset	(121,201)	(692,199)	(134,365)
Loss on sale of asset	3,461,196	180,000	1,674,523
Share of profits of associates	0	0	0
Loss on revaluation of fixed assets	0	0	20,173
Reversal of loss on revaluation of fixed assets	0	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	3,169,366	4,983,258	(33,823)
(Increase)/decrease in other assets	0	0	0
(Increase)/decrease in inventories	(77,111)	0	26,313
(Increase)/decrease in contract assets	0	0	0
Increase/(decrease) in payables	(4,166,030)	0	(1,462,727)
Increase/(decrease) in provisions	374,415	0	(149,226)
Increase/(decrease) in contract liabilities	73,975	0	0
Non-operating grants, subsidies and contributions for the development of assets	(5,752,377)	(4,085,439)	(14,696,422)
Net cash from operating activities	20,374,552	16,117,134	23,345,915

21. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019
	\$	\$
Governance	10,096,560	32,549,571
Law, order, public safety	3,055,760	2,619,914
Health	826,030	863,837
Education and welfare	2,705,570	3,112,677
Housing	19,913,730	20,092,884
Community amenities	37,916,816	23,634,832
Recreation and culture	200,782,731	199,398,181
Transport	396,530,549	396,906,985
Economic services	26,692,563	1,141,848
Other property and services	982,755	1,211,624
Unallocated	84,126,709	92,538,770
	783,629,773	774,071,123

22. CONTINGENT LIABILITIES

Contaminated Sites

In compliance with the Contaminated Sites Act 2003 Section 11, the City has listed sites to be possible sources of contamination. Details of these site are:

- Roebourne Airport
- Karratha Airport
- Karratha Depot

Until the City conducts an investigation to determine the presence and scope of contamination, assess the risk, and agree with the Department of Water and Environmental Regulation (DWER) on the need and criteria for remediation of a risk based approach, the City is unable to estimate the potential costs associated with remediation of these sites. This approach is consistent with DWER guidelines.

23. CAPITAL COMMITMENTS

Capital Expenditure Commitments

Contracted for:

	2020	2019
	\$	\$
Bayly Ave Realignment	74,827	0
Wickham Aquatic Centre	76,000	0
Roebourne Gaol Precinct	989,053	0
Kevin Richards Memorial Oval	208,305	0
Karratha Leisureplex Facility Improvement Study	137,400	0
Andover Park	55,900	0
Plant Purchases	805,217	0
Dampier Palms	0	11,350,672
Dampier Pavilion	0	929
Balla Balla Road Renewal	0	829,721
	2,346,702	12,181,322
Payable:		
- not later than one year	2,346,702	12,181,322

24. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Meeting fees	348,777	364,296	345,292
Mayor's allowance	89,753	89,753	85,000
Deputy Mayor's allowance	22,458	22,438	21,250
Travelling expenses	36,124	30,000	40,581
Telecommunications allowance	36,462	38,500	38,209
Training expenses	2,475	55,000	35,719
Mayor's Discretionary Fund (Council Related Expenses)	159	2,000	573
	536,208	601,987	566,624

Key Management Personnel (KMP) Compensation Disclosure

The total of remuneration paid and payable to KMP of the City during the year are as follows:

	2020 Actual	2019 Actual
	\$	\$
Short-term employee benefits	1,340,883	1,314,364
Post-employment benefits	130,401	137,847
Other long-term benefits	203,998	178,461
Termination benefits	0	14,403
	1,675,282	1,645,075

Short-term employee benefits

These amounts include all salary, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found above. Short term employee benefits do not include elected member remuneration.

Post-employment benefits

These amounts are the current-year's estimated cost of providing for the City's superannuation contributions made during the year.

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

24. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

Transactions between related parties and the City are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end.

The following transactions occurred with related parties:	2020 Actual	2019 Actual
	\$	\$
Sale of goods and services	1,405	10,146
Purchase of goods and services	75,733	37,793
Amounts outstanding from related parties:		
Trade and other receivables	0	490
Amounts payable to related parties:		
Trade and other payables	1,585	3,266

Related Parties

Sale of goods and services relate predominantly to regulatory functions such as health permits.

Purchase of goods and services relate predominantly to award and engraving services and specialist consultancy.

The City's main related parties are as follows:

i. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.

ii. Other Related Parties

The associate person of KMP was employed by the City under normal employment terms and conditions.

iii. Entities subject to significant influence by the City

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

25. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

KARRATHA AIRPORT - OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	2020	2020 Budget	2019
	\$	\$	\$
Revenue			
Fees and Charges	15,642,298	17,903,955	15,978,167
Terminal Leases	353,101	300,336	358,370
Grants and Contributions	879,226	835,000	681,927
Other Revenue	2,948,460	3,144,125	2,955,203
	<u>19,823,085</u>	<u>22,183,416</u>	<u>19,973,667</u>
Expenditure			
Employee Costs	(2,233,823)	(2,234,921)	(2,336,137)
Materials & Contracts	(4,101,466)	(5,192,962)	(4,994,526)
Utilities	(1,723,072)	(1,620,674)	(1,606,833)
Insurance	(444,370)	(434,068)	(403,962)
Depreciation	(3,047,145)	(3,059,757)	(2,935,576)
Other Expenditure	(344,035)	(288,073)	(50,937)
	<u>(11,893,911)</u>	<u>(12,830,455)</u>	<u>(12,327,971)</u>
Net Operating Result	<u>7,929,174</u>	<u>9,352,961</u>	<u>7,645,696</u>
Capital Expenditure	4,032,168	4,505,000	2,273,581
Total Net Trading Undertaking	<u>3,897,006</u>	<u>4,847,961</u>	<u>5,372,115</u>
CURRENT ASSETS			
Trade and other receivables	3,528,251		4,217,237
Reserves - Cash Backed	3,490,739		2,809,608
	<u>7,018,990</u>		<u>7,026,845</u>
NON CURRENT ASSETS			
Buildings	46,588,706		43,552,464
Less Accumulated Depreciation	(6,707,086)		(5,710,881)
Infrastructure	84,798,686		83,936,720
Less Accumulated Depreciation	(22,343,041)		(20,259,457)
Plant	262,476		268,599
Less Accumulated Depreciation	(19,848)		0
Equipment	64,892		44,647
Less Accumulated Depreciation	(11,221)		0
Furniture & Equipment	286,323		245,387
Less Accumulated Depreciation	(48,299)		0
Artwork	167,500		185,200
Less Accumulated Depreciation	(6,709)		(3,704)
	<u>103,032,379</u>		<u>102,258,975</u>
CURRENT LIABILITIES			
Trade and other payables	999,588		1,185,444
	<u>999,588</u>		<u>1,185,444</u>
NET ASSETS	<u>109,051,781</u>		<u>108,100,376</u>
EQUITY			
Reserves - cash backed	3,490,739		2,809,608
Retained surplus	105,561,042		105,290,768
TOTAL EQUITY	<u>109,051,781</u>		<u>108,100,376</u>

The City operates the only public airport within the district and operates the aerodrome with the purpose of producing a profit.

Transfer to City operations

2,945,601

25. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS (Continued)

THE QUARTER - OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	2020	2020 Budget	2019
	\$	\$	\$
Revenue			
Leases	1,778,543	1,604,328	1,533,232
Other Revenue	838,584	529,008	920,457
	<u>2,617,127</u>	<u>2,133,336</u>	<u>2,453,689</u>
Expenditure			
Employee Costs	(388)	0	0
Materials & Contracts	(791,395)	(791,692)	(680,519)
Utilities	(355,668)	(373,910)	(328,677)
Insurance	(65,751)	(62,920)	(53,022)
Other Expenditure	(207,773)	(158,021)	(239,643)
	<u>(1,420,975)</u>	<u>(1,386,543)</u>	<u>(1,301,861)</u>
Net Operating Result	<u>1,196,152</u>	<u>746,793</u>	<u>1,151,828</u>
Fair value adjustments to investment property	2,232,000	0	1,745,200
Total Net Trading Undertaking	<u>(1,035,848)</u>	<u>746,793</u>	<u>(593,372)</u>
CURRENT ASSETS			
Trade and other receivables	<u>185,622</u>		<u>233,783</u>
	185,622		233,783
NON CURRENT ASSETS			
Land	1,000,000		885,000
Buildings	<u>23,000,000</u>		<u>20,865,000</u>
	24,000,000		21,750,000
CURRENT LIABILITIES			
Trade and other payables	<u>11,000</u>		<u>15,465</u>
	11,000		15,465
NET ASSETS	<u>24,174,622</u>		<u>21,968,318</u>
EQUITY			
Retained surplus	<u>24,174,622</u>		<u>21,968,318</u>
TOTAL EQUITY	<u>24,174,622</u>		<u>21,968,318</u>

As part of the City's investment strategy, a commercial property 'The Quarter', was purchased in June 2017.

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26. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2019/20 Actual Rateable Value \$	2019/20 Actual Rate Revenue \$	2019/20 Actual Interim Rates \$	2019/20 Actual Back Rates \$	2019/20 Actual Total Revenue \$	2019/20 Budget Rate Revenue \$	2019/20 Budget Interim Rate \$	2019/20 Budget Back Rate \$	2019/20 Budget Total Revenue \$	2018/19 Actual Total Revenue \$
Differential general rate / general rate												
Gross rental valuations												
Residential	0.117479	6,994	143,535,403	16,862,396	23,485	7,310	16,893,191	16,858,455	50,000	4,000	16,912,455	16,491,098
Commercial Industrial	0.100770	704	71,483,862	7,203,429	(90,761)	(110,744)	7,001,924	7,203,429	75,000	500	7,278,929	7,069,489
Airport/Strategic Industry	0.156459	18	8,525,270	1,333,855	708,165	439	2,042,459	1,333,855	0	0	1,333,855	1,302,362
Transient Workforce												
Accommodation/Workforce	0.387044	23	13,772,200	5,330,447	(2,310)	0	5,328,137	5,330,447	270,000	0	5,600,447	5,283,684
Unimproved valuations												
Pastoral	0.103638	10	2,713,602	281,232	(94,046)	0	187,186	281,231	0	0	281,231	275,717
Mining/Other	0.132900	217	6,595,639	876,560	85	85	876,730	875,612	5,000	500	881,112	817,261
Strategic Industry	0.184880	31	36,578,288	6,762,594	0	0	6,762,594	6,762,594	0	0	6,762,594	6,308,828
Sub-Total		7,997	283,204,264	38,650,513	544,618	(102,910)	39,092,221	38,645,623	400,000	5,000	39,050,623	37,548,439
Minimum payment												
Gross rental valuations												
Residential	1,549	1,494	12,774,854	2,314,206	0	0	2,314,206	2,317,304	0	0	2,317,304	2,314,956
Commercial Industrial	1,549	397	2,972,685	614,953	0	0	614,953	614,953	0	0	614,953	543,802
Airport/Strategic Industry	1,549	1	2,600	1,549	0	0	1,549	1,549	0	0	1,549	1,519
Transient Workforce												
Accommodation/Workforce	1,549	0	0	0	0	0	0	0	0	0	0	0
Unimproved valuations												
Pastoral	325	0	0	0	0	0	0	0	0	0	0	0
Mining/Other	325	209	224,328	67,925	0	0	67,925	67,275	0	0	67,275	55,187
Strategic Industry	325	11	10	3,575	0	0	3,575	3,575	0	0	3,575	3,190
Sub-Total		2,112	15,974,477	3,002,208	0	0	3,002,208	3,004,656	0	0	3,004,656	2,918,654
		10,109	299,178,741	41,652,721	544,618	(102,910)	42,094,429	41,650,279	400,000	5,000	42,055,279	40,467,093
Concessions (Note 26(c))							(29,980)				(29,980)	(29,380)
Total amount raised from general rate							42,064,449				42,025,299	40,437,713
Ex-gratia rates							51,439				50,459	50,459
Totals							42,115,888				42,075,758	40,488,172

SIGNIFICANT ACCOUNTING POLICIES

Rates

Control over assets acquired from rates is obtained at the commencement of the rating period.

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer.

Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the City recognises revenue for the prepaid rates that have not been refunded.

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26. RATING INFORMATION (Continued)

(b) Service Charges

Service Charges	Amount of Charge	2019/20 Actual Revenue Raised	2019/20 Actual Charges Applied to Costs	2019/20 Actual Charges Set Aside to Reserve	2019/20 Actual Reserve Applied to Costs	2019/20 Budget Revenue	2019/20 Budget Charges Applied to Costs	2019/20 Budget Charges Set Aside to Reserve	2019/20 Budget Reserve Applied to Costs	2018/19 Total Actual Revenue
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
PUPP HV Allocation	\$48.26 per kVa	0	0	0	0	0	0	0	0	(121)
PUPP LV Allocation	\$196.38 per kVa	0	0	0	0	0	0	0	0	982
PUPP Connection Charge	\$1,022.17 per Connection	(1,022)	0	0	0	0	0	0	0	0
		(1,022)	0	0	0	0	0	0	0	861

Nature of the Service Charge	Objects of the Charge	Reasons for the Charge	Area/Properties Charge Imposed
PUPP HV Allocation	To assist with the costs associated with the HV component of PUPP Works	Fund the HV component of PUPP Works	All areas within scope of PUPP works
PUPP LV Allocation	To assist with the costs associated with the LV component of PUPP Works	Fund the LV component of PUPP Works	All areas with existing overhead infrastructure
PUPP Connection Charge	To assist with the costs associated with the Connection component of PUPP works	Fund the Connection component of PUPP works	All properties with an existing overhead connection

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26. RATING INFORMATION (Continued)

(c) Discounts, Incentives, Concessions, & Write-offs
Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	2020 Actual \$	2020 Budget \$	2019 Actual \$
Cossack (GRV)	Concession		1,499	29,980	29,980	29,380
Fees and Charges	Waiver	As determined on application		63,196	24,000	128,410
Rates	Waiver	100.00%		38,275	38,275	39,287
Rates and Penalty interest	Write Off	As determined on application		79	0	18,859
Fees and Charges	Write Off	As determined on application		14,281	0	27,238
				145,811	92,255	243,174
Total discounts/concessions (Note 26(a))				145,811	92,255	243,174

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
Cossack (GRV)	All 20 rateable properties within the Cossack Township	To provide rating relief to property owners in the Cossack Township	To recognise the heritage nature of the Cossack Township, development restrictions and lack of town utilities
Fees and Charges	Waiver of Fees and Charges for local Sporting Groups where no commercial return is derived from the property	To assist local Not for Profit Community Organisations to remain viable	To recognise the community benefit provided by local Not for Profit Community Organisations
	Fee Waivers for Economic Development purposes considered on an individual basis by Council or administratively by delegated authority	To encourage economic diversity and growth within the City of Karratha	To ensure a diverse economy for the future prosperity of the City of Karratha
	General Fee Waivers considered on an individual basis administratively by delegated authority	To ensure business continuity, administrative efficiency and marketing opportunities	To minimise the administrative costs of the City and it's partners in doing business
Rates	Fee Waivers for local Not for Profit and Community Organisations considered upon application for the use of the City's waste and recreational facilities	To assist local sporting organisations to remain operational	To recognise the community benefit provided by local sporting organisations
Rates and Penalty interest	Considered on an individual basis by Council or administratively by delegated authority	To ensure efficiency and cost effectiveness in pursuing rates debts	To manage the City's rates register in an economically viable manner
Fees and Charges	Considered on an individual basis by Council or administratively by delegated authority	To ensure efficiency and cost effectiveness in pursuing sundry debts	To manage the City's debt portfolio in an economically viable manner

26. RATING INFORMATION (Continued)

(d) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	26 Aug 2019	0	0.00%	11.00%
Option Two				
First instalment	26 Aug 2019	0	4.50%	11.00%
Second instalment	28 Oct 2019	10.00	4.50%	11.00%
Option Three				
First instalment	26 Aug 2019	0	4.50%	11.00%
Second instalment	28 Oct 2019	10.00	4.50%	11.00%
Third instalment	06 Jan 2020	10.00	4.50%	11.00%
Fourth instalment	09 Mar 2020	10.00	4.50%	11.00%

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Interest on unpaid rates	305,777	330,000	364,116
Interest on instalment plan	88,316	97,000	97,003
Deferred Pensioner Interest	1,105	350	641
Charges on instalment plan	69,560	73,000	72,150
Administration Fee - Adhoc Arrangement	270	1,200	270
Administration Fee - Direct Debit	670	800	670
	465,698	502,350	534,850

	2020 Actual \$	2020 Budget \$	2019 Actual \$
PUPP Penalty Interest	24,570	43,500	52,698
PUPP Instalment Interest	36,653	38,971	30,481
PUPP Instalment Charges	(5,520)	4,050	4,624
	55,703	86,521	87,803

CITY OF KARRATHA
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27. RATE SETTING STATEMENT INFORMATION

		2019/20 (30 June 2020) Carried Forward)	2019/20 Budget (30 June 2020) Carried Forward)	2019/20 (1 July 2019) Brought Forward)	2018/19 (30 June 2019) Carried Forward)
Note		\$	\$	\$	\$
(a) Non-cash amounts excluded from operating activities					
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .					
Adjustments to operating activities					
	Less: Profit on asset disposals	10(a)	(121,201)	(692,199)	(134,365)
	Less: Non-cash grants and contributions for assets		(720,628)	0	(122,620)
	Movement in investment property (non-current)	13	(3,381,936)	0	(1,745,200)
	Movement in pensioner deferred rates (non-current)		15,359	0	0
	Movement in employee benefit provisions (non-current)		(121,205)	0	(183,282)
	Movement in other provisions (non-current)		0	0	0
	Movement of inventory (non-current)		0	0	35,893
	Add: Loss on disposal of assets	10(a)	3,461,196	180,000	1,674,523
	Add: Loss on revaluation of fixed assets	9(a)	0	0	20,173
	Add: Change in accounting policies		0	0	290,670
	Add: Depreciation on non-current assets	10(b)	20,456,483	18,688,498	17,692,578
	Non cash amounts excluded from operating activities		19,588,068	18,176,299	17,528,370
(b) Surplus/(deficit) after imposition of general rates					
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.					
Adjustments to net current assets					
	Less: Reserves - cash/financial asset backed	4	(67,506,603)	(52,111,903)	(66,847,807)
	Less: Financial assets at amortised cost - self supporting loans	5(a)	0	0	(18,611)
	Less: Movement in Accruals		319,492	0	784,971
	Less: Provision for Doubtful Debts		(1,768,054)	0	(1,347,908)
	Less: Movement in Restricted Surplus		(203,224)	0	(175,341)
	Less: Movement in provisions between current and non-current provisions		0	(487,862)	0
	Less: Movement in Unspent grants		(42,481)	0	0
	Less: Movement in Financial assets at amortised cost		(24,777)	0	0
	Less: Current loans - clubs/institutions		(6,166)	(6,266)	(6,166)
	Less: Current assets not expected to be received at end of year				
	- Land held for resale	7	(35,893)	0	0
	Add: Current liabilities not expected to be cleared at end of year				
	- Current portion of borrowings	17(a)	85,520	85,520	83,439
	- Current portion of lease liabilities	16(a)	14,998	0	0
	Add: Cash - Restricted Unspent Grants		0	0	36,772
	Add: Cash Backed Employee Provisions	18	4,618,608	4,088,932	4,122,988
	Add: Restricted Surplus/(Deficit) June 30 b/fwd		656,270	0	831,611
	Less: Restricted Surplus/(Deficit) June 30 c/fwd		(453,046)	(644,630)	(656,270)
	Total adjustments to net current assets		(64,345,356)	(49,076,209)	(63,192,322)
Net current assets used in the Rate Setting Statement					
	Total current assets		79,079,836	65,000,289	81,702,049
	Less: Total current liabilities		(13,034,308)	(15,896,752)	(16,613,664)
	Less: Total adjustments to net current assets		(64,345,356)	(49,076,209)	(63,192,322)
	Net current assets used in the Rate Setting Statement		1,700,172	27,328	1,896,063
(c) Adjustments to current assets and liabilities at 1 July 2019 on application of new accounting standards					
Total current assets at 30 June 2019					
	- Contract assets	30(a)			81,702,049
	Total current assets at 1 July 2019				0
					81,702,049
Total current liabilities at 30 June 2019					
	- Contract liabilities from contracts with customers	30(a)			(14,567,763)
	- Contract liabilities from transfers for recognisable non financial assets	30(a)			(1,806,942)
	Total current liabilities at 1 July 2019				(238,959)
					(16,613,664)

28. FINANCIAL RISK MANAGEMENT

This note explains the City's exposure to financial risks and how these risks could affect the City's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk - interest rate	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
Credit risk	Cash and cash equivalents, trade receivables, financial assets and debt investments	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

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 finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

(a) Interest rate risk

Cash and cash equivalents and financial assets

The City's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the City to cash flow interest rate risk. Short term overdraft facilities also have variable interest rates however these are repaid within 12 months, reducing the risk level to minimal.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the City to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents and term deposits held disclosed as financial assets at amortised cost are reflected in the table below.

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2020					
Cash and cash equivalents	0.85%	55,175,670	0	55,175,670	0
Financial assets - term deposits	1.64%	13,163,678	13,163,678	0	0
Financial assets at amortised cost - Self Supporting Loans	2.48%	199,690	199,690	0	0
2019					
Cash and cash equivalents	2.09%	25,756,187	20,097,623	5,658,564	0
Financial assets - term deposits	2.67%	42,291,566	42,291,566	0	0
Financial assets at amortised cost - Self Supporting Loans	2.62%	262,336	262,336	0	0

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

	2020	2019
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	551,757	257,562

* Holding all other variables constant

Borrowings

Borrowings are 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 City does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 17(b) and 16(b).

28. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

The City's major receivables comprise rates annual charges and user fees and charges. 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 applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2019 or 1 July 2020 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

The loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for rates.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2020					
Rates receivable					
Expected credit loss	4.23%	7.07%	1.74%	3.15%	
Gross carrying amount	161,367	131,239	235,098	879,801	1,407,505
Loss allowance	6,830	9,280	4,080	27,710	47,900
30 June 2019					
Rates receivable					
Expected credit loss	0.49%	0.72%	0.89%	9.87%	
Gross carrying amount	1,112,076	567,303	375,845	328,034	2,383,258
Loss allowance	5,413	4,080	3,359	32,364	45,216

The loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2020					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	53.52%	
Gross carrying amount	3,576,926	1,162,617	454,033	3,214,142	8,407,718
Loss allowance	0	0	0	1,720,154	1,720,154
30 June 2019					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	64.30%	
Gross carrying amount	4,989,961	693,201	302,071	2,026,013	8,011,246
Loss allowance	0	0	0	1,302,692	1,302,692

28. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are 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 if required and disclosed in Note 14.

The contractual undiscounted cash flows of the City’s payables and borrowings are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2020					
Payables	6,195,306	0	0	6,195,306	6,195,306
Borrowings	85,520	177,494	0	263,014	263,014
Lease liabilities	14,998	12,831	0	27,829	27,829
	6,295,824	190,325	0	6,486,149	6,486,149
2019					
Payables	10,361,336	0	0	10,361,336	10,361,336
Borrowings	83,439	263,014	0	346,453	346,453
	10,444,775	263,014	0	10,707,789	10,707,789

29. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The City has evaluated events from 30 June 2020 through the date the financial statements were issued. There were no subsequent events that need disclosure.

CITY OF KARRATHA
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30. INITIAL APPLICATION OF AUSTRALIAN 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.

(a) AASB 15: Revenue from Contracts with Customers

The City adopted AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the City adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 July 2019):

	Note	AASB 118 carrying amount 30 June 2019 \$	Reclassification \$	AASB 15 carrying amount 01 July 2019 \$
Contract liabilities - current				
Contract liabilities from contracts with customers	15	0	(1,806,942)	(1,806,942)
Contract liabilities from transfers for recognisable non financial assets	15	0	(238,959)	(238,959)
Adjustment to retained surplus from adoption of AASB 15	31(b)	0	(2,045,901)	(2,045,901)

(b) AASB 1058: Income For Not-For-Profit Entities

The City adopted AASB 1058 Income for Not-for-Profit Entities (issued December 2016) on 1 July 2019 which will result in changes in accounting policies. In accordance with the transition provisions AASB 1058, the City adopted the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods was not restated in accordance with AASB 1058 transition requirements.

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance gave rise to a financial liability that is within the scope of AASB 9. For the year ended 30 June 2019, prepaid rates were not recognised as revenue, rather they were recognised as a contra asset to reduce the financial asset. On 1 July 2019 the prepaid rates were reclassified as a financial liability by the City. When the taxable event occurred, the financial liability was extinguished and the City recognised income for the prepaid rates that have not been refunded.

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

The table below provides details of the amount by which each financial statement line item is affected in the current reporting period by the application of this Standard as compared to AASB 118 and 1004 and related Interpretations that were in effect before the change.

	Note	2020 \$ As reported under AASB 15 and AASB 1058	Adjustment due to application of AASB 15 and AASB 1058	2020 \$ Compared to AASB 118 and AASB 1004
Statement of Comprehensive Income				
Revenue				
Operating grants, subsidies and contributions	2(a)	14,722,534	3,407,007	18,129,541
Fees and charges	2(a)	39,009,825	0	39,009,825
Non-operating grants, subsidies and contributions	2(a)	5,752,377	832,745	6,585,122
Net result		6,337,772	4,239,752	10,577,524
Statement of Financial Position				
Trade and other payables	14	6,195,306	(572,336)	5,622,970
Contract liabilities	15	4,239,752	(4,239,752)	0
Net assets		756,101,235	4,812,088	760,913,323
Statement of Changes in Equity				
Net result		6,337,772	4,239,752	10,577,524
Retained surplus		452,276,363	4,239,752	456,516,115

Refer to Note 2(a) for new revenue recognition accounting policies as a result of the application of AASB 15 and AASB 1058.

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30. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

(c) AASB 16: Leases

The City adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the City has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB16 recognised on 1 July 2019. In applying AASB 16, under the specific transition provisions chosen, the City will not restate comparatives for prior reporting periods.

On adoption of AASB 16, the City recognised lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117 (excluding short term and low value leases). These lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessees's incremental borrowing rate applicable to the term of the lease on 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on the 1 July 2019 was 2.9%.

	Note	2020
		\$
Operating lease commitments at 30 June 2019 applying AAS 117		44,200
Discount applied using incremental borrowing rate		(1,795)
Lease liability recognised as 1 July 2019 discounted using the City's incremental borrowing rate of 2.9%	16(b)	42,405
Concessionary right-of-use assets recognised 1 July 2019		14,576
Lease liability - current	16(a)	14,998
Lease liability - non-current	16(a)	12,831
Right-of-use assets recognised at 1 July 2019		42,405

On adoption of AASB 16, the City recognised a right of use asset in relation to a lease which had previously been classified as an 'operating lease' applying AASB 117. This right-of-use asset is deemed to be equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments.

The Right of use asset was recognised on 1 July 2019, resulting in a reduction of \$42,405 to retained surplus.

On adoption of AASB 16 Leases (issued February 2016), for leases which had previously been classified as an 'operating lease' when applying AASB 117, the City is not required to make any adjustments on transition for leases for which the underlying asset is of low value. Assets for which the value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with Financial Management Regulation 17A (5).

In applying AASB 16 for the first time, the City will use the following practical expedient permitted by the standard.

- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

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31. CHANGE IN ACCOUNTING POLICIES

(a) Change in Accounting Policies due to regulation changes

Effective 6 November 2020, *Local Government (Financial Management) Regulation 16* was deleted and *Local Government (Financial Management) Regulation 17A* was amended with retrospective application. The changes were effective for financial years ending on or after 30 June 2020 so are required to be applied retrospectively with cumulative effect applied initially on 1 July 2019.

In accordance with the changes, the City was required to remove the values attributable to certain crown land assets previously required to be recognised, as well as the associated revaluation surplus at 1 July 2019. These assets have been measured as concessionary lease right-of-use assets at zero cost in accordance with AASB 16. For further details relating to these changes, refer to Note 11.

In summary the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application (1 July 2019):

	Note	Carrying amount 30 June 2019 \$	Reclassification \$	Carrying amount 01 July 2019 \$
Property, plant and equipment	8(a)	258,518,365	(503,356)	258,015,009
Revaluation surplus	12	243,170,966	297,021	243,467,987

Also, following changes to *Local Government (Financial Management) Regulation 17A*, plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change is effective from 1 July 2019 and represents a change in accounting policy. Revaluations carried out previously or during the year were not reversed as it was deemed fair value approximates cost at the date of the change.

(b) Changes in equity due to change in accounting policies

The impact on the City's opening retained surplus due to the adoption of AASB 15 and AASB 1058 as at 1 July 2019 was as follows:

	Note	Adjustments	2019 \$
Retained surplus - 30 June 2019			448,643,288
Adjustment to retained surplus from adoption of AASB 15	30(a)	(2,045,901)	
Adjustment to retained surplus from adoption of AASB 1058	30(b)	0	(2,045,901)
Retained surplus - 1 July 2019			446,597,387

The impact on the City's opening revaluation surplus resulting from *Local Government (Financial Management) Regulation 16* being deleted and the amendments to *Local Government (Financial Management) Regulation 17A* as at 1 July 2019 was as follows:

	Note	Adjustments	2019 \$
Revaluation surplus - 30 June 2019			243,170,966
Adjustment to revaluation surplus from deletion of FM Reg 16	31(a)	297,021	
Adjustment to revaluation surplus from deletion of FM Reg 17	31(a)	0	297,021
Revaluation surplus - 1 July 2019			243,467,987

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32. TRUST FUNDS

Funds held at balance date which are required to be held in trust and which are not included in the financial statements are as follows:

	1 July 2019	Amounts Received	Amounts Transferred to Municipal Fund	Amounts Paid	30 June 2020
	\$	\$	\$	\$	\$
Public Open Space Contributions	853,833	0	0	0	853,833
Karratha Agistment Centre Compensation Funds	222,782	0	0	(16,002)	206,780
Unclaimed Monies	2,946	37	0	0	2,983
Staff Travel Allowances	12,560	320	0	(12,880)	0
Airport Parking Cards	0	0	150	(150)	0
VAST	6,855	205	0	0	7,060
Other Bonds & Guarantees	22,348	350	(350)	0	22,348
	1,121,324	912	(200)	(29,032)	1,093,004

In previous years, all bonds and deposits were held as trust monies. From the year ended 30 June 2019, all bonds and deposits not required by legislation or agreement to be held in trust are included in restricted cash at note 3 and shown as a current liability at Note 14.

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33. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) 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.

b) Current and non-current classification

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 or non-current based on the City's intentions to release for sale.

c) Rounding off figures

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

d) 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 statements that has a material effect on the statement of financial position, 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.

e) 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.

f) 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.

g) Fair value of assets and liabilities

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.

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

The 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 the service capacity of an asset.

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.

i) Impairment of assets

In accordance with Australian Accounting Standards the City's cash generating non-specialised 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 specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regularity to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.

CITY OF KARRATHA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

34. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
GOVERNANCE To provide a decision making process for the efficient allocation of scarce resources.	Functions relating to Councillors and the oversight of legislative compliance. Expenditure includes election costs as well as fees and allowances paid to elected members and other costs associated with members of Council. Governance also includes other tasks such as the City's internal audit function, Freedom of Information requests, Public Interest Disclosures and procurement policy development and oversight.
GENERAL PURPOSE FUNDING To collect revenue to allow for the provision of services.	Rating (including ex-gratia contributions), interest revenues, investment property revenues and general purpose Government grant functions. Includes the Financial Assistance Grant received from the Local Government Grants Commission and all other rate income.
LAW, ORDER, PUBLIC SAFETY To provide services to help ensure a safer and environmentally conscious community.	Supervision of various by-laws, fire and emergency services and animal control. Includes expenditure for Ranger Services, State Emergency Service and disaster preparation and recovery expenses.
HEALTH To provide an operational framework for environmental and community health.	Food control, immunisation services, mosquito control and maintenance of child health centres. Expenditure includes the maintenance of the child health clinic buildings, various health promotions and pest control expenses primarily relating to mosquito control.
EDUCATION AND WELFARE To provide services to disadvantaged persons, the elderly, children and youth.	Maintain preschool facilities and day care centres. This includes expenditure in maintaining the day care centre buildings and also donations to schools for awards etc.
HOUSING To provide and maintain staff housing.	Maintenance and operational expenses associated with the provision of staff housing.
COMMUNITY AMENITIES To provide services required by the community.	Rubbish collection services, operation of waste facility, administration of town planning schemes and operation of cemeteries. Also included are the costs associated with the maintaining and cleaning of public toilets.
RECREATION AND CULTURE To establish and effectively manage infrastructure and resources which will help the social well being of the community.	Maintenance and operation of halls, recreation and aquatic centres, various reserves and libraries. Expenditure includes the cost of the Karratha Leisureplex, Red Earth Arts Precinct, community hubs and other pavillions, ovals and parks maintenance, coastal rehabilitation, and four libraries. Expenses relating to the historical town of Cossack and JJJ radio re-broadcasting are also included in this function.
TRANSPORT To provide safe, effective and efficient transport services to the community.	Construction and maintenance of roads, drainage, footpaths, parking facilities and traffic signs. It also includes expenditure relating to parking control and the operation of the Karratha & Roebourne Airport.
ECONOMIC SERVICES To help promote the local government and its economic wellbeing.	Includes expenditure associated with operation of visitor services and camping grounds, in addition to the administration of building controls.
OTHER PROPERTY AND SERVICES To monitor and control operating accounts.	Includes private works on property and services not under the care, control and management of the City. It also includes expenditure relating to plant operations, technical services, town planning schemes and other unclassified works.

35. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	1.28	1.42	5.21
Asset consumption ratio	0.80	0.81	0.84
Asset renewal funding ratio	1.37	1.13	1.00
Asset sustainability ratio	0.70	0.91	0.88
Debt service cover ratio	230.35	272.31	134.13
Operating surplus ratio*	0.01	0.09	(0.13)
Own source revenue coverage ratio	0.81	0.90	0.79

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 consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$
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	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

*Operating Surplus Ratio

During the year ended 30 June 2020, Council resolved (Res No: 154544) not to extend the lease for Cossack and Jarman Island, electing to return custodianship to the State. As a result of the associated disposal of these assets, the City incurred a loss on sale of \$659,053 (Note 10(a)). In addition, disposal of assets relating to Tropical Cyclones Veronica and Damien, the City incurred additional losses on sale of \$387,502 and \$598,952 respectively. These significant events have impacted on the City's Operating Surplus Ratio, and had they not occurred, the ratio would be calculated at 0.02 rather than 0.01 as has been presented in these statements.



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the City of Karratha

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the City of Karratha which comprises the Statement of Financial Position as at 30 June 2020, and the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, as well as notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the City of Karratha:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the City for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the City in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

I draw attention to Note 1 and 10 to the annual financial report, which describe the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the City's annual financial reporting responsibilities under the Act. Including the Local Government (Financial Management) Regulations 1996 (Regulations). My opinion is not modified in respect of these matters:

- (i) Regulation 17A requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 Leases which would have required the entity to measure the vested improvements also at zero cost.
- (ii) In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report.

Responsibilities of the Chief Executive Officer and Council for the Financial Report

The Chief Executive Officer (CEO) of the City is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of the annual financial report that is free from material misstatement, whether due to fraud or error. In preparing the annual financial report, the CEO is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the City.

The Council is responsible for overseeing the City's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial report. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the annual financial report is located on the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of my auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- (i) All required information and explanations were obtained by me.
- (ii) All audit procedures were satisfactorily completed.
- (iii) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The financial ratios for 2018 in Note 35 of the annual financial report were audited by another auditor when performing their audit of the City for the year ending 30 June 2018. The auditor expressed an unmodified opinion on the annual financial report for that year.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the City of Karratha for the year ended 30 June 2020 included on the City's website. The City's management is responsible for the integrity of the City's website. This audit does not provide assurance on the integrity of the City's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



SANDRA LABUSCHAGNE
DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia
7 April 2021

CITY OF KARRATHA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. High annual leave accrual at year end		✓	

KEY TO RATINGS

The ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

CITY OF KARRATHA**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****1. High Annual Leave Accrual at Year End****Finding**

During our review we identified nine instances where employees have annual leave accrued balances in excess of 450 hours each.

Rating: Moderate**Implication:**

Excessive accrued annual leave balances increases the risk of an adverse impact through excessive financial liabilities and may also indicate over-reliance on key individuals. As well as for managing leave liabilities, it is important for staff to take regular leave for their health and wellbeing, and to develop staff to perform the tasks of others. In addition, fraud can be more easily concealed by staff who do not take leave.

Recommendation

The City should continue to manage and monitor the excessive annual leave accruals to reduce the financial liability, risk of business interruption and fraud.

Management comments

The City reviews annual leave balances on a fortnightly basis. Employees are sent an email once they have accrued 10 weeks annual leave. Once the employee accrues 12 weeks leave they are issued a letter advising they need to submit a leave plan. Some of the employees identified as having excess annual leave had leave plans cancelled or postponed due to COVID.

Responsible Officer: Kayla Harrison

Completion Date: Ongoing

6 CLOSURE & DATE OF NEXT MEETING

The meeting closed at 3.42 pm.

The date of the next meeting is to be held on Tuesday, 24 August 2021 at 3:00 pm in Council Chambers - Welcome Road, Karratha.