

CITY OF KALAMUNDA
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and forming part of the Financial Report	9
Independent Auditor's Report	66

COMMUNITY VISION

"Connected Communities, Valuing Nature and Creating our Future Together"

Principal place of business:
 No:2, Railway Road
 Kalamunda, 6076
 Western Australia

**CITY OF KALAMUNDA
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the City of Kalamunda for the financial year ended 30 June 2019 is based on proper accounts and records to present fairly the financial position of the City of Kalamunda at 30 June 2019 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 11th day of November 2019



Chief Executive Officer

Rhonda Hardy

Name of Chief Executive Officer

CITY OF KALAMUNDA
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2019

		2019	2019	2018
	NOTE	Actual	Budget	Restated* Actual
		\$	\$	\$
Revenue				
Rates	25(a)	37,436,125	36,750,247	35,992,132
Operating grants and subsidies	2(a)	2,854,853	1,451,728	2,683,366
Contributions, Reimbursements and Donations		621,232	949,625	1,401,505
Fees and charges	2(a)	15,459,212	15,759,809	16,010,818
Interest earnings	2(a)	1,021,116	1,301,727	1,094,348
Other revenue	2(a)	39,940	79,473	62,043
		57,432,478	56,292,608	57,244,212
Expenses				
Employee costs		(25,253,690)	(24,447,883)	(24,026,597)
Materials and contracts		(20,391,297)	(21,933,028)	(20,563,241)
Utility charges		(1,893,592)	(1,850,990)	(2,338,226)
Depreciation on non-current assets	11(c)	(10,986,630)	(10,835,774)	(10,237,301)
Interest expenses	2(b)	(298,308)	(316,697)	(337,878)
Insurance expenses		(606,001)	(570,800)	(588,539)
Other expenditure		(377,878)	(1,698,700)	(461,951)
		(59,807,396)	(61,653,872)	(58,553,733)
		(2,374,918)	(5,361,264)	(1,309,521)
Non-operating grants, subsidies and contributions	2(a)	4,220,936	5,571,227	3,390,580
Profit on asset disposals	11(b)	71,935	0	26,879
(Loss) on asset disposals	11(b)	(960,029)	0	(254,208)
Share of profit or loss of associates accounted for using the equity method	21(a)	998,408	1,630,348	1,913,625
Capital (Developer Contributions)		1,346,803	4,759,393	1,339,873
Reversal of prior year loss on revaluation of plant and equipment	9(b)	91,366	0	0
		5,769,419	11,960,968	6,416,749
Net result for the period		3,394,500	6,599,704	5,107,228
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Changes in asset revaluation surplus	12	570,669	0	198,262,269
Increase in fair value of other equity investments		127,766	0	0
Share of other comprehensive income of associates accounted for using the equity method	21(a)	(107,738)	0	(143,797)
Total other comprehensive income for the period		590,697	0	198,118,472
Total comprehensive income for the period		3,985,197	6,599,704	203,225,700

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

* Refer to note 33

CITY OF KALAMUNDA
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Restated* Actual \$
Revenue	2(a)			
Governance		7,214	115,453	20,074
General purpose funding		41,289,905	39,410,431	39,692,756
Law, order, public safety		492,183	572,399	536,252
Health		885,305	633,343	634,927
Education and welfare		62,448	69,517	63,410
Community amenities		12,276,496	12,444,246	12,737,344
Recreation and culture		1,696,838	1,853,668	1,917,804
Transport		39,664	30,000	36,614
Economic services		252,964	618,128	557,578
Other property and services		429,461	545,423	1,047,453
		57,432,478	56,292,608	57,244,212
Expenses	2(b)			
Governance		(4,049,625)	(3,594,931)	(3,829,504)
General purpose funding		(745,878)	(661,650)	(604,815)
Law, order, public safety		(1,952,166)	(2,107,835)	(2,024,127)
Health		(1,593,391)	(1,888,329)	(1,524,919)
Education and welfare		(453,167)	(493,503)	(289,588)
Community amenities		(14,408,586)	(16,024,638)	(15,288,110)
Recreation and culture		(19,080,431)	(20,753,961)	(18,634,266)
Transport		(13,176,803)	(12,417,844)	(12,404,703)
Economic services		(1,092,070)	(1,222,528)	(1,127,311)
Other property and services		(2,956,971)	(2,171,956)	(2,488,512)
		(59,509,088)	(61,337,175)	(58,215,855)
Finance Costs	2(b)			
Other property and services		(298,308)	(316,697)	(337,878)
		(298,308)	(316,697)	(337,878)
Non-operating grants, subsidies and contributions	2(a)	4,220,936	5,571,227	3,390,580
Profit on disposal of assets	11(b)	71,935	0	26,879
(Loss) on disposal of assets	11(b)	(960,029)	0	(254,208)
Share of net profit of associates accounted for using the equity method	21(a)	998,408	1,630,348	1,913,625
Capital (Developer Contributions)		1,346,803	4,759,393	1,339,873
Reversal of prior year loss on revaluation of plant and equipment	9(b)	91,366	0	0
		5,769,419	11,960,968	6,416,749
Net result for the period		3,394,500	6,599,704	5,107,228
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Changes in asset revaluation surplus	12	570,669	0	198,262,269
Increase in fair value of other equity investments		127,766	0	0
Share of other comprehensive income of associates accounted for using the equity method	21(a)	(107,738)	0	(143,797)
Total other comprehensive income for the period		590,697	0	198,118,472
Total comprehensive income for the period		3,985,197	6,599,704	203,225,700

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

* Refer to note 33

**CITY OF KALAMUNDA
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2019**

	NOTE	2019 \$	Restated* 2018 \$
CURRENT ASSETS			
Cash and cash equivalents	3	20,737,597	21,709,276
Trade receivables	5	3,118,448	3,390,990
Other financial assets at amortised cost	8(a)	3,346,005	3,273,620
Inventories	6	116,822	100,015
Other current assets	7	265,088	279,524
TOTAL CURRENT ASSETS		27,583,960	28,753,425
NON-CURRENT ASSETS			
Trade receivables	5	767,306	663,354
Other financial assets at amortised cost	8(b)	103,403	124,241
Financial assets at fair value through other comprehensive income	8(b)	140,137	12,371
Inventories	6	386,067	386,067
Investments accounted for using the equity method	21(a)	31,407,709	30,517,040
Property, plant and equipment	9	152,841,525	150,413,348
Infrastructure	10	369,040,188	367,706,478
TOTAL NON-CURRENT ASSETS		554,686,335	549,822,899
TOTAL ASSETS		582,270,295	578,576,324
CURRENT LIABILITIES			
Trade and other payables	13	6,301,587	6,382,509
Borrowings	14(b)	672,155	652,798
Employee related provisions	15	3,723,149	3,182,196
TOTAL CURRENT LIABILITIES		10,696,891	10,217,503
NON-CURRENT LIABILITIES			
Borrowings	14(b)	4,281,990	4,954,144
Employee related provisions	15	455,316	553,776
TOTAL NON-CURRENT LIABILITIES		4,737,306	5,507,920
TOTAL LIABILITIES		15,434,197	15,725,423
NET ASSETS		566,836,098	562,850,901
EQUITY			
Retained surplus *		221,680,150	217,287,645
Reserves - cash backed	4	17,223,164	18,221,169
Revaluation surplus	12	327,932,784	327,342,087
TOTAL EQUITY		566,836,098	562,850,901

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

* Refer to note 33

**CITY OF KALAMUNDA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2019**

		RETAINED	RESERVES CASH	REVALUATION	TOTAL
	NOTE	SURPLUS	BACKED	SURPLUS	EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2017		211,834,803	18,767,297	129,223,615	359,825,715
Prior year adjustment *	33	(200,514)	0	0	(200,514)
Restated total equity at the beginning of the financial year		211,634,289	18,767,297	129,223,615	359,625,201
Comprehensive income					
Net result for the period		5,107,228	0	0	5,107,228
Other comprehensive income *	12	0	0	198,118,472	198,118,472
Total comprehensive income		5,107,228	0	198,118,472	203,225,700
Transfers from/(to) reserves		546,128	(546,128)	0	0
Balance as at 30 June 2018		217,287,645	18,221,169	327,342,087	562,850,901
Restated total equity at the beginning of the financial year		217,287,645	18,221,169	327,342,087	562,850,901
Comprehensive income					
Net result for the period		3,394,500	0	0	3,394,500
Other comprehensive income	12	0	0	590,697	590,697
Total comprehensive income		3,394,500	0	590,697	3,985,197
Transfers from/(to) reserves		998,005	(998,005)	0	0
Balance as at 30 June 2019		221,680,150	17,223,164	327,932,784	566,836,098

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

* Refer to note 33

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

		2019	2019	2018
	NOTE	Actual	Budget	Restated* Actual
		\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		37,291,278	36,726,247	35,057,719
Operating grants and subsidies		2,854,853	1,451,728	1,784,539
Contributions, Reimbursements and Donations		621,232	949,625	1,401,505
Fees and charges		12,516,684	15,759,810	12,858,628
Interest received		1,021,116	1,301,727	1,094,348
Goods and services tax received		3,582,968	1,810,582	3,597,319
Other revenue		39,940	79,473	62,043
		57,928,071	58,079,192	55,856,101
Payments				
Employee costs		(24,811,743)	(23,609,250)	(24,039,173)
Materials and contracts		(20,472,639)	(21,927,723)	(20,242,881)
Utility charges		(1,893,592)	(1,850,992)	(2,338,226)
Interest expenses		(308,866)	(316,697)	(350,633)
Insurance paid		(606,001)	(570,800)	(588,539)
Goods and services tax paid		(329,524)	(1,995,266)	(504,109)
Other expenditure		(377,879)	(1,698,699)	(461,950)
		(48,800,244)	(51,969,427)	(48,525,511)
Net cash provided by (used in) operating activities	16	9,127,827	6,109,765	7,330,590
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	9(b)	(4,735,136)	(7,287,157)	(4,045,494)
Payments for construction of infrastructure	10(b)	(10,503,612)	(22,693,040)	(11,232,769)
Payments for financial assets at amortised cost		(84,220)	0	(66,347)
Non-operating grants, subsidies and contributions	2(a)	4,220,936	5,571,227	3,390,580
Proceeds from self supporting loans		44,346	34,492	87,977
Proceeds from sale of property, plant & equipment	11(b)	264,174	0	330,241
Net cash provided by (used in) investment activities		(10,793,511)	(24,374,477)	(11,535,812)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	14(a)	(652,798)	(657,817)	(763,736)
Proceeds from new borrowings		0	2,520,000	0
Capital (Developer Contributions)		1,346,803	4,759,393	1,339,873
Net cash provided by (used in) financing activities		694,005	6,621,576	576,137
Net increase (decrease) in cash held		(971,679)	(11,643,137)	(3,629,085)
Cash at beginning of year		21,709,276	26,169,457	25,338,361
Cash and cash equivalents at the end of the year	16	20,737,597	14,526,320	21,709,276

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

* Refer to note 33

CITY OF KALAMUNDA
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Restated* Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	26(b).	4,090,347	3,581,226	5,749,092
		4,090,347	3,581,226	5,749,092
Revenue from operating activities (excluding rates)				
Governance		7,214	115,453	20,074
General purpose funding		4,355,437	4,483,863	5,809,229
Law, order, public safety		492,183	572,399	536,252
Health		885,305	381,102	634,927
Education and welfare		62,448	69,517	63,410
Community amenities		12,276,496	12,444,246	12,737,344
Recreation and culture		1,696,838	1,853,668	1,917,804
Transport		39,664	30,000	36,614
Economic services		252,964	870,369	557,578
Other property and services		1,499,804	545,423	1,074,332
		21,568,353	21,366,040	23,387,564
Expenditure from operating activities				
Governance		(4,049,625)	(3,594,931)	(3,829,504)
General purpose funding		(745,878)	(661,650)	(604,815)
Law, order, public safety		(1,952,166)	(2,107,835)	(2,039,127)
Health		(1,593,391)	(1,888,329)	(1,524,919)
Education and welfare		(453,167)	(493,503)	(502,378)
Community amenities		(14,408,586)	(16,024,638)	(15,288,110)
Recreation and culture		(19,697,024)	(20,753,961)	(18,642,082)
Transport		(13,420,070)	(12,417,844)	(12,404,703)
Economic services		(1,092,070)	(1,222,528)	(1,127,311)
Other property and services		(3,264,083)	(2,488,653)	(2,844,992)
		(60,676,060)	(61,653,872)	(58,807,941)
Non-cash amounts excluded from operating activities	26(a)	11,129,304	9,945,721	8,311,679
Amount attributable to operating activities		(23,888,056)	(26,760,885)	(21,359,605)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	4,220,936	5,571,227	3,390,580
Proceeds from disposal of assets	11(b)	264,174	0	330,241
Proceeds from self supporting loans		44,346	34,492	87,977
Purchase of property, plant and equipment	9(b)	(4,735,136)	(7,287,157)	(4,045,494)
Purchase and construction of infrastructure	10(b)	(10,503,612)	(22,693,040)	(11,232,769)
Amount attributable to investing activities		(10,709,290)	(24,374,478)	(11,469,464)
FINANCING ACTIVITIES				
Repayment of borrowings	14(a)	(652,798)	(657,817)	(763,736)
Proceeds from borrowings	14(a)	0	2,520,000	0
Capital (Developer Contributions)		1,346,803	4,759,393	1,339,873
Transfers to reserves (restricted assets)	4	(6,330,543)	(1,693,069)	(7,281,397)
Transfers from reserves (restricted assets)	4	7,328,549	12,514,813	7,827,525
Amount attributable to financing activities		1,692,010	17,443,320	1,122,264
Surplus/(deficit) before imposition of general rates		(32,905,337)	(33,692,043)	(31,706,805)
Total amount raised from general rates	25	36,934,468	36,556,916	35,797,152
Surplus/(deficit) after imposition of general rates	26(b)	4,029,131	2,864,873	4,090,347

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

* Refer to note 33

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

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.

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

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

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 28 to these financial statements

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

2. REVENUE AND EXPENSES

(a) Revenue

Grant Revenue

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Operating grants and subsidies			
General purpose funding	2,598,458	1,095,090	2,301,537
Law, order, public safety	155,493	194,608	185,178
Education and welfare	9,252	7,530	8,182
Recreation and culture	58,349	122,000	122,424
Transport	30,801	30,000	31,045
Other property and services	2,500	2,500	35,000
	2,854,853	1,451,728	2,683,366
Non-operating grants and subsidies			
Law, order, public safety	0	0	514,832
Health	144,687	0	0
Recreation and culture	898,086	341,650	242,927
Transport	3,178,163	5,229,577	2,632,821
	4,220,936	5,571,227	3,390,580
Total grants, subsidies and contributions	7,075,789	7,022,955	6,073,946

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over

Grants, donations and other contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 24. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Significant revenue

Increase In Equity Value
 Eastern Metropolitan Regional Council (EMRC)

Other revenue

Other

Fees and Charges

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

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

Interest earnings

Loans receivable - clubs/institutions
 Reserve accounts interest
 Municipal funds
 Non Investments - Municipal
 Rates instalment and penalty interest

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Increase In Equity Value Eastern Metropolitan Regional Council (EMRC)	998,408	1,630,348	1,913,625
Other	39,940	79,473	62,043
	39,940	79,473	62,043
Governance	10	94,787	5,000
General purpose funding	205,405	237,365	281,202
Law, order, public safety	300,737	335,231	303,865
Health	884,955	871,886	621,044
Education and welfare	53,196	61,987	55,217
Community amenities	12,274,038	12,409,090	12,692,097
Recreation and culture	1,306,631	1,278,642	1,335,306
Transport	514	0	5,569
Economic services	247,424	343,510	556,517
Other property and services	186,302	127,311	155,001
	15,459,212	15,759,809	16,010,818
Loans receivable - clubs/institutions	9,479	13,715	15,025
Reserve accounts interest	122,445	209,772	142,207
Municipal funds	388,527	447,500	444,875
Non Investments - Municipal	27,928	99,716	35,273
Rates instalment and penalty interest	472,737	531,024	456,968
	1,021,116	1,301,727	1,094,348

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

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report
- Other services

Interest expenses (finance costs)

Borrowings (refer Note 14(a))

Rental charges

- Operating leases

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
	40,000	41,200	19,500
	96,925	94,393	103,596
	136,925	135,593	123,096
	298,308	316,697	337,878
	298,308	316,697	337,878
	191,658	224,282	311,954
	191,658	224,282	311,954

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

3. CASH AND CASH EQUIVALENTS		NOTE	2019	2018
			\$	\$
Cash on Hand - Unrestricted			5,690	5,690
Cash at Bank - Municipal			20,731,907	21,703,586
			<u>20,737,597</u>	<u>21,709,276</u>
Comprises:				
- Unrestricted cash and cash equivalents			6,579,857	6,654,077
- Restricted cash and cash equivalents			14,157,740	15,055,199
			<u>20,737,597</u>	<u>21,709,276</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:				
Reserve accounts				
Long Service Leave Reserve		4	975,756	967,820
Land and Property Enhancement and Maintenance Reserve		4	1,637,323	1,648,799
Waste Management Reserve		4	1,882,061	1,866,753
EDP IT Equipment Reserve		4	945,039	937,352
Local Government Elections Reserve		4	130,196	129,134
HACC Reserve		4	19,113	20,003
Forrestfield Industrial Area Reserve		4	123,338	122,341
Insurance Contingency Reserve		4	282,240	279,944
Revaluation Reserve		4	257,367	255,268
Nominated Employee Leave Provisions Reserve		4	1,928,479	1,912,791
Forrestfield Industrial Scheme Stage 1 Reserve		4	1,382,439	2,210,731
Asset Enhancement Reserve		4	1,259,273	1,769,752
Unexpended Capital Works and Specific Purpose Grants Reserve		4	5,726,181	5,431,620
Waste Avoidance and Resource Recovery Reserve		4	605,510	600,578
Environmental Reserve		4	68,849	68,285
			<u>17,223,164</u>	<u>18,221,171</u>
Other restricted cash and cash equivalents				
Unspent grants/contributions		24	233,020	48,252
Total restricted cash and cash equivalents			<u>17,456,184</u>	<u>18,269,423</u>
Financed by				
Restricted cash			14,157,740	15,055,199
Restricted Term Deposits		8(a)	3,298,444	3,214,224
			<u>17,456,184</u>	<u>18,269,423</u>

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

Cash and cash equivalents (Continued)

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.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

4. RESERVES - CASH BACKED

	2019 Actual Opening Balance \$	2019 Actual Transfer to \$	2019 Actual Transfer (from) \$	2019 Actual Closing Balance \$	2019 Budget Opening Balance \$	2019 Budget Transfer to \$	2019 Budget Transfer (from) \$	2019 Budget Closing Balance \$	2018 Actual Opening Balance \$	2018 Actual Transfer to \$	2018 Actual Transfer (from) \$	2018 Actual Closing Balance \$
(a) Long Service Leave Reserve	967,820	7,936	0	975,756	943,976	180,950	(700,000)	424,926	1,556,519	11,301	(600,000)	967,820
(b) Land and Property Enhancement and Maintenance Reserve	1,648,799	13,524	(25,000)	1,637,323	1,654,769	19,392	(600,000)	1,074,161	1,835,357	13,442	(200,000)	1,648,799
(c) Waste Management Reserve	1,866,753	15,308	0	1,882,061	1,895,137	21,984	(244,146)	1,672,975	1,301,219	609,681	(44,147)	1,866,753
(d) EDP IT Equipment Reserve	937,352	7,687	0	945,039	975,174	311,312	(783,300)	503,186	831,396	705,956	(600,000)	937,352
(e) Local Government Elections Reserve	129,134	1,063	0	130,196	108,110	1,254	0	109,364	128,191	943	0	129,134
(f) HACC Reserve	20,003	0	(891)	19,113	0	0	0	0	341,726	2,438	(324,161)	20,003
(g) Forrestfield Industrial Area Reserve	122,341	997	0	123,338	123,478	1,432	0	124,910	121,445	896	0	122,341
(h) Insurance Contingency Reserve	279,944	2,296	0	282,240	288,956	3,352	0	292,308	178,606	101,338	0	279,944
(i) Revaluation Reserve	255,268	2,099	0	257,367	257,696	2,989	0	260,685	253,406	1,862	0	255,268
(j) Nominated Employee Leave Provisions Reserve	1,912,791	15,689	0	1,928,479	1,562,920	218,130	(700,000)	1,081,050	1,775,544	337,247	(200,000)	1,912,791
(k) Forrestfield Industrial Scheme Stage 1 Reserve	2,210,731	499,366	(1,327,658)	1,382,439	2,339,801	427,142	(2,766,943)	0	2,937,442	42,506	(769,216)	2,210,731
(l) Asset Enhancement Reserve	1,769,752	14,521	(525,000)	1,259,273	1,765,392	373,776	(1,040,000)	1,099,168	1,300,091	469,661	0	1,769,752
(m) Unexpended Capital Works and Specific Purpose Grants Reserve	5,431,620	5,744,561	(5,450,000)	5,726,181	5,459,645	63,332	(5,238,424)	284,553	5,989,204	4,442,416	(5,000,000)	5,431,620
(n) Waste Avoidance and Resource Recovery Reserve	600,578	4,932	0	605,510	624,422	7,243	(392,000)	239,665	60,000	540,578	0	600,578
(o) Environmental Reserve	68,285	564	0	68,849	67,304	60,781	(50,000)	78,085	157,151	1,134	(90,000)	68,285
	18,221,169	6,330,543	(7,328,549)	17,223,164	18,066,780	1,693,069	(12,514,813)	7,245,036	18,767,297	7,281,397	(7,827,525)	18,221,169

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 & Financial Assets in Note 8 to this financial report.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

4. RESERVES - CASH BACKED (Continued)

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

	Name of Reserve	Anticipated date of use	Purpose of the reserve
(a)	Long Service Leave Reserve	On going	To provide cash-backing for all annual and long service leave entitlements.
(b)	Land and Property Enhancement and Maintenance Reserve	On going	To fund land and property purchases, upgrade and maintenance of existing properties.
(c)	Waste Management Reserve	On going	To fund financing operations for the development of City's sanitation service.
(d)	EDP IT Equipment Reserve	On going	To fund the upgrade / replacement of the City's computer hardware and software requirements.
(e)	Local Government Elections Reserve	On going	To fund the cost of future elections.
(f)	HACC Reserve	Discontinued	This reserve funded HACC Service programmes and asset replacements - the HACC programme was discontinued on 30.06.2017.
(g)	Forrestfield Industrial Area Reserve	On going	To fund infrastructure requirements for the Forrestfield area.
(h)	Insurance Contingency Reserve	On going	To fund insurance premium variations and potential call backs.
(i)	Revaluation Reserve	On going	To fund triannual rating revaluations.
(j)	Nominated Employee Leave Provisions Reserve	On going	To fund future nominated staff leave entitlements.
(k)	Forrestfield Industrial Scheme Stage 1 Reserve	On going	The reserve is established to meet the City's reporting obligation under clause 6.5.16 of the City of Kalamunda Local Planning Scheme No. 3. The funds that were managed under the Trust for the scheme were transferred to the newly established reserve on 23rd June 2015. The reserve will be maintained to reflect all transactions related to the scheme for the benefit of the scheme members.
(l)	Asset Enhancement Reserve	On going	To fund future replacement of City's Infrastructure and plant and equipment needs.
(m)	Unexpended Capital Works and Specific Purpose Grants Reserve	On going	To carry forward available funding for uncompleted projects and specific purpose grants, that will be completed and expended in ensuing financial years.
(n)	Waste Avoidance and Resource Recovery Reserve	On going	Any surplus raised in the year for the purpose of managing the contaminated sites will be placed in the reserve for utilisation in future years.
(o)	Environmental Reserve	On going	To fund environment strategies and projects.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

5. TRADE RECEIVABLES

Current

	2019	2018
	\$	\$
Rates receivable	2,408,052	2,367,157
Sundry receivables	282,822	495,335
GST receivable	409,989	507,517
Interest Receivable	15,927	16,802
Other receivables	1,658	4,179
	3,118,448	3,390,990

Non-current

Pensioner's rates and ESL deferred	767,306	663,354
	767,306	663,354

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 30 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 27.

Previous accounting policy: Impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

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.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

6. INVENTORIES

Current

Fuel and material

Non-current

Land held for resale - cost

Cost of acquisition

Development costs

	2019	2018
	\$	\$
	116,822	100,015
	116,822	100,015
	370,021	370,021
	16,046	16,046
	386,067	386,067

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

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

**7. OTHER ASSETS AND ASSETS CLASSIFIED
AS HELD FOR SALE**

Other current assets

Prepayments

2019	2018
\$	\$
265,088	279,524
265,088	279,524

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Non-current assets held for sale

Assets are classified as held for sale where the carrying amount will be recovered through a sale rather than continuing use and the asset is available for immediate sale with a sale being highly probable.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

8. OTHER FINANCIAL ASSETS

(a) Current assets

Other financial assets at amortised cost

	2019	2018
	\$	\$
	3,346,005	3,273,620
	3,346,005	3,273,620
Other financial assets at amortised cost		
- Term deposits - restricted	3,298,444	3,214,224
- Self supporting loans (i)	47,561	59,396
	3,346,005	3,273,620

Other financial assets at amortised cost

- Term deposits - restricted
- Self supporting loans (i)

(b) Non-current assets

Other financial assets at amortised cost

Financial assets at fair value through other comprehensive income

	103,403	124,241
	140,137	12,371
	243,540	136,612
Other financial assets at amortised cost		
- Self supporting loans (i)	103,403	124,241
	103,403	124,241
Financial assets at fair value through other comprehensive income		
- Investments in Unit Trusts (ii)	140,137	12,371
	140,137	12,371

Other financial assets at amortised cost

- Self supporting loans (i)

Financial assets at fair value through other comprehensive income

- Investments in Unit Trusts (ii)

(i) Self supporting loans

An amount of money raised by the City in its own name through a specific loan for a period no longer than 10 years and provided to an approved community group or sporting club through a Self-Supporting Loan Agreement.

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 14(a) as self supporting loans.

(ii) Investments In Unit Trusts

The Local Government House Trust is a unit trust created for the purpose of providing building accommodation to the Western Australian Local Government Association (WALGA).

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

8. OTHER FINANCIAL ASSETS (Continued)

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 cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at fair value through Other Comprehensive Income

The CITY classifies the following financial assets at fair value through other comprehensive income:

- equity investments which the CITY has elected to recognise fair value gains and losses through other comprehensive income.

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 27.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Previous accounting policy: available for sale financial assets

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

Previous accounting policy: Loans and receivables

Non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and are solely payments of principal and interest were classified as loans and receivables and are subsequently measured at amortised cost, using the effective interest rate method.

Refer to Note 30 for reclassification of available for sale financial assets to financial assets at fair value through other comprehensive income.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

9(a) PROPERTY, PLANT AND EQUIPMENT

	2019	2018
	\$	\$
Land and buildings		
Land - freehold land at:		
- Independent valuation 2017 - level 2	62,876,000	62,876,000
	62,876,000	62,876,000
Land - vested in and under the control of Council at:		
- Independent valuation 2017 - level 3	2,883,100	2,883,100
	2,883,100	2,883,100
Total land	65,759,100	65,759,100
Buildings - specialised at:		
- Independent valuation 2017 - level 3	79,001,240	79,178,425
- Additions after valuation - cost 2018	1,845,274	1,845,274
- Additions after valuation - cost 2019	3,138,535	0
Less: accumulated depreciation	(3,212,882)	(1,579,062)
	80,772,167	79,444,637
Total buildings	80,772,167	79,444,637
Total land and buildings	146,531,267	145,203,737
Furniture and equipment at:		
- Cost	4,657,303	6,747,594
Less: accumulated depreciation	(4,244,940)	(5,689,082)
	412,363	1,058,512
Plant and equipment at:		
- Management valuation 2016 - level 2	4,175,237	2,380,631
- Independent valuation 2019 - level 2,3	662,037	781,135
- Additions after valuation - cost 2016	0	1,682,906
Less: accumulated depreciation	0	(693,572)
	4,837,274	4,151,100
Intangible Assets at:		
- Management valuation 2019 - level 3	688,100	0
Less: accumulated amortisation	(578,545)	0
	109,555	0
Capital Work in Progress at:		
- At cost	951,065	0
	951,065	0
Total property, plant and equipment	152,841,525	150,413,348

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

9. PROPERTY, PLANT AND EQUIPMENT (continued)
(b) Movements in Carrying Amounts

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Work in Progress	Intangible Assets	Intangible Assets Work in Progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	62,876,000	2,883,100	65,759,100	79,178,425	79,178,425	144,937,525	1,047,332	3,452,040	0	0	0	149,436,896
Additions	0	0	0	1,845,276	1,845,276	1,845,276	517,312	1,682,906	0	0	0	4,045,494
(Disposals)	0	0	0	0	0	0	(33,820)	(523,751)	0	0	0	(557,571)
Depreciation (expense)	0	0	0	(1,579,064)	(1,579,064)	(1,579,064)	(472,312)	(460,095)	0	0	0	(2,511,471)
Carrying amount at 30 June 2018	62,876,000	2,883,100	65,759,100	79,444,637	79,444,637	145,203,737	1,058,512	4,151,100	0	0	0	150,413,348
Comprises:												
Gross carrying amount at 30 June 2018	62,876,000	2,883,100	65,759,100	81,023,701	81,023,701	146,782,801	6,747,594	4,844,672	0	0	0	158,375,066
Accumulated depreciation at 30 June 2018	0	0	0	(1,579,064)	(1,579,064)	(1,579,064)	(5,689,082)	(693,572)	0	0	0	(7,961,718)
Carrying amount at 30 June 2018	62,876,000	2,883,100	65,759,100	79,444,637	79,444,637	145,203,737	1,058,512	4,151,100	0	0	0	150,413,348
Additions	0	0	0	3,138,535	3,138,535	3,138,535	79,791	851,879	397,556	9,156	258,218	4,735,136
(Disposals)	0	0	0	(170,099)	(170,099)	(170,099)	(45,136)	(247,271)	0	0	0	(462,507)
Transfers - Gross Value	0	0	0	0	0	0	(974,235)		0	678,944	295,291	0
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	0	0	0	0	570,669	0	0	0	570,669
Revaluation (loss) / reversals transferred to profit or loss	0	0	0	0	0	0	0	91,366	0	0	0	91,366
Transfers Depreciation	0	0	0	0	0	0	578,545	0	0	(578,545)	0	0
Depreciation (expense)	0	0	0	(1,640,905)	(1,640,905)	(1,640,905)	(285,113)	(580,470)	0	0	0	(2,506,488)
Carrying amount at 30 June 2019	62,876,000	2,883,100	65,759,100	80,772,167	80,772,167	146,531,267	412,363	4,837,274	397,556	109,555	553,509	152,841,525
Comprises:												
Gross carrying amount at 30 June 2019	62,876,000	2,883,100	65,759,100	83,985,049	83,985,049	149,744,149	4,657,303	4,837,274	397,556	688,100	553,509	160,877,892
Accumulated depreciation at 30 June 2019	0	0	0	(3,212,882)	(3,212,882)	(3,212,882)	(4,244,940)	0	0	(578,545)	0	(8,036,367)
Carrying amount at 30 June 2019	62,876,000	2,883,100	65,759,100	80,772,167	80,772,167	146,531,267	412,363	4,837,274	397,556	109,555	553,509	152,841,525

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) 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 assets	Independent registered valuer	June 2017	Average price for square meter / sales process of comparable properties
Land - vested in and under the control of Council	3	Improvements to land valued using cost approach using current replacement cost	Independent registered valuer	June 2017	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Buildings - specialised	3	Improvements to building valued using cost approach using current replacement cost	Independent registered valuer	June 2017	Improvements to building using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Furniture and equipment	3	Cost approach using current replacement cost	Management Valuation	June 2019	Purchase cost and current condition, residual values and remaining useful life assessments inputs
Plant and equipment					
- Independent valuation	2	Market approach using recent observable market data for similar assets	Independent registered valuer	June 2019	Market price per item for a similar nature of an asset.
- Management valuation	3	Cost approach using current replacement cost	Management Valuation	June 2019	Purchase cost and current condition, residual values and remaining useful life assessments 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 by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

10 (a) INFRASTRUCTURE

	2019	2018
	\$	\$
Infrastructure - Roads		
- Independent valuation 2018 - level 3	181,594,946	181,719,311
- Additions after valuation - cost 2019	3,009,259	0
- Transfers from WIP	1,172,232	0
Less: accumulated depreciation	(4,279,635)	0
	181,496,802	181,719,311
Infrastructure - Footpaths		
- Independent valuation 2018 - level 3	27,247,023	27,311,282
- Additions after valuation - cost 2019	927,067	0
- Transfers from WIP	85,748	0
Less: accumulated depreciation	(911,582)	0
	27,348,256	27,311,282
Infrastructure - Drainage		
- Independent valuation 2018 - level 3	126,257,414	126,380,082
- Additions after valuation - cost 2019	864,763	0
Less: accumulated depreciation	(1,473,357)	0
	125,648,820	126,380,082
Infrastructure - Parks and Ovals		
- Independent valuation 2018 - level 3	11,310,085	11,943,211
- Additions after valuation - cost 2019	1,314,784	0
Less: accumulated depreciation	(674,235)	0
	11,950,634	11,943,211
Infrastructure - Other		
- Independent valuation 2018 - level 3	16,553,941	16,690,724
- Additions after valuation - cost 2019	1,069,253	0
- Transfers from WIP	144,333	0
Less: accumulated depreciation	(749,891)	0
	17,017,636	16,690,724
Capital Work in Progress		
- At cost	3,661,867	3,661,867
- Additions during 2019	3,318,486	0
- Transfers during 2019	(1,402,313)	0
	5,578,040	3,661,867
Total infrastructure	369,040,188	367,706,478

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

10. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drains	Infrastructure - Parks and Ovals	Infrastructure - Other	Work in Progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	114,704,311	12,547,841	18,799,637	10,850,360	7,372,140	1,662,982	165,937,271
Additions	3,249,378	693,397	2,009,121	2,425,950	856,038	0	9,233,884
Revaluation increments / (decrements) transferred to revaluation surplus	68,397,426	14,919,981	106,273,004	(250,325)	8,922,182	0	198,262,268
Additions to Work in Progress						1,998,885	1,998,885
Depreciation (expense)	(4,631,804)	(849,937)	(701,680)	(1,082,773)	(459,636)	0	(7,725,830)
Carrying amount at 30 June 2018	181,719,311	27,311,282	126,380,083	11,943,211	16,690,724	3,661,867	367,706,478
Comprises:							
Gross carrying amount at 30 June 2018	181,719,311	27,311,282	126,380,083	11,943,211	16,690,724	3,661,867	367,706,478
Carrying amount at 30 June 2018	181,719,311	27,311,282	126,380,083	11,943,211	16,690,724	3,661,867	367,706,478
Additions	3,009,259	927,067	864,763	1,314,784	1,069,253	0	7,185,126
(Disposals)	(101,427)	(39,473)	(47,672)	(446,494)	(54,695)	0	(689,761)
Additions to Work in Progress	0	0	0	0	0	3,318,486	3,318,486
Transfers from Work in Progress	1,172,232	85,748	0	0	144,333	(1,402,313)	0
Depreciation (expense)	(4,302,572)	(936,368)	(1,548,354)	(860,867)	(831,979)	0	(8,480,141)
Carrying amount at 30 June 2019	181,496,802	27,348,256	125,648,820	11,950,634	17,017,636	5,578,040	369,040,188
Comprises:							
Gross carrying amount at 30 June 2019	185,776,437	28,259,838	127,122,177	12,624,869	17,767,527	5,578,040	377,128,888
Accumulated depreciation at 30 June 2019	(4,279,635)	(911,582)	(1,473,357)	(674,235)	(749,891)	0	(8,088,700)
Carrying amount at 30 June 2019	181,496,802	27,348,256	125,648,820	11,950,634	17,017,636	5,578,040	369,040,188

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

10. INFRASTRUCTURE (Continued)

(c) 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 current replacement cost	Independent valuation	June 2018	Observable input based on depreciation replacement cost (Level 3)
Infrastructure - Footpaths	Level 3	Cost approach using current replacement cost	Independent valuation	June 2018	Observable input based on depreciation replacement cost (Level 3)
Infrastructure - Drains	Level 3	Cost approach using current replacement cost	Independent valuation	June 2018	Observable input based on depreciation replacement cost (Level 3)
Infrastructure - Parks and Ovals	Level 3	Cost approach using current replacement cost	Independent valuation	June 2018	Observable input based on depreciation replacement cost (Level 3)
Infrastructure - Other	Level 3	Cost approach using current replacement cost	Independent valuation	June 2018	Observable input based on depreciation replacement cost (Level 3)

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

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

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

11 (a) PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

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

All assets are initially recognised at cost where the fair value of the asset at date of acquisition is equal to or above \$5,000. All assets are subsequently revalued in accordance with the mandatory measurement framework.

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

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, 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 fixed assets is determined at least every three years and no more than five years in accordance with the regulatory framework. 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 property, plant and equipment 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

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

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

Land under roads

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

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008.

This accords with the treatment available in *Australian Accounting Standard AASB 1051 Land Under Roads* and the fact *Local Government (Financial Management) Regulation 16(a)(i)* prohibits local governments from recognising such land as an asset.

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

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

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

Intangible Assets

Costs incurred in developing software that will contribute to future period financial benefits through revenue generation or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of software development including consultancy, programming and data migration services. Amortisation is calculated on a straight line basis over 5 years. Technology development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the City has an intention and ability to use the asset.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(b) Disposals of Assets

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	2019 Budget Net Book Value	2019 Budget Sale Proceeds	2019 Budget Profit	2019 Budget Loss	2018 Actual Net Book Value	2018 Actual Sale Proceeds	2018 Actual Profit	2018 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Buildings - specialised	170,099	0	0	(170,099)	0	0	0	0	0	0	0	0
Furniture and equipment	45,136	0	0	(45,136)	0	0	0	0	33,820	0	0	(33,820)
Plant and equipment	92,447	37,414	0	(55,033)	0	0	0	0	432,742	212,354	0	(220,388)
Other Plant and equipment	154,825	226,760	71,935	0	0	0	0	0	91,009	117,888	26,879	0
Infrastructure - Roads	101,427	0	0	(101,427)	0	0	0	0	0	0	0	0
Infrastructure - Footpaths	39,473	0	0	(39,473)	0	0	0	0	0	0	0	0
Infrastructure - Drains	47,672	0	0	(47,672)	0	0	0	0	0	0	0	0
Infrastructure - Parks and Ovals	446,494	0	0	(446,494)	0	0	0	0	0	0	0	0
Infrastructure - Other	54,695	0	0	(54,695)	0	0	0	0	0	0	0	0
	<u>1,152,268</u>	<u>264,174</u>	<u>71,935</u>	<u>(960,029)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>557,571</u>	<u>330,241</u>	<u>26,879</u>	<u>(254,208)</u>

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

The following assets were disposed of during the year.

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$
Plant and Equipment				
Other property and services				
Kubota Tractor	4,556	6,923	2,367	0
Holden Rodeo	4,455	2,493	0	(1,962)
Toyota Grande Sedan	7,396	5,584	0	(1,812)
Toyota Corolla Hatch Back	6,189	5,039	0	(1,150)
Ford Ranger Crew Cab	9,386	11,493	2,107	0
Ford Ranger Dual Cab	8,027	11,493	3,466	0
Toyota Hilux Extra Cab	10,413	8,039	0	(2,374)
Ford Ranger Dual Cab	8,121	8,993	872	0
Ford Ranger	0	3,084	3,084	0
Ford Ranger Super Cab	8,123	6,130	0	(1,993)
Holden Colorado Dual Cab	11,732	10,130	0	(1,602)
Ford Ranger	0	3,766	3,766	0
Ford Ranger Supercab	8,122	13,130	5,007	0
Ford Ranger Extra Cab Ute	8,122	13,402	5,280	0
New Holland Tractor	2,674	13,516	10,842	0
Various Plant & Equipment less than \$5,000.00	44,139	0	0	(44,139)
Green Machine Road Sweeper	105,817	140,960	35,143	0
	247,271	264,174	71,935	(55,033)
Other Asset class				
Program				
Other Property and Services	45,137	0	0	(45,137)
Recreation and culture	616,593	0	0	(616,593)
Transport	243,267	0	0	(243,267)
	904,997	0	0	(904,996)
	1,152,268	264,174	71,935	(960,029)

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(c) Depreciation

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Buildings - specialised	1,640,905	2,299,152	1,579,064
Furniture and equipment	285,113	479,275	472,312
Plant and equipment	580,470	382,526	460,095
Infrastructure - Roads	4,302,572	4,732,166	4,631,804
Infrastructure - Footpaths	936,368	867,840	849,937
Infrastructure - Drains	1,548,354	715,397	701,680
Infrastructure - Parks and Ovals	860,867	876,141	1,082,773
Infrastructure - Other	831,979	483,277	459,636
	10,986,630	10,835,774	10,237,301

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 in the table below:

Asset Class	Useful life
Buildings	30 to 50 years
Furniture and equipment	5 to 10 years
Plant and equipment	5 to 20 years
Intangible Assets	5 years

Infrastructure

Category	Component	Material	Useful Life
Roads	Surface	Cement	50
		Brick Paving	50
		Asphalt	25
		Single Seal	20
	Pavement Base	Laterite	60
		Rock base	60
	Pavement Sub Base	Limestone	120
Footpaths		Concrete	50
		Brick Paving	50
		Gravel	50
		Asphalt	25
		Timber	15
Drainage Pipes	Stormwater	Concrete	80
	Subsoil	PVC	60
Drainage Pits	Stormwater	Concrete	80
		Stone	100
	Weirs	Mortared	
Parks and Gardens		Including playground equipment	10 to 50

Depreciation (Continued)

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:

- 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
- Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

12. REVALUATION SURPLUS

	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Movement on Revaluation	2019 Closing Balance	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	Total Movement on Revaluation	2018 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land & Land - vested in and under the control of Council	60,628,646	0	0	0	60,628,646	60,628,646	0	0	0	60,628,646
Revaluation surplus - Buildings - specialised	64,688,776	0	0	0	64,688,776	64,688,776	0	0	0	64,688,776
Revaluation surplus - Plant and equipment	0	570,669	0	570,669	570,669	0	0	0	0	0
Revaluation surplus - Infrastructure	201,140,743	0	0	0	201,140,743	2,878,475	198,262,268	0	198,262,268	201,140,743
Revaluation surplus - EMRC Asset Valuations	883,918	0	(107,738)	(107,738)	776,180	1,027,715	0	(143,797)	(143,797)	883,918
Revaluation surplus - Local Government House Investment	0	127,766	0	127,766	127,766	0	0	0	0	0
	327,342,083	698,435	(107,738)	590,697	327,932,784	129,223,612	198,262,268	(143,797)	198,118,472	327,342,087

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.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

13. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Accrued salaries and wages
Bonds and Deposits
Income in Advance
Accrued interest on long term borrowings
Accrued Expenses
Retention Money

2019	2018
\$	\$
3,727,840	3,054,392
65,209	65,755
1,918,315	2,882,189
19,302	35,983
94,305	104,863
445,069	207,834
31,547	31,493
6,301,587	6,382,509

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

Trade and other payables (Continued)

of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

14. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	Actual Principal	30 June 2019 Actual Principal	30 June 2019 Actual Interest	30 June 2019 Actual Principal	Budget Principal	30 June 2019 Budget New	30 June 2019 Budget Principal	30 June 2019 Budget Interest	30 June 2019 Budget Principal	Actual Principal	30 June 2018 Actual Principal	30 June 2018 Actual Interest	30 June 2018 Actual Principal
				1 July 2018	repayments	repayments	outstanding	1 July 2018	Loans	repayments	repayments	outstanding	1 July 2017	repayments	repayments	outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Community amenities																
Land Acquisition Kalamunda Road	224	WATC	5.58%	455,552	174,737	20,281	280,815	455,552	0	174,737	23,016	280,815	620,932	165,380	29,553	455,552
Depot Waste Trucks	228	WATC	5.63%	904,481	46,270	49,502	858,211	904,481	0	46,270	50,280	858,211	948,252	43,771	52,043	904,481
Waste Compactor	229	WATC	2.46%	167,203	40,280	3,707	126,923	167,203	0	40,280	3,867	126,923	206,510	39,307	4,648	167,203
Forrestfield North Development Project - Loan 1	230	WATC	3.01%	456,450	44,870	13,209	411,580	456,450	0	44,870	13,404	411,580	500,000	43,550	14,420	456,450
Forrestfield North Development Project - Loan 2		WATC		0	0	0	0	0	450,000	0	7,088	450,000	0	0	0	0
Wattle Grove Feasibility Study		WATC		0	0	0	0	0	300,000	0	0	300,000	0	0	0	0
Disposal of Park and Recreation Reserves		WATC		0	0	0	0	0	170,000	0	0	170,000	0	0	0	0
Recreation and culture																
Foothills Netball Association	216	WATC	6.37%	67,951	4,695	4,212	63,256	67,951	0	4,695	4,255	63,256	72,357	4,406	4,499	67,951
Wet'n'Wild	222	WATC	6.22%	125,866	61,006	5,159	64,860	125,866	0	61,006	6,895	64,860	183,248	57,382	8,918	125,866
Kalamunda Swimming Pool	227	WATC	5.63%	1,455,036	74,434	79,634	1,380,603	1,455,035	0	74,434	80,885	1,380,601	1,525,450	70,414	83,722	1,455,036
Transport																
City Depot	221	WATC	6.77%	1,569,987	88,363	102,080	1,481,624	1,569,988	0	88,363	104,818	1,481,624	1,652,659	82,672	108,255	1,569,987
Plant & Equipment Purchase	225	WATC	6.00%	0	0	0	0	0	0	0	0	0	99,095	99,095	2,592	0
Newburn Road Extension	226	WATC	5.67%	234,363	73,796	12,211	160,567	234,362	0	73,796	12,257	160,566	304,146	69,783	16,226	234,363
Other property and services																
Plant and Equipment		WATC		0	0	0	0	0	1,500,000	0	0	1,500,000	0	0	0	0
Forrestfield Industrial Area Scheme Stage 1 - Road 2 - road construction		WATC		0	0	0	0	0	100,000	0	0	100,000	0	0	0	0
				5,436,890	608,452	289,994	4,828,438	5,436,888	2,520,000	608,451	306,764	7,348,437	6,112,649	675,759	324,876	5,436,890
Self Supporting Loans																
Recreation and culture																
Forrestfield Bowling Club	199	WATC	8.17%	0	0	0	0	10,458	0	5,020	745	5,438	15,091	15,091	998	0
Kalamunda Cricket Club	207	WATC	6.64%	0	0	0	0	0	0	0	0	0	2,168	2,168	60	0
Kalamunda & District Basketball Club	208	WATC	6.60%	0	0	0	0	0	0	0	0	0	21,617	21,617	712	0
Forrestfield United Soccer Club	214	WATC	5.46%	89,953	6,942	4,784	83,011	89,954	0	6,942	4,818	83,012	96,524	6,571	5,150	89,953
Lesmurdie Tennis Club		WATC		0	0	0	0	0	0	0	0	0	7,363	7,363	279	0
Maida Vale Tennis Club	217	WATC	5.95%	27,262	3,549	1,546	23,714	27,262	0	3,549	1,570	23,713	30,609	3,347	1,736	27,262
Kalamunda Club	219	WATC	6.30%	48,055	31,537	1,787	16,518	48,055	0	31,537	2,538	16,518	77,695	29,640	3,729	48,055
Forrestfield Junior Football Club	220	WATC	6.22%	4,781	2,318	196	2,463	4,783	0	2,318	262	2,465	6,962	2,181	339	4,781
				170,052	44,346	8,314	125,706	180,512	0	49,366	9,933	131,146	258,029	87,977	13,002	170,052
				5,606,942	652,798	298,308	4,954,144	5,617,400	2,520,000	657,817	316,697	7,479,582	6,370,678	763,736	337,878	5,606,942

* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 8 as other financial assets at amortised cost.
All other loan repayments were financed by general purpose revenue.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

14. INFORMATION ON BORROWINGS (Continued)

(b) Borrowings	2019	2018
	\$	\$
Current	672,155	652,798
Non-current	4,281,990	4,954,144
	4,954,145	5,606,942

(c) New Borrowings - 2018/19

The City did not take up any new debentures during the year ended 30 June 2019.

(d) Unspent Borrowings

The City did not have any unspent borrowings as at 30 June 2019

(e) Undrawn Borrowing Facilities	2019	2018
	\$	\$
Credit Standby Arrangements		
Bank overdraft limit	1,500,000	1,500,000
Credit card limit	75,000	75,000
Credit card balance at balance date	(159)	(11,432)
Total amount of credit unused	1,574,841	1,563,568
Loan facilities		
Loan facilities - current	672,155	652,798
Loan facilities - non-current	4,281,990	4,954,144
Total facilities in use at balance date	4,954,145	5,606,942
Unused loan facilities at balance date	Nil	Nil

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.

Borrowing costs

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

Risk

Information regarding exposure to risk can be found at Note 27.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

15. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2018			
Current provisions	1,558,194	1,624,002	3,182,196
Non-current provisions	0	553,776	553,776
	<u>1,558,194</u>	<u>2,177,778</u>	<u>3,735,972</u>
 Additional provision	2,081,536	829,604	2,911,140
Amounts used	(1,887,043)	(281,414)	(2,168,457)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	(52)	(300,138)	(300,190)
Balance at 30 June 2019	<u>1,752,635</u>	<u>2,425,830</u>	<u>4,178,465</u>
 Comprises			
Current	1,752,635	1,970,514	3,723,149
Non-current	0	455,316	455,316
	<u>1,752,635</u>	<u>2,425,830</u>	<u>4,178,465</u>

Amounts are expected to be settled on the following basis:

	2019 \$	2018 \$
Less than 12 months after the reporting date	1,868,772	1,603,674
More than 12 months from the reporting date	2,309,692	2,132,299
	<u>4,178,465</u>	<u>3,735,972</u>

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.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

16. 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, including cash in hand, cash at bank net of outstanding bank overdrafts. All trust monies are excluded. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	20,737,597	14,526,320	21,709,276
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	3,394,500	6,599,704	5,107,228
Non-cash flows in Net result:			
Depreciation	10,986,630	10,835,774	10,237,301
(Profit)/loss on sale of asset	888,094	0	227,330
Share of profits of associates and joint ventures	(998,408)	(1,630,348)	(1,913,625)
Reversal of previous loss on revaluation of fixed assets	(91,366)	0	0
Interest on deferred loans	(291)	0	(333)
Prior Year Adjustment	0	0	639,356
Changes in assets and liabilities:			
(Increase)/decrease in receivables	171,642	(143,848)	(1,891,886)
(Increase)/decrease in inventories	(16,807)	(68,647)	20,545
Increase/(decrease) in payables	(80,922)	74,451	(224,221)
Increase/(decrease) in provisions	442,493	838,634	(140,651)
Capital (Developer) Contributions	(1,346,803)	(4,759,393)	(1,339,873)
Grants contributions for the development of assets	(4,220,936)	(5,636,562)	(3,390,580)
Net cash from operating activities	<u>9,127,827</u>	<u>6,109,765</u>	<u>7,330,590</u>

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	Restated* 2018
	\$	\$
Governance	8,761,188	8,765,300
General purpose funding	11,034,051	10,875,186
Law, order, public safety	1,407,322	1,488,826
Health	2,842,448	2,705,967
Education and welfare	2,774,144	2,805,874
Community amenities	72,242,626	72,131,339
Recreation and culture	96,492,014	95,345,272
Transport	375,408,012	373,672,497
Economic services	2,425	2,425
Other property and services	11,306,064	10,783,637
	582,270,295	578,576,324

* Refer to note 33

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

18. CONTINGENT LIABILITIES

In compliance with the Contaminated Sites Act 2003 Section 11, the City has listed sites to be possible source of contamination.

Details of those site are:

- Alan Anderson Reserve
- Ledger Road Reserve
- Brand Road Reserve
- Dawson Avenue / Pioneer Park

The City is in the process of conducting investigations to determine the presence and scope of contamination, assess the risk, and agree with the Department of Water and Environmental Regulation on the need and criteria of 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 the Department of Water and Environmental Regulation Guidelines.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

19. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects

2019	2018
\$	\$
1,074,912	286,376
1,074,912	286,376
Payable:	
- not later than one year	286,376

Payable:

- not later than one year

At the end of each financial year the City reviews the position of its incomplete capital expenditure projects & the position of unexpended specific purpose grants. The City recognises the costs of major capital projects to be carried forward to the next financial year and transfers adequate funds to the unexpended capital works and specific purpose grants reserve. The reserve is fully cash backed and categorised under restricted cash.

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts.

Payable:

- not later than one year

- later than one year but not later than five years

2019	2018
\$	\$
90,722	168,725
51,449	112,581
142,171	281,306

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

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

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

20. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting Fees	279,605	283,841	277,285
Mayor's allowance	62,727	62,727	62,827
Deputy Mayor's allowance	15,682	15,682	15,707
Travelling expenses	591	600	586
Telecommunications allowance	41,356	42,000	41,001
	399,961	404,850	397,406

Key Management Personnel (KMP) Compensation Disclosure

The total of remuneration & benefits paid/accrued to KMP of the City during the year are as follows:

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	2,712,915	3,058,668
Post-employment benefits	258,872	281,396
Other long-term benefits	325,349	278,334
Termination benefits	63,927	0
	3,361,063	3,618,399

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.

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).

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

20. 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.

	2019 Actual	2018 Actual
The following transactions occurred with related parties:	\$	\$
Eastern Metropolitan Regional Council		
Purchase of goods and services	4,263,373	4,260,082
Investment in Associates		
Increase in Equity in Investments in Associates	890,670	1,769,828
Amounts payable to related parties:		
Trade and other payables	325,442	408,070

Related Parties

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.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

21. INVESTMENT IN ASSOCIATES

	2019	2018
	\$	\$
(a) Carrying amount of investment in Associate	31,407,709	30,517,040

The City of Kalamunda has a share in the Net Assets in the Eastern Metropolitan Regional Council (EMRC) as a member council. The EMRC provides services in waste management, resource recovery, environmental management and regional development.

The accounting share applicable to the City of Kalamunda as at 30 June 2019 as disclosed in the Financial Statements of the Eastern Metropolitan Regional Council is \$31,407,709. This represents the City's 16.06% share of the Total Equity in the Eastern Metropolitan Regional Council.

The Principal place of business :

No: 226, Great Eastern High Way, Ascot, WA, 6104.

EMRC Financial Information

Revenue	42,510,894	39,351,664
Net Result	8,245,723	11,243,892
Other Comprehensive Income	0	(341,649)
Total Comprehensive Income	8,245,723	10,902,243

Financial Position

Current Assets	107,716,368	100,898,164
Non-Current Assets	99,466,539	95,174,159
Total Assets	207,182,907	196,072,323
Current Liabilities	7,175,888	5,146,182
Non-Current Liabilities	4,493,417	3,658,262
Total Liabilities	11,669,305	8,804,444
Net Assets	195,513,602	187,267,879
Change in Equity in Share of City of Kalamunda	998,408	1,913,625
Revaluation Surplus movement in Share of City of Kalamunda	(107,738)	(143,797)
Dividends received from associate	Nil	Nil

The City's interest in the net assets of the associate (EMRC) are as follows:

Current Assets	17,307,474	16,446,401
Non-current Assets	15,974,326	15,254,550
Total assets	33,281,800	31,700,951
Current liabilities	1,152,448	587,614
Non-current liabilities	721,643	596,297
Total liabilities	1,874,090	1,183,910
Share of Net Assets	31,407,709	30,517,040

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

21(a) INVESTMENT IN ASSOCIATES (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Investment in associates

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

Investment in associates (Continued)

Investments in associates are tested for any indication of impairment at the end of the reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the investment is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

22. MAJOR LAND TRANSACTIONS

The City did not participate in any major land transactions during the 2018/2019 Financial Year

23. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The City did not participate in any trading undertakings or major trading undertakings during the 2018/2019 Financial Year.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

24. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/17	Received ⁽²⁾ 2017/18	Expended ⁽³⁾ 2017/18	Closing Balance ⁽¹⁾ 30/06/18	Received ⁽²⁾ 2018/19	Expended ⁽³⁾ 2018/19	Closing Balance 30/06/19
	\$	\$	\$	\$	\$	\$	\$
General purpose funding							
Bush Fire Brigade	33,440	127,596	(127,404)	33,632	134,965	(134,529)	34,068
State Emergency Services	14,994	57,582	(57,956)	14,620	59,476	(58,480)	15,616
Recreation and culture							
Hartfield Park Master plan	1,130,278	0	(1,130,278)	0	0	0	0
Installation of Synthetic Bowling Green - Forrestfield Bowling club	54,546	0	(54,546)	0	0	0	0
Kalamunda Community Centre	0	0	0	0	300,000	(116,665)	183,335
Kids Sports Programme	0	102,424	(102,424)	0	0	0	0
Transport							
Financial Assistance Grant - Bridges	200,000	0	(200,000)	0	0	0	0
Total	1,433,258	287,602	(1,672,608)	48,252	494,441	(309,674)	233,020

Notes:

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

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

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

25. RATING INFORMATION

RATE TYPE

Gross rental valuations

Unimproved valuations

Sub-Total

Gross rental valuations

Unimproved valuations

Sub-Total

CONCLUSIONS

Total amount raised from general rate

Net movement

Rates

Page 46

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

25. RATING INFORMATION (Continued)

(b) Specified Area Rate

No Specified area rates were imposed by the City during the year ended 30 June 2019.

(c) Service Charges

No service charges were imposed by the City during the year ended 30 June 2019.

(d) Discounts, Incentives, Concessions & rates incentives

Incentives for Early Payment of Rates

Pursuant to Section 6.46 of the Local Government Act 1995, offered the following incentive prizes to ratepayers who have paid their rates in full:

- 1 prize of \$4,000 donated by the City of Kalamunda.

Pursuant to Section 6.46 of the Local Government Act 1995, offered the following incentive prizes to ratepayers who pay via instalments:

- 2 prizes of \$1,000 donated by the City of Kalamunda towards the winners outstanding rates and charges amounts due.
- 1 prize of \$500 donated by the City of Kalamunda towards the winners outstanding rates and charges amounts due.
- 2 double passes to a concert preformed and donated by the Western Australian Symphony Orchestra.
- 2 \$250 passbook accounts donated by the Bendigo Bank - Forrestfield & High Wycombe Community Bank.

Pursuant to Section 6.46 of the *Local Government Act 1995*, offered the following incentive prizes to ratepayers who register to receive their future rates notices electronically:

- 2 Apple Series 3 Watches (38mm GPS Only)
- 2 Garmin Fenix 5 Sports Watches
- 1 Garmin Vivosmart HR Activity Tracker

Pursuant to Section 6.46 of the *Local Government Act 1995*, offered the following incentive prizes to ratepayers who pay their rates either in full or an installment option using the self service Albert Terminals at the City's Administration office, Kalamunda Library or Hartfield Park Recreation Centre.

- 3 prizes of \$500 donated by the City of Kalamunda towards the winners outstanding rates and charges amounts due.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

25. RATING INFORMATION (Continued)

(e) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One	17 Aug 2018	0	0.00%	11.00%
Option Two	17 Aug 2018	0	0.00%	11.00%
	17 Dec 2018	8	5.50%	11.00%
Option Three	17 Aug 2018	0	0.00%	11.00%
	17 Oct 2018	8	5.50%	11.00%
	17 Dec 2018	8	5.50%	11.00%
	18 Feb 2019	8	5.50%	11.00%

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Interest on unpaid rates	301,221	326,733	295,130
Interest on instalment plan	171,516	204,291	161,838
Charges on instalment plan	148,533	134,993	131,096
	621,270	666,017	588,064

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

26. RATE SETTING STATEMENT INFORMATION

		2018/19 Actual (30 June 2019 Carried Forward)	2018/19 Budget (30 June 2019 Carried Forward)	2018/19 Actual (1 July 2018 Brought 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	11(b)	(71,935)	0	(26,879)
Less: Reversal of prior year loss on revaluation of fixed assets		(91,366)	0	0
Less: Change in equity - Joint Venture		(998,408)	(1,630,348)	(1,913,625)
Less: Interest on deferred loans		(291)	(337)	(333)
Movement in pensioner deferred rates (non-current)		(103,952)	(33,000)	(139,291)
Movement in employee benefit provisions		442,504	773,632	(99,702)
Add: Loss on disposal of assets	11(b)	960,029	0	254,208
Add: Bad debts written off		6,093	0	0
Add: Depreciation on assets	11(c)	10,986,630	10,835,774	10,237,301
Non cash amounts excluded from operating activities		11,129,304	9,945,721	8,311,679
(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 - restricted cash	3	(17,223,164)	(7,245,036)	(18,221,169)
Less: Self supporting loans		(30,078)	0	(59,396)
Add: Borrowings	14(b)	672,155	1,144,824	652,798
Add: Employee Provisions		3,723,149	3,527,400	3,182,196
Total adjustments to net current assets		(12,857,938)	(2,572,812)	(14,445,573)
Net current assets used in the Rate Setting Statement				
Total current assets		27,583,960	17,097,695	28,753,425
Less: Total current liabilities		(10,696,891)	(11,660,010)	(10,217,503)
Less: Total adjustments to net current assets		(12,857,938)	(2,572,812)	(14,445,573)
Net current assets used in the Rate Setting Statement		4,029,131	2,864,873	4,090,347

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

27. 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.

	Carrying Value		Fair Value	
	2019	2018	2019	2018
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	20,737,597	21,709,276	20,737,597	21,709,276
Trade Receivables	3,475,765	3,546,827	3,475,765	3,546,827
Other Financial assets at amortised cost				
- Self-supporting loans	150,964	183,637	150,964	183,637
- Term deposits	3,298,444	3,214,224	3,298,444	3,214,224
Financial assets at fair value through other comprehensive income	140,137	12,371	140,137	12,371
	27,802,907	28,666,335	27,802,907	28,666,335
Financial liabilities				
Trade Payables	6,282,285	6,346,526	6,282,285	6,346,526
Borrowings	4,954,145	5,606,942	4,954,145	5,606,942
	11,236,430	11,953,468	11,236,430	11,953,468

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

27. FINANCIAL RISK MANAGEMENT (Continued)

(a) Interest rate risk

Cash and cash equivalents

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
	%	\$	\$	\$	\$
2019					
Cash and cash equivalents	2.66%	20,737,597	0	18,229,466	2,508,131
Financial assets at amortised cost - term deposits	2.55%	3,298,444	3,298,444	0	0
2018					
Cash and cash equivalents	2.43%	21,709,276	0	21,216,742	492,533
Financial assets at amortised cost	2.55%	3,214,224	3,214,224	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.

	2019	2018
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	240,360	249,235

* 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 14(b).

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

27. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade 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 2018 or 1 July 2019 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 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for rates receivable. No expected credit loss was forecast on 1 July 2018 or 30 June 2019 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

27. FINANCIAL RISK MANAGEMENT (Continued)

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2019					
Rates receivable	3,744	1,406,100	355,876	642,333	2,408,052
Expected credit loss	0.00%	0.00%	0.00%	0.00%	0.00%
Gross carrying amount	3,744	1,406,100	355,876	642,333	2,408,052
Loss allowance	0	0	0	0	0
01 July 2018					
Rates receivable	-	1,546,796	269,156	551,204	2,367,157
Expected credit loss	0.00%	0.00%	0.00%	0.00%	0.00%
Gross carrying amount	0	1,546,796	269,156	551,204	2,367,157
Loss allowance	0	0	0	0	0

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for sundry receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2019					
Sundry Receivables	196,946	24,563	10,394	50,919	282,822
Expected credit loss	0.08%	0.09%	0.10%	0.52%	0.16%
Gross carrying amount	196,946	24,563	10,394	50,919	282,822
Loss allowance	158	22	10	265	455
01 July 2018					
Sundry Receivables	413,132	37,582	11,788	32,833	495,335
Expected credit loss	0.06%	0.06%	0.09%	0.29%	0.08%
Gross carrying amount	413,132	37,582	11,788	32,833	495,335
Loss allowance	248	23	11	95	377

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

27. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The City manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 14(e).

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
	\$	\$	\$	\$	\$
2019					
Payables	6,282,285	0	0	6,282,285	6,282,285
Borrowings	944,637	2,390,016	3,313,266	6,647,919	6,647,919
	<u>7,226,922</u>	<u>2,390,016</u>	<u>3,313,266</u>	<u>12,930,204</u>	<u>12,930,204</u>
2018					
Payables	6,346,526	0	0	6,346,526	6,346,526
Borrowings	961,663	2,805,433	3,842,486	7,609,582	7,609,582
	<u>7,308,189</u>	<u>2,805,433</u>	<u>3,842,486</u>	<u>13,956,108</u>	<u>13,956,108</u>

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

28. 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 2018	Amounts Received	Amounts Paid	30 June 2019
	\$	\$	\$	\$
Unclaimed Monies	24,398	4,426	(1,877)	26,947
Wattle grove - Cell 9	10,519,651	328,335	(892,317)	9,955,669
B.C.I.T.F Levies	129,770	150,928	(264,576)	16,122
B.S.L Levies	111,794	160,584	(230,385)	41,994
Cash in lieu of Public Open Space	2,401,160	32,413	0	2,433,573
NBN Tower Pickering Brook	10,381	12,768	(8,483)	14,665
	<u>13,197,153</u>	<u>689,454</u>	<u>(1,397,638)</u>	<u>12,488,971</u>

29. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

There have been no significant events after the reporting period that are to be included in the 2018/2019 Annual Financial Report

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

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.

Whilst many reflected consequential changes associated with the amendment of existing standards, the only new standard with material application is AASB 9 *Financial Instruments*.

AASB 9 Financial instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The City applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the City has not restated the comparative information which continues to be reported under AASB 139. Differences arising from adoption have been considered not material in carrying value of the assets.

(a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the City's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the City's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

30. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

The classification and measurement requirements of AASB 9 did not have a significant impact on the City. The following are the changes in the classification of the City's financial assets:

- Trade receivables and Loans and advances (i.e. Other debtors) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.

- The City did not designate any financial assets as at fair value through profit and loss.

In summary, upon the adoption of AASB 9, the City had the following required (or elected) reclassifications as at 1 July 2018:

Class of Financial Instrument presented in the Statement of Financial Position	Original measurement category under ASSB 139	New measurement category under ASSB 9	Carrying Amount under AASB 139 \$	Carrying Amount under AASB 9 \$
Receivables	Loans and Receivables	Financial Assets at amortised cost	3,546,827	3,546,827
Other Assets				
- Self-supporting loans	Loans and Receivables	Financial Assets at amortised cost	183,637	183,637
- Term Deposits	Loans and Receivables	Financial Assets at amortised cost	3,214,224	3,214,224
Investments in Unit Trusts	Loans and Receivables	Fair value through other comprehensive income	12,371	12,371

The change in classification has not resulted any remeasurement adjustment at 1 July 2018.

(b) Impairment

The adoption of AASB 9 has fundamentally changed the CITY's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the CITY to recognise an allowance for ECLs for all financial assets not held at fair value through P/L.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

31. CHANGE IN ACCOUNTING POLICY

Paragraph 17A (5) of *Local Government (Financial Management) Regulations 1996* came into operation on the 1 July 2018. The regulation states an asset is to be excluded from the assets of a local government if the fair value of the asset at the date of acquisition by the local government is under \$5,000.

The adoption of the regulation constitutes a change in accounting policy. Due to the effect on the financial statements not being material, the City did not retrospectively apply the changes in accounting policy arising from the new regulations and has not restated the comparative figures.

During the year assets with a fair value at the date of acquisition of under \$5,000 and purchased prior to 30 June 2018 have been excluded from the assets of the CITY written off in the Statement of Comprehensive Income.

The effect of the adjustment at 1 July 2018 detailed below:

Statement of Financial Position
(Extract)

	<u>1 July 2018</u>
	\$
Property, plant and equipment	(89,764)
Net assets	(89,764)
Retained earnings	(89,764)
Total equity	(89,764)

Statement of Comprehensive Income
(Extract)

	<u>2019</u>
	\$
<i>By Nature or Type</i>	
Loss on Assets disposed	89,764
<i>By program</i>	
Expenses	
Other property and services	89,764

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

32. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS

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

This note explains management's assessment of the new and amended pronouncements that are relevant to the City, the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*. These standards are applicable to future reporting periods and the first year of adoption will be on 1 July 2019.

(a) Revenue from Contracts with Customers

The City will adopt 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 will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019.

The City is currently assessing the impact of adopting the new standard but believe the adoption of the new standard will not have a material impact on the financial report.

(b) Leases

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 *Leases*. The standard includes two recognition exemptions for leases - leases of 'low-value' assets (e.g. personal computers) and shorter, leases (i.e. with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., change in lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amounts of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

The City is currently assessing the impact of adopting the new standard but believe the adoption of the new standard will not have a material impact on the financial report.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

32. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS (Continued)

(c) Income For Not-For-Profit Entities

The City will adopt 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 will adopt the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods shall not be restated in accordance with AASB 1058 transition requirements.

The City is currently assessing the impact of adopting the new standard but believe the adoption of the new standard will not have a material impact on the financial report.

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance give rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates will be recognised as a financial asset and a related amount recognised as a financial liability and no income recognised by the City. When the taxable event occurs the financial liability will be extinguished and the City will recognise 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.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

33. PRIOR YEAR ADJUSTMENT

(a) Write off of deferred expenditure

The City incurred \$200,514 related to the Forrestfield North Development Project in 2016/17 and in 2017/18 the cost incurred for the project was \$639,357. As of 1 July 2018, the City's cumulative expenditure on the project was \$839,871. The City has recognised costs associated with the project as non-current deferred expenditure assets in the 2016/17 and 2017/18 Financial Statements on the premise these costs will be recouped with the establishment of a Forrestfield North Development Contribution Plan.

Under AASB 137 - Provisions, Contingent Liabilities and Contingent Assets, an entity should not disclose or recognise a contingent asset until an inflow of economic benefits has become probable.

In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, an entity shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery.

(b) Correction to the share of investment in Eastern Metropolitan Regional Council (EMRC)

A recalculation of the Site Rehabilitation and the Environmental Monitoring post closure provisions has been undertaken in order to comply with the appropriate legislation and to determine the net present value of the future cash outflows of costs, determined on a discounted basis as at 30 June 2015.

The provisions were corrected and a corresponding post closure asset was created to be amortised over the remaining life of the site. Increments in the provisions are calculated annually based on the change in the net present value.

EMRC Financial Statements has been corrected by restating each of the financial statement line items.

A summary of the impact to the City's Financial Statements from above is given below

Statement of Financial Position (Extract)	30 June 2018 \$	Increase/ (Decrease) \$	30 June 2018 (Restated) \$	30 June 2017 \$	Increase/ (Decrease) \$	01 July 2017 (Restated) \$
Non-Current Assets						
Forrestfield North Development Project	839,871	(839,871)	0	200,514	(200,514)	0
Investments accounted for using the equity method	30,331,642	185,398	30,517,040	0	0	0
	31,171,513	(654,473)	30,517,040	200,514	(200,514)	0

Statement of Comprehensive Income (Extract)	2018 \$	Increase/ (Decrease) \$	2018 (Restated) \$
<i>By Nature or Type</i>			
Materials and Contracts	(19,923,884)	(639,357)	(20,563,241)
Share of net profit of associates accounted for using the equity method	1,679,116	234,509	1,913,625
Share of other comprehensive income of associates accounted for using the equity method	(94,686)	(49,111)	(143,797)
<i>By program</i>			
Community amenities	(14,648,753)	(639,357)	(15,288,110)
Share of net profit of associates accounted for using the equity method	1,679,116	234,509	1,913,625
Share of other comprehensive income of associates accounted for using the equity method	(94,686)	(49,111)	(143,797)

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

34. NET CURRENT ASSETS

(a) Net Current Assets

		2019	2019	2019
		Budget	Budget	Brought
		(30 June 2019)	(30 June 2019)	(1 July 2018)
		Carried	Carried	Forward)
	Note	Forward)	Forward)	Forward)
		\$	\$	\$
Total Current Assets		27,583,960	17,097,695	28,753,425
Less: Current Liabilities		10,696,891	11,660,010	10,217,503
		<u>16,887,069</u>	<u>5,437,685</u>	<u>18,535,922</u>
Adjustments				
Add: Provision for annual leave		1,752,635	1,513,400	1,558,194
Add :Provision for long service leave		1,970,514	2,014,000	1,624,002
Add: Current portion of long term borrowings		672,155	1,144,824	652,798
Add: Current portion of deferred loan receivable		17,483	0	0
Less: Current portion of Self supporting loans receivable		(47,561)	0	(59,396)
Less: Reserves Restricted cash		(17,223,164)	(7,245,034)	(18,221,169)
		<u>(12,857,938)</u>	<u>(2,572,812)</u>	<u>(14,445,575)</u>
Net current assets		<u>4,029,131</u>	<u>2,864,873</u>	<u>4,090,347</u>

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

35. 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 regulatory 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 KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

36. 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.	Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.
GENERAL PURPOSE FUNDING To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY To provide services to help ensure a safer and environmentally conscious community.	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
HEALTH To provide an operational framework for environmental and community health.	Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.
EDUCATION AND WELFARE To provide services to disadvantaged persons, the elderly, children and youth.	Provision and maintenance of senior citizen and disability services, youth services and other voluntary services.
COMMUNITY AMENITIES To provide services required by the community.	Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes and public conveniences.
RECREATION AND CULTURE To establish and effectively manage infrastructure and resource which will help the social well being of the community.	Maintenance of public halls, civic centres, aquatic centre, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.
TRANSPORT To provide safe, effective and efficient transport services to the community.	Construction and maintenance of roads, footpaths, bridges, lighting and cleaning of streets.
ECONOMIC SERVICES To help promote the City and its economic wellbeing.	Tourism and area promotion, rural services and building control.
OTHER PROPERTY AND SERVICES To monitor and control council's overheads operating accounts.	Private works operation, plant repair and operation costs and engineering operation costs.

CITY OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

37. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	1.30	1.43	1.70
Asset consumption ratio	0.97	0.98	0.95
Asset renewal funding ratio	0.95	0.82	1.00
Asset sustainability ratio	0.67	0.51	0.54
Debt service cover ratio	9.58	9.94	9.06
Operating surplus ratio	(0.04)	0.01	(0.03)
Own source revenue coverage ratio	0.90	0.93	0.84

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	$\frac{\text{own source operating revenue}}{\text{operating expense}}$



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the City of Kalamunda

Report on the Audit of the Annual Financial Report

Opinion

I have audited the annual financial report of the City of Kalamunda which comprises the Statement of Financial Position as at 30 June 2019, 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, and 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 Kalamunda:

- (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 2019 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 to the annual financial report, which describes 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. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

Responsibilities of the Chief Executive Officer and Council for the Annual 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 a 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 Annual 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.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the annual financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the annual financial report, including the disclosures, and whether the annual financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Other Legal and Regulatory Requirements

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

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the City:
 - a. Asset Sustainability Ratio as reported in Note 37 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the last three financial years.
- (ii) The following material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:
 - a. Rates Adjustment journal entries prior to March 2019 were posted by one employee, without being reviewed by a senior staff member independent of preparation. Rates adjustment journals can represent significant adjustments to previously approved rates transactions, and should therefore be appropriately reviewed and approved. After we reported this finding, management reviewed and approved the journal entries that had not been reviewed and did not identify any errors.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) 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 annual financial report of the City for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that annual financial report. The financial ratios for 2017 and 2018 in Note 37 of the audited annual financial report were included in the supplementary information and/or audited annual financial report for those years.

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 Kalamunda for the year ended 30 June 2019 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.



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
13 November 2019