

Audit & Risk Committee Meeting

Agenda for Monday 9 December 2013



**shire of
kalamunda**

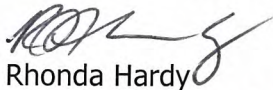
NOTICE OF MEETING AUDIT AND RISK COMMITTEE

Dear Councillors

Notice is hereby given that the next meeting of the Audit & Risk Committee will be held in the Council Chambers, Administration Centre, 2 Railway Road, Kalamunda on **Monday 9 December 2013 at 7.00pm.**

Audit & Risk Committee Meeting Procedure

1. Audit & Risk Committee is not open to the public.
2. Audit & Risk Committee has a membership of all Councillors.
3. The Committee makes recommendations only to Full Council (held on the fourth Monday of each month at 6.30pm).
4. All other arrangements are in general accordance with Council's Audit & Risk Committee Terms of Reference February 2013.



Rhonda Hardy
Chief Executive Officer
5 December 2013

Our Vision and Our Values

Our Vision

The Shire will have a diversity of lifestyle and people. It will take pride in caring for the natural, social, cultural and built environments and provide opportunities for people of all ages.

Our Core Values

Service – We deliver excellent service by actively engaging and listening to each other.

Respect – We trust and respect each other by valuing our difference, communicating openly and showing integrity in all we do.

Diversity – We challenge ourselves by keeping our minds open and looking for all possibilities and opportunities.

Ethics – We provide honest, open, equitable and responsive leadership by demonstrating high standards of ethical behavior.

Our Aspirational Values

Prosperity – We will ensure our Shire has a robust economy through a mixture of industrial and commercial development.

Harmony – We will retain our natural assets in balance with our built environment.

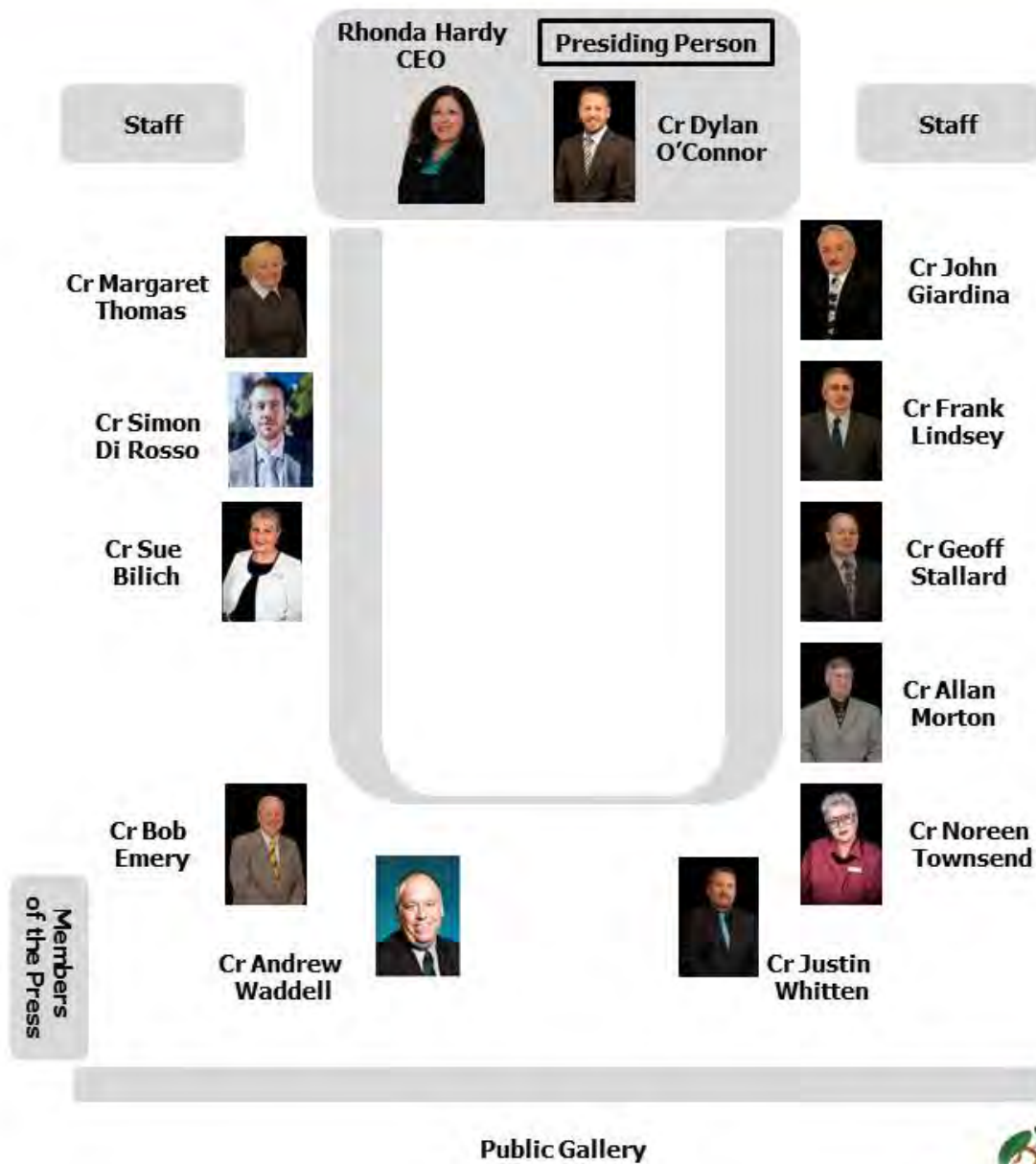
Courage – We take risks that are calculated to lead us to a bold new future.

Creativity – We create and innovate to improve all we do.



Council Chambers Seating Layout

Council Chambers



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AGENDA

1.0 OFFICIAL OPENING

2.0 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED

3.0 CONFIRMATION OF THE PREVIOUS MINUTES

3.1 That the Minutes of the Special Audit and Risk Committee Meeting held on 21 October 2013 are confirmed as a true and accurate record of the proceedings.

Moved:

Seconded:

Vote"

Statement by Presiding Member

"On the basis of the above Motion I now sign the Minutes as a true and accurate record of the meeting of 21 October 2013".

4.0 CONFIDENTIAL ITEMS

5.0 DISCLOSURE OF INTERESTS

5.1 Disclosure of Financial and Proximity Interests

- a. Members must disclose the nature of their interest in matters to be discussed at the meeting. (Sections 5.60B and 5.65 of the *Local Government Act 1995*.)
- b. Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting. (Sections 5.70 and 5.71 of the *Local Government Act 1995*.)

5.2 Disclosure of Interest Affecting Impartiality

- a. Members and staff must disclose their interest in matters to be discussed at the meeting in respect of which the member or employee had given or will give advice.

6.0 REPORTS TO COUNCIL

Please Note: declaration of financial/conflict of interests to be recorded prior to dealing with each item.

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

14. Financial Statements for year ended 30 June 2013

Previous Items	Nil
Responsible Officer	Director Corporate Services
Service Area	Finance
File Reference	
Applicant	N/A
Owner	N/A
Attachment 1	Financial Statements for the year ended 30 June 2013
Attachment 2	Auditor's Report for the financial year ended 30 June 2013
Confidential Attachment 3	Audit Management Letters and Administration's Response <u>Reason for Confidentiality – Local Government (Administration) Regulations 1996</u> R14 (2) "Nothing in Sub regulation (1) entitles members of the public to inspect the information referred to in that sub regulation if in the CEO's opinion, the meeting or that part of the meeting to which the information refers is likely to be closed to members of the public under section 5.23(2)."

PURPOSE

1. To present to the Audit and Risk Committee the audited Annual Financial Statements for the year ended 30 June 2013 and receive the audit report as per Attachments 1 and 2.
2. For the Audit and Risk Committee to note the Audit Management Letter and the response provided to the issues raised.

BACKGROUND

3. The Annual Financial Statements for the year ended 30 June 2013 were prepared in accordance with the requirements of the *Local Government Act 1995 (the Act)*, the *Local Government (Financial Management) Regulations 1996*, and Australian Accounting Standards presented for audit to the Shire's Auditor, UHY Haines Norton, Chartered Accountants.

DETAILS

4. The external auditor has completed the audit and issued an independent audit report on the financial statements for the year ended 30 June 2013. Aside from two matters of regulatory non-compliance the auditor is satisfied that the Financial Statements of the Shire of Kalamunda for the year ended 30 June 2013 is in accordance with the the Act; and
 - a) gives a true and fair view of the Shire's financial position as at the 30 June 2013 and of its performance for the year ended on that date; and

- b) complies with Australian Accounting Standards, the Act and the Local Government (Financial Management) Regulations 1996 (as amended) (the Regulations).

STATUTORY AND LEGAL IMPLICATIONS

5. *Local Government Act 1995*, Section 6.4 – Financial Report
Local Government (Financial Management) Regulations 1996, Regulation 51 – Annual Financial Report to be signed by CEO and given to Department of Local Government & Communities.
Local Government (Financial Management) Regulations 1996, Regulation 16 – Land under local government's control, accounting for.
Local Government (Financial Management) Regulations 1996, Regulation 17A – Assets, valuation of for financial reports.

POLICY IMPLICATIONS

6. Nil.

PUBLIC CONSULTATION/COMMUNICATION

7. Nil.

FINANCIAL IMPLICATIONS

8. The Shire is required to present the Financial Statements reflecting its true and fair position at 30 June 2013. The Shire would be required to address at its earliest any negative observations noted during the audit.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

Strategic Planning Implications

9. The Shire undertook two budget reviews during the year to ensure its levels of income and expenditure was in line with the adopted annual budget.

Sustainability Implications

Strategic Planning Alignment

10. *Kalamunda Advancing: Strategic Community Plan to 2023*
Objective 6.8 – To ensure financial sustainability through the implementation of effective financial management, systems and plans.
Strategy 6.8.4 Provide effective financial services to support the Shire's Operations and to meet sustainability planning, reporting and accountability requirements.

Social implications

11. Nil.

Economic Implications

12. Nil

Environmental Implications

13. . Nil.

RISK MANAGEMENT CONSIDERATIONS

14. The following risks have been considered:

Risk	Likelihood	Consequence	Action / Strategy
Over expenditure compared to budget	Medium	Major	<ul style="list-style-type: none">• Monthly management reports are reviewed by the Shire.• Weekly engineering reports on major projects and maintenance. Reviewed by the Shire.
Insufficient disclosure	Low	Major	<ul style="list-style-type: none">• The financial report is scrutinized by the Shire to ensure that all statutory requirements are met.

OFFICER COMMENT

15. This report focuses on five Statements included in the Annual Financial Statements for the year ended 30 June 2013 in attachment 1, being:
1. Statement of Comprehensive Income by Nature and Type (Page 3).
 2. Statement of Comprehensive Income by Program (Page 4).
 3. Statement of Financial Position (Page 5).
 4. Rate Setting Statement (Page 8).
 5. Note 13. Cash-Backed Reserves (Page 37-41).

1 Statement of Comprehensive Income by Nature and Type

16. The Total Comprehensive Income of \$2,342,096 is \$1,940,099 less than

budget. Some of the more significant items contributing to the lower net result are:

a.	Write off of assets of	(\$2,750,070)
b.	Decrease in fees and charges of	(\$612,772)
c.	Increase in utility charges of	(\$404,794)
d.	Increase in other revenue of	\$2,226,281
e.	Decrease in profit on disposal of assets of	(\$2,252,216)
f.	Increase in equity in EMRC of	\$2,516,642
g.	Decrease in interest of	(\$90,941)
h.	Increase in rates of	\$692,983

17. a The following assets were written off during the financial year:
- Alan Fernie Pavilion, 35 Weston Road, Pickering Brook
 - Hartfield Park House
 - Kiosk - Hartfield Park
 - Kiosk - Kostera Oval
 - Fleming Reserve Toilets
 - Lewis Road Residence
 - Maida Vale Iron Clad Shed - Scouts
- b. Decrease in fees and charges arose principally due to an error in computing pensioners rebate for the waste fees required to recover the costs incurred. This was approximately \$550,000.
- c. Utility Charges for electricity increased excessively again this financial year made up by approximately 50% from street lighting, and the rest from Shire properties. The Shire has been actively looking at its own energy use with the commencement of energy audits of its main sites and reviewing its tariff rates with Synergy. Initiatives will commence in 2013/2014 to introduce these strategies
- d. Other revenues are significantly higher due to the initial recognition of the Hartfield Park Golf Course in line with legislative changes introduced by Regulation 16 of the Local Government (Financial Management) Regulations 1996. The amount recognised a valuation of \$2,249,250.
- e. The decrease in profit on sale of land is due to the deferment of the land sales related to Edney Road/Cygnet Court and Hale Road.
- f. Recognition of increase in Equity in Eastern Metropolitan Regional Council (EMRC) as per their audited financial statements.
- g. Decrease interest earning was affected by the late raising of rates and lower interest rates on investments.
- h. Rates revenue was higher due to additional interim rates raised in the year worth \$614,995.
- i. Employee Costs were slightly under budget due to staff vacancies in various operational units.
- j. Materials and Contracts expenditure suffered a significant increase due to higher than expected costs for verge collection conducted in June 2013 and infrastructure maintenance costs due to ageing assets. To allow for this over- expenditure, the Shire made a decision to defer recruitment of some vacant positions to the following year.

- k. Other expenses ran significantly higher than expected by 47 per cent. This was principally due to a reclassifications between materials and contracts and other expenditure for project related expenditure.

2 Statement of Comprehensive Income by Program.

Income

- 18.
- Variance on Governance revenue is principally due to contributions received from Fire and Emergency Services Administration (FESA) for the costs incurred for having a dedicated officer at the Shire.
 - General Purpose Funding and Other Property and Services need to be considered together with a net positive variance being \$583,229 which mainly related to generation of higher interim rates than estimated.
 - Law, Order and Public Safety was slightly higher with a grant received for implementing the Cat Act 2011 worth \$26,000 and increased infringements issued by the Rangers worth \$18,000;
 - Health fees were higher with the introduction of provision of services to regional Shires, higher supervision fees;
 - Recreation and Culture is significantly higher income due to the recognition of the Hartfield Park Golf Course, \$2,249,250 offset by lower Lease and Licences fees approximately \$141,000 and deferral of the Healthy Communities Project grant funds amounting to \$140,000; and
 - Transport variance is related to lower receipt of capital contributions.

Expenditure

- 19.
- Governance was higher than expected due to the funding of the community poll which hadn't been originally budgeted for, costing \$75,244.
 - General Purpose Funding variance is emanating from monies spent on the forensic audit and associated legal expenses which went over budget by \$105,000 offset by lower debt collection charges by \$36,000;
 - Education and welfare variance is due to savings on employees costs of \$200,000 and the operation of HACC community care programme expenditure which resulted in a \$284,000 lower than budgeted outcome. This was due to a lower demand for services;
 - Community Amenities was higher due to increased Waste charges of \$476,000 with higher charges for verge collection attributed to larger than anticipated volume of waste being disposed of and the change in services for 2013/2014;

- Economic Services variance relates to additional employee costs in the building maintenance area as a result of the restructure of the Infrastructure Services and increase demand in maintaining community facilities; and
- In Other Property and Services, the variance relates to lower staff costs due to vacant positions part of the year in Finance and Customer Service sections.

3 Rate Setting Statement

20. The main reason for the significant changes are as follows:

The Rate Setting Statement disclosed a surplus of \$5,077,852 for the year ended 30 June 2013. This in part was due to the actual surplus after audit of the year-end financial statements being \$2,308,520 whereas the adopted 2012/2013 Annual Budget has a brought forward estimated surplus of \$303,941.

Major areas of savings include:

- Deferment on land development projects Edney Road/Cygnets Court and Hale Road resulting in a \$3.16 million saving.
- Lower land and building development resulting in \$1.29 million carry over to 2013/2014.
- Lower Infrastructure completion of \$2.83 million. Of this amount various roads made up \$2.3 million.

4 Statement of Financial Position

21. A key factor in the Statement of Financial Position is an improvement in the Net Current Position (NCA). At the 30 June 2013 the Net Current Asset position stood at of \$5,000,656 which is a significant improvement on the previous financial year previous when the NCA position was \$2,206,078.

This has been brought about by the Shire changing its cash profile which has resulted in an increase in its cash holding by 125% and shows that the various Shire strategies to improve the Shire's liquidity are effective.

5 Note 13. Cash-Backed Reserves

22. The Act required funds disclosed as being held in various Reserves be cash-backed. Compliance with this requirement has been achieved through the establishment of separate bank accounts in accordance with Regulation 8(1)(c) of the Act.

23. The net reserves balance at year-end has declined by 19% to \$2,160,828. This is a reduction of \$516,638 from the previous year, and can be attributed to two factors:

- Shire placing more funds into its municipal bank in order to increase maintenance of Shire facilities.
- A decrease in income from land sales resulting in less funds being transferred to reserves.

Asset Valuations

24. Assets can be divided into three (3) categories
 1. Plant, Furniture, Equipment.
 2. Land and Buildings.
 3. Infrastructure.
25. Treatment in the accounts for the above three (3) is generally at cost however, new Regulation 17(A) of the Regulations and Australian Accounting Standards require that all three categories should be recognised at fair value and this treatment phased in over three years. In 2012/2013 all Plant, Furniture and Equipment was brought in at fair value.
26. Land and Buildings previously revalued, has an established Asset Revaluation Reserve which currently stands at \$126,930,008. This class of asset will be revalued next year.
27. Movements during the year included the following:
 - Revaluation increase of Plant and Equipment by \$481,711. The valuations were based on open market values of similar assets adjusted for condition and comparability having regard for current replacement cost, remaining useful life and residual values.
 - Write-off of several community facilities earmarked for demolition and one which was identified as in-correctly as a Shire asset resulting in an adjustment for \$3,217,332.
28. The Shire's is currently working on "fair value" for the Shire's Infrastructure and it is proposed to incorporate the revaluation into the 2013/2014 Financial Accounts via the Asset Revaluation Reserve.

Financial Ratios

29. This financial year resulted in the removal of six old financial ratios and the introduction of six new ones in accordance with new regulations. This change now places increased emphasis on asset management and sustainability. The only ratio that was retained from the previous financial years was the modified current ratio.

Of the new ratios, the Shire did not meet the preferred benchmark on 2 of the six new ratios. These were the:

- a. Asset Sustainability Ratio:
This ratio is an indication a local government is sustaining its non-current assets by comparing the replacement and renewal of assets with the depletion of assets through depreciation. The ratio came in at 0.395 whereas the target is between 0.9 and 1.1.

The reason for this was:

- That capital expenditure over the past 2-3 years has focused on new assets and not the renewal and replacement of existing assets. For example such as the new Zig Zag Cultural Centre, new depot building and refurbishment and

new equipment for the Kalamunda Water Park and expansion of Kalamunda Road. This has increased the Shire's depreciation expenditure, and had a detrimental impact on the Asset Sustainability Ratio.

- To improve the ratio in the future will there will be a strong emphasis on renewal and replacement rather than on new capital expenditure in the Long Term Financial Plan for 2014/2023 and the Asset Management Plans 2014/2023;
- The Shire has also commenced a review of the asset conditions and depreciation;
- The Shire has complete a revaluation of the Shire's Building in 2013/2014 providing correct asset values, condition assessments and revised depreciation rates.

It is interesting to note that of five Metro Local Government's randomly selected to compare the Shire's result against this specific ratio, almost all are struggling to meet the minimum benchmark for this ratio. Meeting benchmark for these new Asset Ratios will be a challenge for the local government sector.

b. Operating Surplus Ratio:

The purpose of this ratio is to ensure all operating expenditure of a local government is being funded from its own sources of revenue, leaving a surplus to fund capital expenditure. A preferred ratio of between 1 and 1.5 indicates a local government has sufficient surplus funds after operations to fund its capital expenditure.

- The ratio came in at (0.022). The calculations for this year included the recognition of the Hartfield Park Golf course land and significant write-off on buildings, both non-cash movements which if taken out resulted in a revised computation of (0.004) or the lower end of the target.
- The Shire was impacted by higher operating expenditure during 2012/2013, such as:
 - Depreciation was higher than estimated by \$143,789;
 - Utility costs by \$404,794 of which half related to excessive increases in street lighting costs not envisaged; and
 - Cost over runs on bulk waste verge collection programme which has been partly due to the change in method of collection from 2013/2014 and delays in collection resulting in a higher tonnage of waste having to be cleared.

The Shire recognises the importance of this ratio and will continue to keep a tight control on expenditure and expand its revenue generating capacities on all categories.

The liquidity ratio provides information on the ability of the Shire to meet its short-term financial obligations out of the unrestricted current assets at the 30 June 2013. The preferred ratio is greater than 1 meaning that for every dollar of current liability there is in excess of a dollar in unrestricted current asset. This year the ratio came in at 1.16 which shows a significant improvement from last year of 0.853 and a even

better improvement from previous year of 0.138. Again, the Shire has been focussed in its outlook on income and expenditure flows with strategies in place to control financial results effectively.

30. As noted above, all ratios except for the Asset Sustainability ratio and Operating Surplus Ratio are within acceptable benchmarks as follows:-

Ratio	2013 Result	Minimum accepted benchmarks
Current Ratio	1.16	>1.0
Asset Sustainability Ration	0.395	>0.9
Debt Service Cover Ratio	8.49	>2.0
Operating Surplus Ratio	(0.022)	>0.00
Own Source Revenue Coverage Ratio	0.781	>0.60
Asset Consumption Ratio	0.812	>0.50
Asset Renewal Funding Ratio	0.981	>0.75

It should be noted that, no one ratio should be looked at in isolation and one needs to consider the cyclical nature of capital expenditure which could result in swings from one year to the next. It may be better to review these new ratios over five years to ensure that the Shire is trending towards the required benchmarks. This will be the goal for financial management moving forward.

31. To meet the requirements of Section 7.12A(2) of the Act, the Auditors have met with Council and presented their findings.
32. The Shire's end of year financial result for 2012/2013 demonstrates the Shire is operating responsibly and is financially sustainable.

Voting Requirement – Simple Majority

OFFICER RECOMMENDATION (A&R 14/2013)

That the Committee recommend that Council:

1. Receive the Audited Financial Report for the year ended 30 June 2013 shown as Attachment 1.
2. Receive the Independent Audit Report of the Shire of Kalamunda for the financial year ended 30 June 2013 as presented as Attachment 2.
3. The Committee notes the Administration's response to the Management Letters as per Attachment 3.

Moved:

Seconded:

Vote:

SHIRE OF KALAMUNDA
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

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SHIRE OF KALAMUNDA

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2013

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

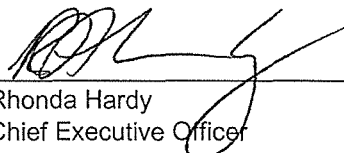
STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Kalamunda being the annual financial report and other information for the financial year ended 30th June 2013 are in my opinion properly drawn up to present fairly the financial position of the Shire of Kalamunda at 30th June 2013 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the

2nd

day of December 2013


Rhonda Hardy
Chief Executive Officer

SHIRE OF KALAMUNDA
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2013

	NOTE	2013 \$	2013 Budget \$	2012 \$
Revenue				
Rates	24	26,266,903	25,573,920	24,006,309
Operating Grants and Subsidies	30	5,645,098	5,647,248	6,325,930
Contributions, Reimbursements and Donations		743,149	774,751	1,125,931
Fees and Charges	29	10,551,161	11,163,933	10,238,710
Interest Earnings	2(a)	756,650	847,591	818,406
Other Revenue		<u>2,324,782</u>	<u>98,501</u>	<u>41,879</u>
		<u>46,287,743</u>	<u>44,105,944</u>	<u>42,557,165</u>
Expenses				
Employee Costs		(19,628,087)	(19,809,917)	(19,608,031)
Materials and Contracts		(15,379,344)	(14,724,868)	(14,780,585)
Utility Charges		(2,484,928)	(2,080,134)	(2,041,258)
Depreciation on Non-Current Assets	2(a)	(9,463,237)	(9,319,448)	(9,314,073)
Interest Expenses	2(a)	(511,688)	(511,688)	(500,486)
Insurance Expenses		(585,646)	(577,185)	(488,355)
Other Expenditure		<u>(391,588)</u>	<u>(266,471)</u>	<u>(668,308)</u>
		<u>(48,444,518)</u>	<u>(47,289,711)</u>	<u>(47,401,096)</u>
		(2,156,775)	(3,183,767)	(4,843,931)
Non-Operating Grants, Subsidies and Contributions	30	2,741,392	3,435,851	5,981,718
Fair value adjustments to financial assets at fair value through profit or loss:				
Increase in Equity in EMRC	2(a)	2,516,642	0	2,485,321
Profit on Disposal of Assets	22(a)	1,777,895	4,030,111	4,042,722
Loss on Disposal of Assets	22(a)	(43,699)	0	(7,578)
Write off of Assets	22(b)	<u>(2,975,070)</u>	<u>0</u>	<u>0</u>
Net Result		1,860,385	4,282,195	7,658,252
Other Comprehensive Income				
Changes on revaluation of non-current assets	14	481,711	0	(210,000)
Total Other Comprehensive Income		<u>481,711</u>	<u>0</u>	<u>(210,000)</u>
Total Comprehensive Income		<u><u>2,342,096</u></u>	<u><u>4,282,195</u></u>	<u><u>7,448,252</u></u>

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

SHIRE OF KALAMUNDA
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2013

	NOTE	2013 \$	2013 Budget \$	2012 \$
Revenue				
Governance		13,851	11,639	10,157
General Purpose Funding		26,933,339	28,866,258	25,576,620
Law, Order, Public Safety		390,955	359,089	319,677
Health		118,340	94,049	97,487
Education and Welfare		3,454,236	3,506,523	3,585,571
Community Amenities		7,799,458	8,032,791	7,293,883
Recreation and Culture		3,995,229	2,091,039	2,026,391
Transport		52,553	136,357	152,956
Economic Services		593,656	586,221	610,601
Other Property and Services		2,936,126	421,978	2,883,821
	2(b)	<u>46,287,743</u>	<u>44,105,944</u>	<u>42,557,165</u>
Expenses				
Governance		(2,705,690)	(2,611,395)	(2,587,961)
General Purpose Funding		(753,903)	(687,690)	(747,875)
Law, Order, Public Safety		(1,570,492)	(1,512,502)	(1,438,451)
Health		(885,178)	(874,196)	(769,552)
Education and Welfare		(3,586,054)	(4,005,746)	(3,756,548)
Community Amenities		(11,412,956)	(10,727,797)	(11,164,605)
Recreation and Culture		(17,253,052)	(17,195,988)	(17,361,783)
Transport		(8,132,500)	(7,444,501)	(7,902,578)
Economic Services		(818,643)	(726,199)	(582,984)
Other Property and Services		(814,362)	(992,009)	(588,273)
	2(b)	<u>(47,932,830)</u>	<u>(46,778,023)</u>	<u>(46,900,610)</u>
Finance Costs				
Other Property and Services		(511,688)	(511,688)	(500,486)
	2(a)	<u>(511,688)</u>	<u>(511,688)</u>	<u>(500,486)</u>
Fair Value Adjustments to Financial Assets at Fair Value through Profit or Loss				
General Purpose Funding	2(a)	2,516,642	0	2,485,321
Non-Operating Grants, Subsidies and Contributions				
Law, Order, Public Safety		26,535	0	0
Education and Welfare		119,176	0	37,986
Community Amenities		146,786	0	903,545
Recreation and Culture		88,987	390,000	569,377
Transport		2,359,908	3,045,851	4,470,810
		<u>2,741,392</u>	<u>3,435,851</u>	<u>5,981,718</u>
Profit/(Loss) on Disposal of Assets				
Governance		0	(8,921)	0
Law, Order and Public Safety		(5,990)	0	0
Education and Welfare		0	0	(770)
Community Amenities		1,777,827	4,021,297	4,042,722
Recreation and Culture		68	(2,600)	(5,971)
Transport		0	40,226	0
Other Property and Services		(37,709)	(19,891)	(837)
	22(a)	<u>1,734,196</u>	<u>4,030,111</u>	<u>4,035,144</u>
Write off of Assets				
Community Amenities	22(b)	(2,975,070)	0	0
Net Result		<u>1,860,385</u>	<u>4,282,195</u>	<u>7,658,252</u>
Other Comprehensive Income				
Changes on revaluation of non-current assets	14	481,711	0	(210,000)
Total Other Comprehensive Income		<u>481,711</u>	<u>0</u>	<u>(210,000)</u>
Total Comprehensive Income		<u><u>2,342,096</u></u>	<u><u>4,282,195</u></u>	<u><u>7,448,252</u></u>

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

**SHIRE OF KALAMUNDA
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2013**

	NOTE	2013 \$	2012 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	10,211,894	8,179,373
Trade and Other Receivables	5	2,512,831	2,753,854
Inventories	6	560,776	826,971
TOTAL CURRENT ASSETS		<u>13,285,501</u>	<u>11,760,198</u>
NON-CURRENT ASSETS			
Other Receivables	5	1,009,857	1,026,201
Inventories	6	0	284,660
Investments	4	15,937,574	13,420,932
Property, Plant and Equipment	7	159,558,767	162,280,977
Infrastructure	8	156,031,958	156,343,419
TOTAL NON-CURRENT ASSETS		<u>332,538,156</u>	<u>333,356,189</u>
TOTAL ASSETS		<u>345,823,657</u>	<u>345,116,387</u>
CURRENT LIABILITIES			
Trade and Other Payables	10	5,582,843	6,088,978
Bank Overdraft	11a	0	969,975
Borrowings	11b	559,442	559,442
Provisions	12	2,142,560	1,935,725
TOTAL CURRENT LIABILITIES		<u>8,284,845</u>	<u>9,554,120</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	11c	7,550,609	8,110,051
Provisions	12	579,165	385,274
TOTAL NON-CURRENT LIABILITIES		<u>8,129,774</u>	<u>8,495,325</u>
TOTAL LIABILITIES		<u>16,414,619</u>	<u>18,049,445</u>
NET ASSETS		<u>329,409,038</u>	<u>327,066,942</u>
EQUITY			
Retained Surplus		200,318,202	194,723,847
Reserves - Cash/Investments Backed	13	2,160,828	2,677,466
Revaluation Surplus	14	126,930,008	129,665,629
TOTAL EQUITY		<u>329,409,038</u>	<u>327,066,942</u>

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

**SHIRE OF KALAMUNDA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2013**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/ INVESTMENT BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2011		187,014,762	2,728,299	129,875,629	319,618,690
Comprehensive Income					
Net Result		7,658,252	0	0	7,658,252
Changes on Revaluation of Non-Current Assets	14	0	0	(210,000)	(210,000)
Total Comprehensive Income		7,658,252	0	(210,000)	7,448,252
Reserve Transfers		50,833	(50,833)	0	0
Balance as at 30 June 2012		194,723,847	2,677,466	129,665,629	327,066,942
Comprehensive Income					
Net Result		1,860,385	0	0	1,860,385
Changes on Revaluation of Non-Current Assets	14	0	0	481,711	481,711
Total Other Comprehensive Income		1,860,385	0	481,711	2,342,096
Other					
Transfer of previously recognised increment in fair value due to asset write off		3,217,332	0	(3,217,332)	0
Reserve Transfers		516,638	(516,638)	0	0
Balance as at 30 June 2013		200,318,202	2,160,828	126,930,008	329,409,038

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

**SHIRE OF KALAMUNDA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2013**

	NOTE	2013 \$	2013 Budget \$	2012 \$
Cash Flows From Operating Activities				
Receipts				
Rates		26,576,923	25,363,032	23,833,758
Grants and Subsidies - Operating		3,128,456	5,000,990	3,840,609
Contributions Reimbursements and Donations		3,259,791	655,919	4,098,525
Fees and Charges		9,156,367	10,115,642	10,238,710
Interest Earnings		756,651	770,537	818,407
Goods and Services Tax		2,345,247	1,682,449	3,069,754
Other Revenue		119,547	81,406	41,878
		<u>45,342,982</u>	<u>43,669,975</u>	<u>45,941,640</u>
Payments				
Employee Costs		(19,198,428)	(19,772,466)	(19,265,278)
Materials and Contracts		(15,889,278)	(13,891,757)	(13,887,634)
Utility Charges		(2,484,928)	(2,141,031)	(2,041,258)
Insurance Expenses		(585,646)	(524,714)	(488,355)
Interest expenses		(491,882)	(511,688)	(458,403)
Goods and Services Tax		(875,557)	(1,772,527)	(3,100,375)
Other Expenditure		(435,604)	(573,258)	(668,307)
		<u>(39,961,323)</u>	<u>(39,187,441)</u>	<u>(39,909,610)</u>
Net Cash Provided By (Used In) Operating Activities	15(b)	<u>5,381,659</u>	<u>4,482,534</u>	<u>6,032,030</u>
Cash Flows from Investing Activities				
Work in Progress		(20,081)	0	0
Payments for Development of Land Held for Resale		(66,690)	(33,000)	(910,355)
Payments for Purchase of Property, Plant & Equipment		(2,482,131)	(6,840,796)	(8,003,113)
Payments for Construction of Infrastructure		(4,634,164)	(7,467,789)	(7,208,058)
Non-Operating Grants, Subsidies and Contributions		2,741,392	3,435,851	5,082,718
Proceeds from Sale of Land		2,268,076	6,561,491	6,665,917
Proceeds from Sale of Plant & Equipment		314,340	276,650	105,329
Net Cash Provided By (Used In) Investing Activities		<u>(1,879,258)</u>	<u>(4,067,593)</u>	<u>(4,267,562)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(559,442)	(559,442)	(487,253)
Capital Contributions Repayment		0	(41,667)	0
Proceeds from Self Supporting Loans		59,537	59,537	55,901
Advances to Clubs		0	(19,680)	0
Overdraft Funding Utilised		0	1,200,000	0
Repayment of Overdraft Funding		0	(971,739)	0
Proceeds from New Debentures		0	19,680	3,000,000
Net Cash Provided By (Used In) Financing Activities		<u>(499,905)</u>	<u>(313,311)</u>	<u>2,568,648</u>
Net Increase (Decrease) in Cash Held		3,002,496	101,630	4,333,116
Cash at Beginning of Year		7,209,398	7,261,372	2,876,282
Cash and Cash Equivalents at the End of the Year	15(a)	<u>10,211,894</u>	<u>7,363,002</u>	<u>7,209,398</u>

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

**SHIRE OF KALAMUNDA
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2013**

	NOTE	2013 Actual \$	2013 Budget \$	2012 Actual \$
Revenue				
Governance		13,851	11,639	10,157
General Purpose Funding		3,183,078	3,292,338	1,570,311
Law, Order, Public Safety		417,490	359,089	319,677
Health		118,340	94,049	97,487
Education and Welfare		3,573,412	3,506,523	3,623,557
Community Amenities		9,724,071	12,054,088	14,725,471
Recreation and Culture		4,084,284	2,481,039	2,595,768
Transport		2,412,461	3,222,434	4,623,766
Economic Services		593,656	586,221	610,601
Other Property and Services		2,936,126	421,978	2,883,821
		<u>27,056,769</u>	<u>26,029,398</u>	<u>31,060,616</u>
Expenses				
Governance		(2,705,690)	(2,620,316)	(2,587,961)
General Purpose Funding		(753,903)	(687,690)	(747,875)
Law, Order, Public Safety		(1,576,482)	(1,512,502)	(1,438,451)
Health		(885,178)	(874,196)	(769,552)
Education and Welfare		(3,586,054)	(4,005,746)	(3,757,318)
Community Amenities		(14,388,026)	(10,727,797)	(11,164,605)
Recreation and Culture		(17,253,052)	(17,198,588)	(17,367,754)
Transport		(8,132,500)	(7,444,501)	(7,903,415)
Economic Services		(818,643)	(726,199)	(582,984)
Other Property and Services		(1,363,759)	(1,523,588)	(1,088,759)
		<u>(51,463,287)</u>	<u>(47,321,123)</u>	<u>(47,408,673)</u>
Net Result Excluding Rates		(24,406,518)	(21,291,725)	(16,348,058)
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure and Revenue				
Initial Recognition of Assets Due to Change to Regulations				
- Reserves vested in and under the control of Council - at cost	7(a)	(2,249,250)	0	0
(Profit)/Loss on Land and Buildings	22(a)	(1,777,895)	(4,030,111)	(4,042,722)
(Profit)/Loss on Asset Disposals	22(a)	43,699	0	7,578
Movement in Deferred Pensioner Rates (Non-Current)		(43,193)	0	(27,098)
Movement in Employee Benefit Provisions		400,726	0	260,858
Write off of assets		2,975,070	0	0
EMRC Contribution (non-cash)		(2,516,642)	0	(2,485,321)
Depreciation and Amortisation on Assets	2(a)	9,463,237	9,319,448	9,314,073
Capital Contribution		0	0	(899,000)
Capital Expenditure and Revenue				
Purchase Land Held for Resale		(66,690)	(33,000)	(910,355)
Land Development Costs	7(a)	(180,946)	(3,439,940)	(1,692,326)
Purchase Land and Buildings	7(a)	(1,305,585)	(2,592,000)	(5,868,156)
Purchase Infrastructure Assets	8(a)	(4,634,164)	(7,467,789)	(7,208,058)
Purchase Plant and Equipment	7(a)	(772,208)	(753,956)	(262,052)
Purchase Furniture and Equipment	7(a)	(223,392)	(54,900)	(180,578)
Proceeds from Disposal of Land	22(a)	2,455,163	6,561,491	6,665,917
Proceeds from Disposal of Assets	22(a)	314,340	276,650	105,329
Capital Contributions and Grants Owing		0	(41,667)	0
Repayment of Debentures	23(a)	(559,442)	(559,442)	(487,253)
Proceeds from New Debentures	23(b)	0	19,680	3,000,000
Work In progress	6	(20,081)	0	0
Self-Supporting Loan Principal Income		59,537	59,537	55,901
Overdraft Funds Used		0	1,200,000	734,565
Overdraft Funds (Repayment)		(969,975)	(971,739)	0
Advances to Clubs	23(a)	0	(19,680)	0
Transfers to Reserves (Restricted Assets)	13	(2,620,616)	(5,425,110)	(4,364,565)
Transfers from Reserves (Restricted Assets)	13	3,137,254	1,831,484	4,415,397
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	24(b)	2,308,520	2,142,790	(1,481,865)
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	24(b)	5,077,852	303,941	2,308,520
Total Amount Raised from General Rates	24(a)	<u>(26,266,903)</u>	<u>(25,573,920)</u>	<u>(24,006,309)</u>

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

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

(a) Basis of Preparation

The financial report is a general purpose financial statement which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations.

Except for cash flow and rate setting information, the report has also been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of the 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.

(b) The Local Government Reporting Entity

All Funds through which the Council 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, but a separate statement of those monies appears at Note 21 to these financial statements.

(c) 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.

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Cash and Cash Equivalents

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

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

(e) Trade and Other Receivables

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

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

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

(f) Inventories

General

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

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

Land Held for Resale

Land purchased for development and/or 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. Finance costs and holding charges incurred after development is completed are expensed.

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

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

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets

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

Mandatory Requirement to Revalue Non-Current Assets

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

The amendments allow for a phasing in of fair value in relation to fixed assets over three years as follows:

(a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and

(b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government -

(i) that are plant and equipment; and

(ii) that are -

(I) land and buildings; or

(II) infrastructure;

and

(c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.

Thereafter, in accordance with the regulations, each asset class must be revalued at least every 3 years.

Council has commenced the process of adopting Fair Value in accordance with the Regulations.

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

Land Under Control

In accordance with Local Government (Financial Management) Regulation 16 (a), the Council is 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.

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Initial Recognition

All assets are initially recognised at cost. 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 Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the statement of comprehensive income in the period in which they are incurred.

Revaluation

Revalued assets are carried at their fair value being the price that would be received to sell the asset, in an orderly transaction between market participants at the measurement date.

For land and buildings, fair value will be determined based on the nature of the asset class. For land and non-specialised buildings, fair value is determined on the basis of observable open market values of similar assets, adjusted for conditions and comparability at their highest and best use (Level 2 inputs in the fair value hierarchy).

With regards to specialised buildings, fair value is determined having regard for current replacement cost and both observable and unobservable costs. These include construction costs based on recent contract prices, current condition (observable Level 2 inputs in the fair value hierarchy), residual values and remaining useful life assessments (unobservable Level 3 inputs in the fair value hierarchy).

For infrastructure and other asset classes, fair value is determined to be the current replacement cost of an asset (Level 2 inputs in the fair value hierarchy) less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset (Level 3 inputs in the fair value hierarchy).

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

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ materially from that determined using fair value at reporting date.

In addition, the amendments to the Financial Management Regulations mandating the use of Fair Value, imposes a further minimum of 3 years revaluation requirement. As a minimum, all assets carried at a revalued amount, will be revalued at least every 3 years.

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Transitional Arrangement

During the time it takes to transition the carrying value of non-current assets from the cost approach to the fair value approach, the Council may still be utilising both methods across differing asset classes.

Those assets carried at cost will be carried in accordance with the policy detailed in the ***Initial Recognition*** section as detailed above.

Those assets carried at fair value will be carried in accordance with the ***Revaluation*** methodology section as detailed above.

Early Adoption of AASB 13 - Fair Value Measurement

Whilst the new accounting standard in relation to fair value, *AASB 13 - Fair Value Measurement* does not become applicable until the end of the year ended 30 June 2014 (in relation to Council), given the legislative need to commence using Fair Value methodology for this reporting period, the Council chose to early adopt AASB 13 (as allowed for in the standard).

As a consequence, the principles embodied in *AASB 13 - Fair Value Measurement* have been applied to this reporting period (year ended 30 June 2013).

Due to the nature and timing of the adoption (driven by legislation), the adoption of this standard has had no effect on previous reporting periods.

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 AASB1051 - 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 Council.

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Depreciation of Non-Current Assets

All non-current assets having a limited useful life (excluding freehold land) are separately and systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time the asset is completed and held ready for use.

Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period. Major depreciation periods are:

Buildings	30 to 50 years
Furniture and Equipment	5 to 10 years
Plant and Equipment	5 to 10 years
Infrastructure	
Roads	50 years
Drains	80 years
Parks (Plant and Equipment)	10 to 40 years

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

Capitalisation Threshold

Expenditure on items of equipment under \$3,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

(h) Intangible Assets

Easements

Due to legislative changes, Easements are required to be recognised as assets.

If significant, they are initially recognised at cost and have an indefinite useful life.

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments

Initial Recognition and Measurement

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

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

Classification and Subsequent Measurement

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

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

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

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current. They are subsequently measured at fair value with changes to carrying amount being included in profit or loss.

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

Impairment

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired.

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

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

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

Derecognition

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

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expire. 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.

(j) Impairment

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

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

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

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

(k) Trade and Other Payables

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

(l) Employee Benefits

Provision is made for the Council's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to the employee wage increases and the probability the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity matching the expected timing of cash flows.

(m) 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.

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Provisions

Provisions are recognised when:

- a) the Council has a present legal or constructive obligation as a result of past events;
- b) for which it is probable that an outflow of economic benefits will result; and
- c) 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.

(o) 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 Council, are classified as finance leases.

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

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

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

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

(p) Investments in Associates

Associates are entities in which the Council has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Council. 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 Council's share of net assets of the associate entity. In addition, Council's share of the profit or loss of the associate entity is included in the Council's profit or loss.

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

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

(q) Joint Venture

The Council's interest in a joint venture has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the appropriate line items of the financial statement. Information about the joint venture is set out in Note 18.

The Council's interest in joint venture entities are recorded using the equity method of accounting (refer to Note 1(p) for details) in the financial report.

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Joint Venture (Continued)

When the Council contributes assets to the joint venture or if the Council purchases assets from the joint venture, only the portion of gain or loss not attributable to the Council's share of the joint venture shall be recognised. The Council recognises the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

(r) Rates, Grants, Donations and Other Contributions

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

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

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

(s) Superannuation

The Council contributes to a number of superannuation funds on behalf of employees. All funds to which the Council contributes are defined contribution plans.

(t) Current and Non-Current Classification

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

(u) Rounding Off Figures

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

(v) Comparative Figures

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

When the Council applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, a statement of financial position as at the beginning of the earliest period will be disclosed.

(w) 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.

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Title and Topic	Issued	Applicable (*)	Impact
(i) AASB 9 – Financial Instruments	December 2009	01 January 2013	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
AASB 2012 – 6 Amendments to Australian Accounting Standards – Mandatory effective date of AASB 9 and Transition Disclosures	September 2012	Deferred AASB 9 until 1 January 2015	
(ii) AASB 2009 – 11 Amendments to Australian Accounting Standards arising from AASB 9	December 2009	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12)			

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(iii) AASB 2010 – 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	December 2010	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(iv) AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests in Other Entities, AASB 127 - Separate Financial Statements, AASB 128 - Investments in Associates and Joint Ventures, AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	August 2011	01 January 2013	Nil - None of these, except for AASB 128 , are expected to have significant application to the operations of the Council. With respect to AASB 128, where the Council has an interest in a Joint Venture, the requirements of AASB 128 supercede those of the current Joint Venture Standard AASB 131. The new standard more clearly defines the accounting treatment and disclosure in relation to it. The Shire's interest in the Eastern Metropolitan Regional Council (EMRC) (see Note 18) which is currently classified as a joint venture and will be classified as "Joint Ventures" under AASB 11. Joint ventures are always required to be accounted for using the equity method of accounting under AASB 11. The proportionate method is no longer permitted. However, this will not have any impact on the Shire's financial report as the Shire's interest in EMRC is currently accounted for using the equity method of accounting.

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(v) AASB 2011 - 9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	September 2011	01 July 2013	The main change embodied in this standard is the requirement to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. It effects presentation only and is not expected to significantly impact the Council.
(vi) AASB 119 - Employee Benefits, AASB 2011 - 10 Amendments to Australian Accounting Standards arising from AASB 119 [AASB 1, 8, 101, 124, 134, 1049 & 2012-8 and Interpretation 14]	September 2011	01 January 2013	The changes in relation to defined benefit plans contained in this standard are not expected to significantly impact the Council nor are the changes to AASBs in relation to termination benefits.
(vii) AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & 32]	June 2012	01 January 2013	Principally amends AASB 7: Financial Instruments: Disclosures to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This Standard is not expected to significantly impact on the Council's financial statements.

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(viii) AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	June 2012	01 January 2014	<p>This Standard adds application guidance to AASB 132: <i>Financial Instruments: Presentation</i> to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.</p> <p>This Standard is not expected to significantly impact on the Council's financial statements.</p>
(ix) AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, 101, 116, 132, 134 and Interpretation 2]	June 2012	01 January 2013	<p>Outlines changes to the various standards and interpretations as listed. These topics are not currently relevant to Council, nor are they expected to be in the future. As a consequence, this Standard is not expected to significantly impact on the Council's financial statements.</p>
(x) AASB 2012-10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments. [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011-7 and Interpretation 12]	December 2012	01 January 2013	<p>Mainly consequential changes relating to transition guidance. It is not expected to have a significant impact on Council.</p>

Notes:

(*) Applicable to reporting periods commencing on or after the given date.

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Adoption of New and Revised Accounting Standards

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

These new and revised standards were:

AASB 2010 – 8
AASB 2011 - 3
AASB 2011 - 13

The standards adopted had a minimal effect on the accounting and reporting practices of the Council as they were either largely editorial in nature, were revisions to help ensure consistency with presentation, recognition and measurement criteria of IFRSs or related to topics not relevant to operations.

The Council also chose to early adopt *AASB 13 – Fair Value Measurement* as allowed for in the standard. For further details with respect to this early adoption, refer to Note 1(g).

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

2. REVENUE AND EXPENSES	2013	2012
	\$	\$
(a) Net Result		
The Net Result includes:		
(i) Charging as an Expense:		
Auditors Remuneration		
Current Auditor		
- Audit of the financial report	30,000	28,312
- Audit and acquittal of external funded projects	8,500	0
- Other Services	600	0
	<u>39,100</u>	<u>28,312</u>
Previous Auditor		
- Audit and acquittal of external funded projects	0	6,640
- Other Services	0	11,500
	<u>0</u>	<u>18,140</u>
Depreciation		
Buildings	3,381,689	3,328,115
Furniture and Equipment	349,023	377,264
Plant and Equipment	786,900	797,511
Roads	2,794,879	2,711,128
Footpaths	250,496	244,902
Drainage	386,469	372,926
Parks and Gardens	1,339,955	1,307,872
Car Parks	173,826	174,355
	<u>9,463,237</u>	<u>9,314,073</u>
Interest Expenses (Finance Costs)		
Interest Other	0	42,543
Debentures (<i>refer Note 23(a)</i>)	511,688	457,943
	<u>511,688</u>	<u>500,486</u>
(ii) Crediting as Revenue:		
Significant Revenue		
Increase in Equity Value -		
Eastern Metropolitan Regional Council (EMRC)	2,516,642	2,485,321
Initial Recognition of Assets (Golf Course)		
Due to Change to Regulations	2,249,250	0
	<u>4,765,892</u>	<u>2,485,321</u>

This significant revenue relating to the Initial Recognition of Assets (Golf Course) for \$2,249,250 has been recognised in accordance with Local Government (Financial Management) Regulation 16 (a).

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

2. REVENUE AND EXPENSES (Continued)

(a) Net Result (Cont.)

	2013 \$	2013 Budget \$	2012 \$
Interest Earnings			
Investments			
- Reserve Funds	132,976	77,000	136,359
- Other Funds	303,960	350,000	187,783
Non-Investments	160,639	151,602	330,859
Other Interest Revenue (<i>refer note 28</i>)	159,075	268,989	163,405
	<u>756,650</u>	<u>847,591</u>	<u>818,406</u>

(b) Statement of Objective

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

GOVERNANCE

The provision to allow decision-making process to efficiently allocate resources.
Administration services allocated to other areas and administration of council members.

GENERAL PURPOSE FUNDING

Collection of revenue to finance Council activities including; rates, government grants, interest revenue collection and administration.

LAW, ORDER, PUBLIC SAFETY

To provide services to ensure a safer community through the provision of local laws, fire prevention, emergency services and animal control.

HEALTH

To provide an operational structure for good community health including pest control, immunisation and child health services.

EDUCATION AND WELFARE

To aid the needs of the community by providing senior citizens and day care centres, pre-schools, playgroup assistance and other voluntary services.

COMMUNITY AMENITIES

The provision of services required by the community, including; waste management, collection and recycling programmes, environmental controls, town planning, and storm water drainage and maintenance.

RECREATION AND CULTURE

To establish and manage facilities for the well-being of the community and ensure the availability of halls, aquatic centres, recreation centres, sports grounds and libraries.

TRANSPORT

The provision of effective infrastructure to the community through the construction and maintenance of roads, footpaths, bridges, lighting and cleaning of streets.

ECONOMIC SERVICES

To promote the Shire and improve its economic base through the promotion of tourism, rural services and building control.

OTHER PROPERTY AND SERVICES

Private works operations, plant repairs and general operation costs.

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Function/ Activity	Opening Balance (*) 1-Jul-11 \$	Received (+) 2011/12 \$	Expended (#) 2011/12 \$	Closing Balance (*) 30-Jun-12 \$	Received (+) 2012/13 \$	Expended (#) 2012/13 \$	Closing Balance 30-Jun-13 \$
RLCIP - Upgrade Various Parks	Transport	120,500	0	(120,500)	0	0	0	0
P Cinnani - Ashford Road	Transport	13,700	0	(11,623)	2,077	0	(2,077)	0
DC Tyler - Berkshire / Apricot Roads	Transport	72,200	0	(72,200)	0	0	0	0
Cat Module Implementation	Law, Order and Public Safety	0	0	0	0	26,535	(7,110)	19,425
State Emergency Services	Law, Order and Public Safety	0	0	0	0	50,250	(49,455)	795
Healthy Communities Initiative	Recreation and Culture	0	140,011	(140,011)	0	287,134	(229,118)	58,016
DSR - Kids Sport Program	Recreation and Culture	0	58,000	(39,437)	18,563	61,670	(69,403)	10,830
Darling Range Master Plan	Recreation and Culture	0	0	0	0	13,000	0	13,000
Hartfield Park Offset Proposal Funding	Community Amenities	196,191	0	(32,234)	163,957	0	(56,469)	107,488
Woodlupine Nature Playspace	Community Amenities	0	5,000	0	5,000	0	(5,000)	0
Youth Urban Art Project	Education and Welfare	0	8,268	(7,413)	855	0	(855)	0
Abernethy Road	Transport	0	373,333	(13,025)	360,308	0	(51,393)	308,915
Mundaring Weir Road	Transport	0	110,400	(5,490)	104,910	165,600	(270,510)	0
Baden Road	Transport	0	0	0	0	50,934	0	50,934
Hale Road	Transport	0	0	0	0	114,267	0	114,267
Kalamunda/Fernan/Abernethy	Transport	0	0	0	0	666,666	0	666,666
Bronzewing Grass Weed Control	Community Amenities	0	0	0	0	75,215	(52,159)	23,056
Weed Cycle at Lower Lesmurdie	Community Amenities	0	0	0	0	10,000	(3,316)	6,684
Woodlupine - Lotterywest	Community Amenities	0	0	0	0	80,000	(80,000)	0
Total		402,591	695,012	(441,933)	655,670	1,601,271	(876,865)	1,380,076

Notes:

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

(+) - 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.

(#) - 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.

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

	2013	2012
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Cash on Hand - Unrestricted	6,932	7,010
Cash at Bank - Municipal	8,044,134	5,494,897
Cash at Bank - Restricted Reserves	2,160,828	2,677,466
	<u>10,211,894</u>	<u>8,179,373</u>
Cash at Bank - Municipal Represented by:		
Cash at Bank - Unrestricted	4,203,141	2,539,325
Cash at Bank - Restricted	3,840,993	2,955,572
	<u>8,044,134</u>	<u>5,494,897</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Reserves - Restricted		
Land and Property Enhancement and Maintenance Reserve	717,693	1,653,467
Waste Management Reserve	156,580	151,513
EDP Reserve	169,913	11,977
Local Government Election Reserve	0	28,725
Long Service Leave Reserve	73,109	70,744
Plant and Equipment Reserve	28,350	27,432
Stirk Park Reserve	24,723	23,926
HACC Reserve	443,392	129,951
Forrestfield Industrial Area Reserve	160,787	157,853
Insurance Contingency Reserve	164,706	159,382
Light Plant Reserve	33,443	32,361
Revaluation Reserve	136,416	132,001
Nominated Employee Leave Provisions Reserve	24,340	23,551
Environment Reserve	27,376	74,583
	<u>2,160,828</u>	<u>2,677,466</u>
Municipal Cash - Restricted		
Bonds	1,934,891	2,299,902
Conditional Unspent Grants and Contributions	1,380,076	655,670
HACC Restricted	526,026	0
	<u>3,840,993</u>	<u>2,955,572</u>
Total Restricted	<u>6,001,821</u>	<u>5,633,038</u>

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

	2013	2012
	\$	\$
4. INVESTMENTS		
Financial assets at fair value through profit or loss	<u>15,937,574</u>	<u>13,420,932</u>
Financial assets at fair value through profit or loss		
At beginning of the year	13,420,932	10,935,611
Revaluation to Income Statement	<u>2,516,642</u>	<u>2,485,321</u>
At end of the year	<u>15,937,574</u>	<u>13,420,932</u>
The Shire held investments in the Eastern Metropolitan Regional Council (EMRC) as at 30 June 2013. (for details refer Note 18)		
5. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	446,288	814,280
Sundry Debtors	1,607,608	1,461,073
Prepayments	97,199	122,231
GST Receivable	302,199	296,733
Loans - Clubs/Institutions	<u>59,537</u>	<u>59,537</u>
	<u>2,512,831</u>	<u>2,753,854</u>
Non-Current		
Rates Outstanding - Pensioners	463,579	420,386
Loans - Clubs/Institutions	<u>546,278</u>	<u>605,815</u>
	<u>1,009,857</u>	<u>1,026,201</u>
6. INVENTORIES		
Current		
Fuel and Materials	156,335	201,276
Work in Progress	20,081	0
Land Held for Resale		
Cost of Acquisition	335,000	240,690
Development Costs	<u>49,360</u>	<u>385,005</u>
	<u>560,776</u>	<u>826,971</u>
Non-Current		
Land Held for Resale - Cost		
Cost of Acquisition	0	250,000
Development Costs	<u>0</u>	<u>34,660</u>
	<u>0</u>	<u>284,660</u>

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

	2013	2012
	\$	\$
7. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings		
Freehold Land at:		
- Cost	<u>8,095,506</u>	<u>7,999,209</u>
	8,095,506	7,999,209
Reserves vested in and under the control of Council at:		
- Cost	<u>2,249,250</u>	<u>0</u>
Total Land	10,344,756	7,999,209
Buildings at:		
- Independent Valuation 2008	164,152,810	166,193,943
Less Accumulated Depreciation	<u>(20,970,656)</u>	<u>(17,960,615)</u>
Total Buildings	143,182,154	148,233,328
Total Land and Buildings	<u>153,526,910</u>	<u>156,232,537</u>
Furniture and Equipment at:		
- Cost	4,679,401	4,474,453
Less Accumulated Depreciation	<u>(3,485,770)</u>	<u>(3,155,191)</u>
	1,193,631	1,319,262
Plant and Equipment at:		
- Management Valuation 2013	4,838,226	0
- Cost	0	10,221,617
Less Accumulated Depreciation	<u>0</u>	<u>(5,492,439)</u>
	4,838,226	4,729,178
Total Property, Plant and Equipment	<u>159,558,767</u>	<u>162,280,977</u>

Plant and Equipment:

The Shire of Kalamunda has undertaken a management valuation as at 30 June 2013 of its Plant and Equipment. The valuations were made on the basis of open market values of similar assets adjusted for condition and comparability (Level 2 inputs in the fair value hierarchy) and having regard for current replacement cost, remaining useful life and residual values (cost based approach which are Level 3 inputs in the fair value hierarchy). These 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. Given the significance of Level 3 inputs in the overall fair value measurement, the assets are deemed to have been valued using Level 3 inputs.

The revaluation resulted in an overall increase of \$481,711 in the net value of the Shire's Plant and Equipment. This increase was credited to the revaluation surplus in the Shire's equity (refer Note 14(b) for further details) and was recognised as changes on Revaluation of non-current assets in the Statement of Comprehensive Income.

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

7. PROPERTY, PLANT AND EQUIPMENT (CONT.)

Land Vested in and under the control of Council:

In accordance with Local Government (Financial Management) Regulation 16(a), the Council is 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. Under this regulation, Council has recognised the Golf Course as at 30 June 2013. Structures on this Crown Land have already been accounted for.

Buildings:

The above Independent Valuation in relation to Buildings was performed in 2008 and was not subject to the current requirements of Local Government (Financial Management) Regulation 17A. It was performed in accordance with AASB116. In accordance with the new regulation, all Property, Plant and Equipment assets are due for revaluation by 30 June 2015 (if not performed prior) and will be subject to the requirements of AASB13 upon revaluation.

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Movements in Carrying Amounts

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

	Land \$	Buildings \$	Total Land and Buildings \$	Plant and Equipment (Level 3) \$	Furniture and Equipment \$	Total \$
Balance as at the beginning of the year	7,999,209	148,233,328	156,232,537	4,729,178	1,319,262	162,280,977
Additions	180,946	1,305,585	1,486,531	772,208	223,392	2,482,131
(Disposals)	(84,649)	0	(84,649)	(357,971)	0	(442,620)
Revaluation - Increments	0	0	0	481,711	0	481,711
Asset Write Off	0	(2,975,070)	(2,975,070)	0	0	(2,975,070)
Initial Recognition of assets Due to Changes to Regulations:						
Reserves vested in and under Control of Council	2,249,250	0	2,249,250	0	0	2,249,250
Depreciation (Expense)	0	(3,381,689)	(3,381,689)	(786,900)	(349,023)	(4,517,612)
Carrying amount at the end of year	<u>10,344,756</u>	<u>143,182,154</u>	<u>153,526,910</u>	<u>4,838,226</u>	<u>1,193,631</u>	<u>159,558,767</u>

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Information on Assets Written Off

The details of the assets that were written off during the financial year are:

Details	Gross Carrying Amount \$
<p>(i) Alan Fernie Pavilion Poor building condition, safety and compliance issues including risk of asbestos leakage. No current user group. Building earmarked for demolition.</p>	2,260,000
<p>(ii) Hartfield Park House Very poor building condition, safety and compliance issues including non-compliance to disability access and asbestos roof. No current user group. Building earmarked for demolition</p>	244,717
<p>(iii) Kiosk - Hartfield Park Poor building condition with compliance and safety issues. No user group. Building earmarked for demolition.</p>	50,000
<p>(iv) Kiosk - Kostera Oval Poor building condition with compliance and safety issues. No user group. Building earmarked for demolition.</p>	30,000
<p>(v) Fleming Reserve Toilets Poor state of toilets. Replaced with new toilets. Currently not used and earmarked for demolition.</p>	142,000
<p>(vi) Lewis Road Residence Poor state of building site is currently on sale and earmarked for demolition</p>	270,000
<p>(vii) Maida Vale Scout Building Iron Clad Shed Incorrectly valued in 2008 as part of the Shire's assets. The building belongs to the Scouts.</p>	350,000
Total Gross Carrying Amount	<u>3,346,717</u>
Less Accumulated Depreciation	<u>(371,647)</u>
Net Book Value of Assets Written Off	<u><u>2,975,070</u></u>

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

	2013	2012
	\$	\$
8. INFRASTRUCTURE		
Roads - Cost	141,336,088	138,620,667
Less Accumulated Depreciation	<u>(30,343,312)</u>	<u>(27,548,433)</u>
	110,992,776	111,072,234
Footpaths - Cost	12,870,948	12,522,438
Less Accumulated Depreciation	<u>(2,702,944)</u>	<u>(2,452,448)</u>
	10,168,004	10,069,990
Drainage - Cost	31,124,060	30,654,767
Less Accumulated Depreciation	<u>(5,299,809)</u>	<u>(4,913,340)</u>
	25,824,251	25,741,427
Parks & Ovals - Cost	16,715,253	16,153,603
Less Accumulated Depreciation	<u>(10,177,982)</u>	<u>(8,838,027)</u>
	6,537,271	7,315,576
Car Parks - Cost	3,281,418	2,742,128
Less Accumulated Depreciation	<u>(771,762)</u>	<u>(597,936)</u>
	2,509,656	2,144,192
	<u>156,031,958</u>	<u>156,343,419</u>

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

8. INFRASTRUCTURE (Continued)

(a) Movements in Carrying Amounts

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

	Roads \$	Footpaths \$	Drainage \$	Parks and Ovals \$	Car Parks \$	Total \$
Balance at the beginning of the year	111,072,234	10,069,990	25,741,427	7,315,576	2,144,192	156,343,419
Additions	2,715,421	348,510	469,293	561,650	539,290	4,634,164
(Disposals)	0	0	0	0	0	0
Depreciation (Expense)	(2,794,879)	(250,496)	(386,469)	(1,339,955)	(173,826)	(4,945,625)
Carrying amount at the end of year	<u>110,992,776</u>	<u>10,168,004</u>	<u>25,824,251</u>	<u>6,537,271</u>	<u>2,509,656</u>	<u>156,031,958</u>

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

	2013	2012
	\$	\$
9. INTANGIBLES		
Easements		
<p>Easements have an indefinite useful life and no amortisation applies. The value of easements that the Shire holds is not considered to be material. The value has not been brought to account in the Shire's Financial Statements.</p>		
10. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	2,527,806	3,011,685
Bonds and Deposits	1,934,891	2,299,902
Accrued Expenses	544,512	228,312
Accrued Interest on Debentures	158,426	168,728
Accrued Salaries and Wages	417,208	380,351
	<u>5,582,843</u>	<u>6,088,978</u>
11. LONG-TERM BORROWINGS		
(a) Current		
Secured by Floating Charge		
Bank Overdraft	<u>0</u>	<u>969,975</u>
	<u>0</u>	<u>969,975</u>
(b) Current		
Secured by Floating Charge		
Debentures	<u>559,442</u>	<u>559,442</u>
	<u>559,442</u>	<u>559,442</u>
(c) Non-Current		
Secured by Floating Charge		
Debentures	<u>7,550,609</u>	<u>8,110,051</u>
	<u>7,550,609</u>	<u>8,110,051</u>

Additional detail on borrowings is provided in Note 23.

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

	2013	2012	
	\$	\$	
12. PROVISIONS			
Current			
Provision for Annual Leave	1,517,103	1,448,437	
Provision for Long Service Leave	625,457	487,288	
	<u>2,142,560</u>	<u>1,935,725</u>	
Non-Current			
Provision for Long Service Leave	579,165	385,274	
	<u>579,165</u>	<u>385,274</u>	
	Provision for Annual Leave	Provision for Long Service Leave	
	\$	\$	
Opening balance as at 1 July 2012	1,448,437	872,562	2,320,999
Additional provisions	1,453,119	353,950	1,807,069
Amounts used	(1,382,420)	(166,163)	(1,548,583)
change in the discounted rate	(2,033)	144,273	142,240
Balance at 30 June 2013	<u>1,517,103</u>	<u>1,204,622</u>	<u>2,721,725</u>
	2013	2013	2012
	\$	Budget	\$
		\$	
13. RESERVES - CASH/INVESTMENT BACKED			
(a) Land and Property Enhancement and Maintenance Reserve			
Opening Balance	1,653,467	1,653,745	471,752
Interest Earned	92,213	47,559	69,502
Amount Set Aside / Transfer to Reserve	1,810,107	4,979,115	3,788,296
Amount Used / Transfer from Reserve	(2,838,094)	(1,648,439)	(2,676,083)
	<u>717,693</u>	<u>5,031,980</u>	<u>1,653,467</u>
(b) Waste Management Reserve			
Opening Balance	151,513	151,540	26,144
Interest Earned	5,067	4,358	5,369
Amount Set Aside / Transfer to Reserve	0	0	120,000
Amount Used / Transfer from Reserve	0	0	0
	<u>156,580</u>	<u>155,898</u>	<u>151,513</u>
(c) EDP - IT Equipment Reserve			
Opening Balance	11,977	11,979	67,908
Interest Earned	3,298	345	4,069
Amount Set Aside / Transfer to Reserve	268,463	268,463	0
Amount Used / Transfer from Reserve	(113,825)	0	(60,000)
	<u>169,913</u>	<u>280,787</u>	<u>11,977</u>

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

	2013 \$	2013 Budget \$	2012 \$
13. RESERVES - CASH/INVESTMENT BACKED (CONT.)			
(d) Local Government Elections Reserve			
Opening Balance	28,725	28,737	25,766
Interest Earned	815	826	2,959
Amount Set Aside / Transfer to Reserve	0	0	44,719
Amount Used / Transfer from Reserve	(29,540)	0	(44,719)
	<u>0</u>	<u>29,563</u>	<u>28,725</u>
(e) Long Service Leave Reserve			
Opening Balance	70,744	70,750	140,833
Interest Earned	2,365	2,035	6,911
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	0	(77,000)
	<u>73,109</u>	<u>72,785</u>	<u>70,744</u>
(f) Plant and Equipment Reserve			
Opening Balance	27,432	27,436	25,824
Interest Earned	918	789	1,608
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>28,350</u>	<u>28,225</u>	<u>27,432</u>
(g) Stirk Park Reserve			
Opening Balance	23,926	23,951	22,506
Interest Earned	797	689	1,420
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>24,723</u>	<u>24,640</u>	<u>23,926</u>
(h) HACC Reserve			
Opening Balance	129,951	129,956	123,532
Interest Earned	9,298	3,737	6,419
Amount Set Aside / Transfer to Reserve	362,657	0	0
Amount Used / Transfer from Reserve	(58,514)	0	0
	<u>443,392</u>	<u>133,693</u>	<u>129,951</u>
(i) Forrestfield Industrial Area Reserve			
Opening Balance	157,853	157,874	283,926
Interest Earned	4,879	4,540	14,711
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	(1,945)	(107,000)	(140,784)
	<u>160,787</u>	<u>55,414</u>	<u>157,853</u>

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

	2013 \$	2013 Budget \$	2012 \$
13. RESERVES - CASH/INVESTMENT BACKED (CONT.)			
(j) Insurance Contingency Reserve			
Opening Balance	159,382	159,409	150,067
Interest Earned	5,324	4,585	9,315
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>164,706</u>	<u>163,994</u>	<u>159,382</u>
(k) Light Plant Reserve			
Opening Balance	32,361	32,383	49,967
Interest Earned	1,082	931	4,151
Amount Set Aside / Transfer to Reserve	0	0	150,046
Amount Used / Transfer from Reserve	0	0	(171,803)
	<u>33,443</u>	<u>33,314</u>	<u>32,361</u>
(l) Revaluation Reserve			
Opening Balance	132,001	132,006	155,280
Interest Earned	4,415	3,796	8,122
Amount Set Aside / Transfer to Reserve	0	0	30,000
Amount Used / Transfer from Reserve	0	0	(61,401)
	<u>136,416</u>	<u>135,802</u>	<u>132,001</u>
(m) Nominated Employee Leave Provisions Reserve			
Opening Balance	23,551	23,554	22,185
Interest Earned	789	677	1,366
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>24,340</u>	<u>24,231</u>	<u>23,551</u>
(n) Unexpended Capital and Specific Purpose Grants Reserve			
Opening Balance	0	0	1,162,609
Interest Earned	0	0	0
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	0	(1,162,609)
	<u>0</u>	<u>0</u>	<u>0</u>
(o) Environment Reserve			
Opening Balance	74,583	74,146	0
Interest Earned	1,716	2,133	437
Amount Set Aside / Transfer to Reserve	46,413	100,532	95,144
Amount Used / Transfer from Reserve	(95,336)	(76,045)	(20,998)
	<u>27,376</u>	<u>100,766</u>	<u>74,583</u>
TOTAL CASH BACKED RESERVES	<u><u>2,160,828</u></u>	<u><u>6,271,092</u></u>	<u><u>2,677,466</u></u>

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

13. RESERVES - CASH/INVESTMENT BACKED (CONT.)

SUMMARY

	2013 \$	2013 Budget \$	2012 \$
Opening Balance	2,677,466	2,677,466	2,728,299
Interest Earned	132,976	77,000	136,359
Amount Set Aside / Transfer to Reserve	2,487,640	5,348,110	4,228,205
Amount Used / Transfer from Reserve	(3,137,254)	(1,831,484)	(4,415,397)
	<u>2,160,828</u>	<u>6,271,092</u>	<u>2,677,466</u>

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

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

Land and Property Enhancement and Maintenance Reserve

- This reserve was renamed from 'Building Construction' to 'Land and Property Enhancement and Maintenance reserve' to fund land and property purchases, upgrade and maintenance of existing properties.

Waste Management Reserve

- to be used to fund financing operations for the development of Council's sanitation service.

EDP - IT Equipment Reserve

- to be used for the upgrade / replacement of the Shire's computer hardware and software requirements.

Local Government Elections Reserve

- to be used to fund the cost of future elections.

Long Service Leave Reserve

- to be used to provide cash-backing for all annual and long service leave entitlements. Transfers to this Reserve are based on the leave liability at the end of each year.

Plant and Equipment Reserve

- to be used to fund future replacement of Council's plant and associated equipment.

Stirk Park Reserve

- to be used to fund improvements to Stirk Park.

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

13. RESERVES - CASH/INVESTMENT BACKED (CONT.)

- HACC Reserve
 - to be used to fund future HACC Service programmes and asset replacement.
- Forrestfield Industrial Area Reserve
 - to be used to fund infrastructure requirements for the Forrestfield area.
- Insurance Contingency Reserve
 - to be used to fund insurance premium variations and potential call backs.
- Light Plant Reserve
 - to be used to fund future replacement of Council's plant and associated equipment.
- Revaluation Reserve
 - to be used to fund triannual rating revaluations.
- Nominated Employee Leave Provisions Reserve
 - to be used to fund future nominated staff leave entitlements.
- Unexpended Capital Works and Specific Purpose Grants Reserve
 - to be used to carry forward available funding for uncompleted projects and specific purpose grants, that will be completed and expended in ensuing financial years.
- Environment Reserve
 - to be used to fund environment strategies and projects.

14. RESERVES - ASSET REVALUATION

	2013	2012
	\$	\$
Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:		
(a) Buildings		
Opening balance	129,665,629	129,875,629
Revaluation Increment	0	0
Revaluation Decrement		
- Other Comprehensive Income	0	(210,000)
- Transfer between Reserve in Changes in Equity	(3,217,332)	0
	<u>126,448,297</u>	<u>129,665,629</u>
(b) Plant and Equipment		
Opening Balance	0	0
Revaluation Increment		
- Other Comprehensive Income	481,711	0
Revaluation Decrement	0	0
	<u>481,711</u>	<u>0</u>
TOTAL ASSET REVALUATION RESERVES	<u>126,930,008</u>	<u>129,665,629</u>

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

15. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the statement of financial position as follows:

	2013 \$	2013 Budget \$	2012 \$
Cash and Cash Equivalents	<u>10,211,894</u>	<u>7,363,002</u>	<u>7,209,398</u>

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

Net Result	1,860,385	4,282,195	7,658,252
Depreciation	9,463,237	9,319,448	9,314,073
(Profit)/Loss on Disposal of Assets	1,240,874	(4,030,111)	(4,035,142)
(Increase)/Decrease in Receivables	384,915	(372,706)	284,100
(Increase)/Decrease in Inventories	44,941	(21,018)	(101,988)
Increase/(Decrease) in Payables	(506,135)	(1,029,399)	1,118,919
Increase/(Decrease) in Employee Provisions	400,726	(230,024)	260,855
Non Cash Contribution (EMRC)	(2,516,642)	0	(2,485,321)
Grants/Contributions for the Development of Assets	(2,741,392)	(3,435,851)	(5,981,718)
Non-Current Assets recognised due to changes in legislative requirements	<u>(2,249,250)</u>	<u>0</u>	<u>0</u>
Net Cash from Operating Activities	<u>5,381,659</u>	<u>4,482,534</u>	<u>6,032,030</u>

(c) Undrawn Borrowing Facilities
Credit Standby Arrangements

Bank Overdraft limit	1,500,000	1,500,000	1,500,000
Bank Overdraft at Balance Date	0	(1,200,000)	(969,975)
Credit Card limit	75,000	0	75,000
Credit Card Balance at Balance Date	<u>(1,162)</u>	<u>0</u>	<u>(855)</u>
Total Amount of Credit Unused	<u>1,573,838</u>	<u>300,000</u>	<u>604,170</u>

Loan Facilities

Loan Facilities - Current	559,442	559,442	1,529,417
Loan Facilities - Non-Current	<u>7,550,609</u>	<u>7,550,609</u>	<u>8,110,051</u>
Total Facilities in Use at Balance Date	<u>8,110,051</u>	<u>8,110,051</u>	<u>9,639,468</u>

Unused Loan Facilities at Balance Date	<u>0</u>	<u>0</u>	<u>0</u>
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**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

16. CONTINGENT LIABILITIES

The previous CEO is taking legal action against the Shire for breach of contract. This action is being taken to mediation and advice provided by the Council's solicitors is that the likelihood of a judgement against the Council is remote. The Council is adequately insured to cover a settlement if it were to lose the case.

17. CAPITAL AND LEASING COMMITMENTS	2013	2012
	\$	\$
(a) Finance Lease Commitments		
The Shire of Kalamunda has no finance lease commitments.	0	0
(b) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	366,032	499,386
- later than one year but not later than five years	198,814	720,348
- later than five years	0	0
	564,846	1,219,734

(c) Capital Expenditure Commitments

The Shire of Kalamunda has no Capital Expenditure commitments.

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

18. JOINT VENTURE

The Shire of Kalamunda has a Share in the net assets of the Eastern Metropolitan Regional Council (EMRC) as a member council.

The accounting share applicable to the Shire of Kalamunda as at 30 June 2013 as disclosed in the financial statements of the Eastern Metropolitan Regional Council is \$ 15,937,574. This represents the Shire's 17.21% share of the Total Equity of the Eastern Metropolitan Regional Council.

The Shire's interest in the Assets and Liabilities of the EMRC is as follows:

	2013	2012
	\$	\$
Interest in the Joint Venture	<u>15,937,574</u>	<u>13,420,932</u>
Current Assets	10,066,586	8,845,234
Non-Current Assets	<u>7,846,904</u>	<u>5,810,440</u>
Total Assets	<u>17,913,490</u>	<u>14,655,674</u>
Current Liabilities	1,142,660	946,852
Non-Current Liabilities	<u>833,256</u>	<u>287,890</u>
Total Liabilities	<u>1,975,916</u>	<u>1,234,742</u>
Net Assets	<u>15,937,574</u>	<u>13,420,932</u>

19. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Governance	8,610,784	8,639,509
General Purpose Funding	9,052,778	4,987,641
Law, Order, Public Safety	1,055,260	1,051,043
Health	175,730	172,812
Education and Welfare	2,281,220	1,414,271
Community Amenities	5,452,458	5,005,080
Recreation and Culture	149,214,332	155,217,934
Transport	169,674,705	168,446,275
Economic Services	2,426	2,426
Other Property and Services	<u>303,964</u>	<u>179,396</u>
	<u>345,823,657</u>	<u>345,116,387</u>

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

	2013	2012	2011
20. FINANCIAL RATIOS			
Current Ratio	1.160	0.853	0.138
Asset Sustainability Ratio	0.395	0.957	0.810
Debt Service Cover Ratio	8.490	11.634	0.050
Operating Surplus Ratio	(0.022)	(0.020)	(0.332)
Own Source Revenue Coverage Ratio	0.781	0.850	0.708

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset Sustainability Ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expense}}$
Debt Service Cover Ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating Surplus Ratio	$\frac{\text{operating revenue minus operating expense}}{\text{own source operating revenue}}$
Own Source Revenue Coverage Ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

Notes:

Information relating to the **Asset Consumption Ratio** and the **Asset Renewal Funding Ratio** can be found at Supplementary Ratio Information on Page 63 of this document.

Two of the 2013 ratios being the Debt Service Cover Ratio and the Operating Surplus Ratio disclosed above are distorted by items of significant revenue totalling \$2,249,250 relating to the initial recognition of Reserves vested in and under the control of Council in accordance with amendments to the Financial Management Regulations (refer to Notes 1(g), 1(h) and 2(a)(ii) for further details) and an item of significant expense as a result of asset write offs totalling \$2,975,070 (refer to Note 7(b) for further details).

One of the 2013 ratios (being the Own Source Revenue Coverage Ratio) disclosed above has been distorted by an item of significant expense as a result of asset write offs totalling \$2,975,070 (refer to Note 7(b) for further details).

These items of significant revenue and significant expense are considered to be "one-off" and are non-cash in nature and, if they were ignored, the calculations disclosed in the 2013 column above would be as follows:

	2013
Debt Service Cover Ratio	9.168
Operating Surplus Ratio	(0.004)
Own Source Revenue Coverage Ratio	0.828

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

21. TRUST FUNDS

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

Detail	Balance 1-Jul-12 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-13 \$
Unclaimed Monies	12,569	17,248	(5,442)	24,375
Wattlegrove - Cell9	8,329,047	1,132,351	(471,726)	8,989,672
B.C.I.T.F Levies	12,562	298,774	(294,751)	16,585
B.S.L Levies	83	74,523	(53,599)	21,007
Environment Friends Group	0	4,033	0	4,033
Lewis Road Wattle Grove - Tisarana Buddhist Association	0	5,000	0	5,000
Cash in Lieu of Public Open Space	2,207,916	76,113	(85,449)	2,198,580
	<u>10,562,177</u>			<u>11,259,252</u>

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

22. INFORMATION ON DISPOSAL AND WRITE OFF OF ASSETS

(a) DISPOSALS OF ASSETS - 2012/13 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
By Program						
Governance	0	23,921	0	15,000	0	(8,921)
Law, Order and Public Safety	22,149	0	16,159	0	(5,990)	0
Community Amenities*	677,336	2,540,194	2,455,163	6,561,491	1,777,827	4,021,297
Recreation and Culture	0	17,600	68	15,000	68	(2,600)
Transport	727	181,424	727	221,650	0	40,226
Other Property and Services	335,095	44,891	297,386	25,000	(37,709)	(19,891)
	1,035,307	2,808,030	2,769,503	6,838,141	1,734,196	4,030,111

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
By Class						
Plant and Equipment	357,971	267,836	314,272	276,650	(43,699)	8,814
Furniture and Equipment	0	0	68	0	68	0
Land	84,649	0	399,373	0	314,724	0
Land Held for Resale	592,687	2,540,194	2,055,790	6,561,491	1,463,103	4,021,297
	1,035,307	2,808,030	2,769,503	6,838,141	1,734,196	4,030,111

2013
\$

Reconciliation of proceeds on Sale of Land reported in the Cash Flow Statement:

Proceeds on Sale of land as reported	2,455,163
Less Receivable	(187,087)
Total Proceeds on Sale of Land as per Cash Flow	<u>2,268,076</u>

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

22. INFORMATION ON DISPOSAL AND WRITE OFF OF ASSETS (CONT.)

(b) WRITE OFF OF ASSETS - 2012/13 FINANCIAL YEAR

The following assets were written off during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
By Program						
Community Amenities*	2,975,070	0	0	0	(2,975,070)	0
	2,975,070	0	0	0	(2,975,070)	0

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
By Class						
Buildings*	2,975,070	0	0	0	(2,975,070)	0
	2,975,070	0	0	0	(2,975,070)	0

* Further Details on the write off of Buildings in Note 7(b)

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

23. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Loan #	Principal 1-Jul-12 \$	Principal 1-Jul-12 \$	New Loans \$	Principal Repayments		Principal 30-Jun-13		Interest Repayments	
					Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Recreation and Culture										
*Forrestfield Bowling Club	199	WATC	33,428	0	3,105	3,105	30,323	30,324	2,669	2,669
*Kalamunda Cricket Club	207	WATC	11,116	0	1,564	1,564	9,552	9,553	713	713
*Kalamunda & District Basketball	208	WATC	110,945	0	15,624	15,624	95,321	95,321	7,069	7,069
*Forrestfield Utd Soccer Club	214	WATC	124,481	0	4,995	4,995	119,486	119,485	6,853	6,853
*Lesmurdie Tennis Club	215	WATC	27,456	0	3,531	3,531	23,925	23,925	1,694	1,694
*Foothills Netball Assoc	216	WATC	90,629	0	3,204	3,204	87,425	87,424	5,813	5,813
*Maida Vale Tennis Club	217	WATC	44,692	0	2,496	2,496	42,196	42,195	2,659	2,659
*Kalamunda United Soccer Club	218	WATC	5,327	0	1,676	1,676	3,651	3,651	320	320
*Kalamunda Club	219	WATC	201,207	0	21,737	21,737	179,470	179,471	12,339	12,339
*Forrestfield Junior Football Club	220	WATC	16,070	0	1,605	1,605	14,465	14,465	975	975
Shire Depot	221	WATC	1,992,681	0	59,263	59,263	1,933,418	1,933,417	133,918	133,918
Wet'n'Wild	222	WATC	422,892	0	42,244	42,244	380,648	380,648	25,657	25,657
Sweeper trucks	223	WATC	190,347	0	59,798	59,798	130,549	130,550	10,361	10,361
Land Acquisition Kalamunda Rd	224	WATC	1,324,104	0	125,595	125,595	1,198,509	1,198,509	72,157	72,157
Plant & Equipment Purchase	225	WATC	515,497	0	73,736	73,736	441,761	441,761	29,840	29,840
Newburn Rd Extension	226	WATC	600,105	0	52,764	52,764	547,341	547,340	33,288	33,288
Kalamunda Swimming Pool	227	WATC	1,824,418	0	53,345	53,345	1,771,073	1,771,073	101,974	101,974
Depot Waste Trucks	228	WATC	1,134,098	0	33,160	33,160	1,100,938	1,100,937	63,389	63,389
Lesmurdie Tennis Club (proposed)	N/A	WATC	0	0	0	0	0	19,680	0	0
			8,669,493	0	559,442	559,442	8,110,051	8,129,729	511,688	511,688

(*) Self supporting loan financed by payments from third parties.

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

23. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2012/13

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$						Actual \$	Budget \$	
Lesmurdie Tennis Club - New Court	0	19,680	WATC	Fixed	20	14,330	6	0	19,680	0

(c) Overdraft

Council established an overdraft facility of \$1,500,000 in 2011 to assist with short term liquidity requirements. The balance of the bank overdraft at 1 July 2012 was \$969,975 and 30 June 2013 was \$Nil.

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

24. RATING INFORMATION - 2012/13 FINANCIAL YEAR

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Prepaid Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Total Revenue \$
Differential General Rate											
GRV - General	0.0536	19,463	361,047,880	18,597,450	439,997	108,405	312,590	19,458,442	18,587,456	120,275	18,707,731
GRV - Industrial	0.0601	208	48,389,777	406,419	0	0	0	406,419	2,907,268	0	2,907,268
GRV - Commercial	0.0563	252	28,441,448	2,895,945	0	0	0	2,895,945	1,600,546	30,069	1,630,615
UV - General	0.0255	237	168,946,974	1,610,738	0	0	0	1,610,738	423,643	0	423,643
UV - Commercial	0.0268	67	44,749,540	115,856	0	0	0	115,856	120,439	0	120,439
Sub-Totals		20,227	651,575,619	23,626,408	439,997	108,405	312,590	24,487,400	23,639,352	150,344	23,789,696
Minimum Rates	Minimum \$										
GRV - General	693	2,335	23,084,695	1,617,462	0	0	0	1,617,462	1,618,155	0	1,618,155
GRV - Industrial	778	22	214,016	17,116	0	0	0	17,116	17,116	0	17,116
GRV - Commercial	728	36	336,224	26,208	0	0	0	26,208	26,208	0	26,208
UV - Commercial	728	3	291,249	2,184	0	0	0	2,184	2,184	0	2,184
Sub-Totals		2,396	23,926,184	1,662,970	0	0	0	1,662,970	1,663,663	0	1,663,663
								26,150,370			25,453,359
Discounts (refer note 27)								0			0
Ex-Gratia Rates								116,533			120,561
Total Amount Raised from General Rates								26,266,903			25,573,920

Ex Gratia Rates

	Rate Revenue 2013 \$	Budget Revenue 2013 \$
Dampier Pipeline Contribution	68,776	74,088
Co-operative Bulk Handling	47,757	46,473
Total Ex-Gratia Rates	116,533	120,561

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

24 RATING INFORMATION - 2012/13 FINANCIAL YEAR (Continued)

(b) Information on Surplus/(Deficit)	2013 (30 June 2013 Carried Forward) \$	2013 (1 July 2012 Brought Forward) \$	2012 (30 June 2012 Carried Forward) \$
Surplus/(Deficit) - Rate Setting Statement	<u><u>5,077,852</u></u>	<u><u>2,308,520</u></u>	<u><u>2,308,520</u></u>
<u>Comprises:</u>			
Cash - Unrestricted	4,210,073	2,546,335	2,546,335
Cash - Restricted - Grants	3,840,993	2,955,572	2,955,572
Cash - Restricted - Reserves	2,160,828	2,677,466	2,677,466
Rates - Current	446,288	814,280	814,280
Sundry Debtors	1,607,608	1,461,073	1,461,073
GST Receivable	302,199	296,733	296,733
Prepayments	97,199	122,231	122,231
Inventories			
- Fuel and Materials	156,335	201,276	201,276
Less:			
Reserves - Restricted Cash	(2,160,828)	(2,677,467)	(2,677,467)
Sundry Creditors	(2,527,806)	(3,011,686)	(3,011,686)
Bonds and Deposits	(1,934,891)	(2,299,902)	(2,299,902)
Accrued Expenses	(544,512)	(228,312)	(228,312)
Accrued Interest on Debentures	(158,426)	(168,728)	(168,728)
Accrued Salaries and Wages	(417,208)	(380,351)	(380,351)
Current Employee Benefits Provision	(2,142,560)	(1,935,725)	(1,935,725)
Add back			
Current Employee Benefits Provision	2,142,560	1,935,725	1,935,725
Surplus/(Deficit)	<u><u>5,077,852</u></u>	<u><u>2,308,520</u></u>	<u><u>2,308,520</u></u>

Difference:

There was no difference between the Surplus/(Deficit) 1 July 2012 Brought Forward position used in the 2013 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2012 audited financial report.

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

25. SPECIFIED AREA RATE - 2012/13 FINANCIAL YEAR

The Shire of Kalamunda raised no specified rates for the financial year 2012-13.

26. SERVICE CHARGES - 2012/13 FINANCIAL YEAR

The Shire of Kalamunda raised no service charges for the financial year 2012-13.

**27. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2012/13 FINANCIAL YEAR**

Pursuant to Section 6.46 of the *Local Government Act 1995*, Council offered the following incentive prizes to ratepayers for early payment of rates:

- 10 cash prizes of \$1,000 donated by the Shire of Kalamunda.
- 1 cash prize of \$1,000 donated by the Commonwealth Bank of Australia.
- 1 \$500 passbook account donated by the Bendigo Bank - Forrestfield & High Wycombe Community Bank.
- 3 double passes to concert performed and donated by the Western Australian Symphony Orchestra.
- 1 dinner voucher donated by Thai on the Hill.

28. INTEREST CHARGES AND INSTALMENTS - 2012/13 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%	0	159,075	268,989
Interest on Instalments Plan		0	0	0
Charges on Instalment Plan		6	115,734	140,000
			274,809	408,989

Ratepayers had 3 options available for the payment of their rates.

Option 1: Pay in Full by 18 September 2012.

Option 2: Pay in two equal instalments due on 18 September 2012 and 18 December 2012.

Option 3: Pay in four equal instalments due on 18th September 2012, 19th November 2012, 18th January 2013 and 19th March 2013.

Administration charges and interest applied for the final instalments.

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

29. FEES & CHARGES	2013	2012
	\$	\$
General Purpose Funding	239,124	264,017
Law, Order, Public Safety	192,000	163,562
Health	104,690	87,287
Education and Welfare	467,923	526,435
Community Amenities	7,505,220	7,158,927
Recreation and Culture	1,305,922	1,320,603
Transport	43,682	13,428
Economic Services	593,656	605,517
Other Property and Services	98,944	98,934
	<u>10,551,161</u>	<u>10,238,710</u>

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

30. GRANT REVENUE

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

By Nature and Type:	2013	2012
	\$	\$
Operating Grants, Subsidies and Contributions	5,645,098	6,325,930
Non-Operating Grants, Subsidies and Contributions	2,741,392	5,981,718
	<u>8,386,490</u>	<u>12,307,648</u>
By Program:		
Governance	2,188,283	2,751,598
Law, Order, Public Safety	191,785	143,280
Education and Welfare	2,968,958	2,775,672
Community Amenities	365,949	1,023,800
Recreation and Culture	299,736	988,691
Transport	2,368,779	4,609,925
Other Property and Services	3,000	14,682
	<u>8,386,490</u>	<u>12,307,648</u>

31. ELECTED MEMBERS REMUNERATION

	2013	2013	2012
	\$	Budget	\$
		\$	

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

Meeting Fees	92,393	91,000	91,000
President's Allowance	16,692	14,000	14,000
Deputy President's Allowance	2,900	2,900	2,844
IT Allowance	11,903	12,000	11,288
Telecommunications Allowance	33,267	28,000	30,495
Training and Conferences	5,568	0	0
Membership and Subscriptions	30,342	29,842	0
	<u>193,065</u>	<u>177,742</u>	<u>149,627</u>

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

32. EMPLOYEE NUMBERS	2013	2012
The number of full-time equivalent employees at balance date	<u>255</u>	<u>252</u>

33. MAJOR LAND TRANSACTIONS

The Shire of Kalamunda has no Major Land Transactions in 2012-13.

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2012/13 financial year.

35. SUBSEQUENT EVENTS

With reference to the proposed amalgamation of local governments effective from 1 July 2015, the Shire of Kalamunda has submitted a proposal to the Local Government Advisory Board (LGAB), pursuant to clause 2(1) of the Local Government Act 1995(the Act), that order be made by the Governor under Section 2.1 of the Act that the Districts of the Shire of Kalamunda and City of Belmont be abolished to form a new local government with additional amendments to district boundaries involving the Cities of Swan and Canning.
The decision from the LGAB was pending at the date of this report.

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

36. FINANCIAL RISK MANAGEMENT

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

Council 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 Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2013 \$	2012 \$	2013 \$	2012 \$
Financial Assets				
Cash and cash equivalents	10,211,894	8,179,373	10,211,894	8,179,373
Receivables	3,522,688	3,780,055	3,522,688	3,780,055
	<u>13,734,582</u>	<u>11,959,428</u>	<u>13,734,582</u>	<u>11,959,428</u>
Financial Liabilities				
Payables	5,582,843	6,088,978	5,582,843	6,088,978
Borrowings	8,110,051	9,639,468	7,717,093	9,186,525
	<u>13,692,894</u>	<u>15,728,446</u>	<u>13,299,936</u>	<u>15,275,503</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

36. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

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

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	2013 \$	2012 \$
Impact of a 10% (*) movement in price of investments:		
- Equity	1,593,757	1,342,093
- Statement of Comprehensive Income	1,593,757	1,342,093
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	102,119	81,793
- Statement of Comprehensive Income	102,119	81,793

Notes:

(*) Sensitivity percentages based on management's expectation of future possible market movements.

Recent market volatility has seen large market movements for certain types of investments.

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

36. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

Council's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. Council 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 Council to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. Council 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.

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

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

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

	2013	2012
Percentage of Rates and Annual Charges		
- Current	49.05%	49.43%
- Overdue	50.95%	50.57%
Percentage of Other Receivables		
- Current	96.91%	96.37%
- Overdue	3.09%	3.63%

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

36. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2013</u>					
Payables	5,582,843	0	0	5,582,843	5,582,843
Borrowings	1,070,357	4,094,686	6,784,918	11,949,961	8,110,051
	<u>6,653,200</u>	<u>4,094,686</u>	<u>6,784,918</u>	<u>17,532,804</u>	<u>13,692,894</u>
<u>2012</u>					
Payables	6,088,978	0	0	6,088,978	6,088,978
Borrowings	1,071,094	4,234,004	7,715,957	13,021,055	9,639,468
	<u>7,160,072</u>	<u>4,234,004</u>	<u>7,715,957</u>	<u>19,110,033</u>	<u>15,728,446</u>

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

36. FINANCIAL RISK MANAGEMENT (Continued)

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

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

The following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	<u><1 year</u>	<u>>1<2 years</u>	<u>>2<3 years</u>	<u>>3<4 years</u>	<u>>4<5 years</u>	<u>>5 years</u>	<u>Total</u>	<u>Weighted Average Effective Interest Rate</u>
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year Ended 30 June 2013</u>								
Borrowings								
Fixed Rate								
Debentures	0	134,201	0	0	546,635	7,429,215	8,110,051	5.99%
Weighted Average Effective Interest Rate	0.00%	5.90%	0.00%	0.00%	6.12%	5.98%		
<u>Year Ended 30 June 2012</u>								
Borrowings								
Fixed Rate								
Debentures	0	0	195,675	0	0	8,473,818	8,669,493	6.00%
Weighted Average Effective Interest Rate	0.00%	0.00%	5.90%	0.00%	0.00%	6.00%		

The Independent Audit Report will be Provided by your Auditor

The Independent Audit Report will be Provided by your Auditor

**SHIRE OF KALAMUNDA
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2013**

RATIO INFORMATION

The following information relates to these ratios which only require attestation they have been checked and are supported by verifiable information.

	2013	2012	2011
Asset Consumption Ratio	0.812	N/A	N/A
Asset Renewal Funding Ratio	0.981	N/A	N/A

The above ratios are calculated as follows:

Asset Consumption Ratio $\frac{\text{depreciated replacement cost of assets}}{\text{current replacement cost of depreciable assets}}$

Asset Renewal Funding Ratio $\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

N/A -In keeping with amendments to Local Government (Financial Management) Regulation 50, comparatives for the two preceeding years (being 2012 and 2011) have not been reported as financial information is not available.



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2 December 2013

Ms Rhonda Hardy
Chief Executive Officer
Shire of Kalamunda
PO Box 42
KALAMUNDA WA 6926



Dear Rhonda

**AUDIT OF SHIRE KALAMUNDA
FOR THE YEAR ENDED 30 JUNE 2013**

We advise that we have completed the audit of your Shire for the year ended 30th June 2013 and enclose our Audit Report and a copy of the Management Report.

A copy of the Audit Report and Management Report has also been sent directly to the President as is required by the Act.

We would like to take this opportunity to thank you and your staff for the assistance provided during the audit.

Please contact us if you have any queries.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'David Tomasi'.

DAVID TOMASI
PARTNER

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF KALAMUNDA**

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of the Shire of Kalamunda, which comprises the statement of financial position as at 30 June 2013, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL REPORT

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

AUDITOR'S RESPONSIBILITY

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

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

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

AUDITOR'S OPINION

In our opinion, the financial report of the Shire of Kalamunda is in accordance with the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended), including:

- a. giving a true and fair view of the Shire's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- b. complying with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF KALAMUNDA (CONTINUED)**

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

During the course of the audit we became aware of the following instances where the Council did not comply with the Local Government (Financial Management) Regulations 1996 (as amended):

Monthly Statement of Financial Activity

The monthly statement of financial activity for the month of July 2012 was not presented to Council within two (2) months as required by Financial Management Regulation 34(4)(a).

Annual Financial Report

The Annual Financial Report for the year ended 30 June 2012 was not submitted to the Director General of the Department within 30 days of the auditor's report becoming available as required by Financial Management Regulation 51 (2).

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

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) No other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 62 of this report, we have reviewed the calculation as presented and nothing has come to our attention to suggest it is not:
 - i) reasonably calculated; and
 - ii) based on verifiable information.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

Date: 2 December 2013
Perth, WA

UHY HAINES NORTON
CHARTERED ACCOUNTANTS



DAVID TOMASI
PARTNER

2 December 2013

Cr S Bilich
The Shire President
Shire of Kalamunda
PO Box 42
KALAMUNDA WA 6926

Dear Cr Bilich



MANAGEMENT REPORT FOR THE YEAR ENDED 30TH JUNE 2013

We advise that we have completed our audit procedures for the year ended 30th June 2013 and enclose our Audit Report.

We are required under the Local Government Audit Regulations to report certain compliance matters in our audit report. Other matters which arise during the course of our audit that we wish to bring to Council's attention are raised in this management report.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures which may exist.

However, we aim to use our knowledge of the Shire's organisation gained during our work to make comments and suggestions which, we hope, will be useful to you.

COMMENT ON RATIOS

Due to legislative changes, this year saw the introduction of six new ratios in the financial report. Seven of the eight reported in previous years were removed with only the Current Ratio remaining.

Whilst we accept it may take some time for the implication of these newer ratios to be fully understood, we thought we would take this opportunity to make some comments in relation to them.

Current Ratio

Debt Service Cover Ratio

Own Source Revenue Coverage Ratio

Asset Consumption Ratio

Asset Renewal Funding Ratio

All of these ratios appear to be above industry benchmark levels or operating within acceptable limits.

General Management Response

The Shire has been aggressively reviewing its revenue and expenditure lines for the last two years with the object of improving its liquidity. This is evidenced by the fact that the Shire has significantly improved its Current Ratio which currently stands at 1.16. This is above the preferred benchmark of 1:1 and 0.138:1 of two years ago.

COMMENT ON RATIOS (CONTINUED)

Two of the ratios are currently outside industry benchmarks and we comment on them as follows:

Operating Surplus Ratio

The Operating Surplus Ratio measures Council's financial sustainability having regard to asset management and the community's service level needs.

A negative ratio indicates the local government is experiencing an operating deficit. A sustained period of deficits will erode Council's ability to maintain both its operational service level and asset base over the longer term.

The operating surplus ratio for the year ended 30 June 2013 is -0.022. This includes the one off and non cash impact of significant revenue items relating to the initial recognition of Land under the Shire's control as required by the Local Government (Financial Management) Regulations 1996 and the significant expense as a result of asset write offs totalling \$2,975,070. If Council's operating result did not include the initial recognition of land and the asset write offs mentioned above, the operating surplus ratio for the 2013 financial year would be -0.004 (2012: 0.020, 2011: 0.332).

In raising this point, we acknowledge this is a new ratio this year and we accept it may take some time for its implication to be fully understood. Whilst it appears to be trending downwards over the last three years, it is the first year (of the last three) it has slipped into negative territory.

We will continue to monitor this ratio in future financial years and suggest it prudent for Council and management to do so also as they strive to manage the scarce resources of the Shire.

Management Response

The Shire accepts that the Operating Surplus Ratio is below the preferred benchmark of between 1% and 15% indicating a local government has insufficient surplus funds after operations to fund its capital expenditure. The Shire will address this matter over the next few years as part of its Long Term Financial Plan.

Reason: The reason for this has been due to higher operating expenditure during 2012/2013, such as depreciation, utility costs and maintenance, which has had a significant impact on this ratio.

Asset Sustainability Ratio

This ratio measures the extent to which assets are being renewed/replaced compared to the amount consumed (depreciation).

A ratio less than 0.90 indicates the local government is having difficulty undertaking a sustained capital investment program sufficient to renew/replace assets while also negating the effect of inflation on purchasing power over time.

The Asset Sustainability Ratio for the year ended 30 June 2013 is 0.395 (2012: 0.957, 2011:0.810).

When this ratio is below 0.90, it should prompt a review of depreciation rates and asset valuations to ensure they are reasonable and are generating reliable representative depreciation expenditure.

Depending on the outcome of the depreciation and asset valuation reviews, it may also prompt a review of operations with a view to assessing the revenue raising capacity necessary to support the ongoing asset base. Interpretation of this ratio is much

COMMENT ON RATIOS (CONTINUED)

Asset Sustainability Ratio (Continued)

In raising this point, it is acknowledged this is a new ratio and may take some time to be fully understood. Also, 2012 and 2011 approached the lower benchmark rate and 2013 may only be a one year aberration. Interpretation of this ratio is much improved if it is calculated as an average over time (at least 5 years) as this reduces skewing by large scale intermittent investment in major infrastructure.

Nonetheless, Council and management should continue to monitor this ratio in the future as it attempts to fully understand the trend.

Management Response

The Shire accepts that it is below the preferred benchmark of between 0.9:1 and 1.1:1.

To address this issue over the next few years, stronger emphasis will be placed on the renewal and replacement of assets rather than the creation of new assets combined with a review of its depreciation. The Asset Management Plan and Long Term Financial Plan will address this over the next few years.

Reason: Capital expenditure over the past 2-3 years has focused on new assets and not the renewal and replacement of existing assets. Depreciation has exceeded the amount being spent on sustaining existing assets. This has occurred due to significant capital expenditure being incurred on new assets such as the Zig Zag Culture Centre, two new buildings at the depot, and significant capital expenditure on new roads. The increase in depreciation from these new assets has had a detrimental impact on the sustainability ratio.

We noted no other matters we wish to draw to Council's attention.

UNCORRECTED MISSTATEMENTS

We advise there were no uncorrected misstatements noted by us during the course of our audit.

We take this opportunity to thank the Chief Executive Officer, Director Corporate Services, Finance Manager and all staff for the assistance provided during the audit.

Should you wish to discuss any matter relating to the audit or any other matter, please do not hesitate to contact us.

Yours faithfully



DAVID TOMASI
PARTNER

7.0 CLOSURE