

**SHIRE OF KALAMUNDA**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**TABLE OF CONTENTS**

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and Forming Part of the Financial Report	9-57
Independent Audit Report	58-60
Supplementary Ratio Information	61
Principal place of business: Address 2 Railway Road KALAMUNDA WA 6076	

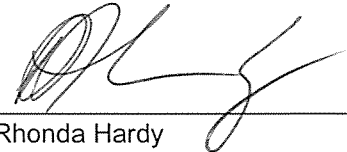
**SHIRE OF KALAMUNDA  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**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 30 June 2015 are in my opinion properly drawn up to present fairly the financial position of the Shire of Kalamunda at 30th June 2015 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 10 day of November 2015.



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Rhonda Hardy  
Chief Executive Officer

**SHIRE OF KALAMUNDA**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

	NOTE	2015 \$	2015 Budget \$	2014 \$
<b>Revenue</b>				
Rates	23	30,592,405	30,796,746	28,939,389
Operating Grants and Subsidies	29	6,868,761	5,539,001	4,613,487
Contributions, Reimbursements and Donations		929,560	1,200,297	1,272,448
Fees and Charges	28	13,313,684	13,482,144	12,139,767
Interest Earnings	2(a)	1,155,674	1,079,306	1,078,473
Other Revenue		54,602	56,624	84,591
		<u>52,914,686</u>	<u>52,154,118</u>	<u>48,128,155</u>
<b>Expenses</b>				
Employee Costs		(23,036,210)	(23,161,119)	(21,036,954)
Materials and Contracts		(17,422,883)	(18,148,445)	(15,547,933)
Utility Charges		(2,410,918)	(2,399,729)	(2,276,340)
Depreciation on Non-Current Assets	2(a)	(7,556,640)	(9,965,687)	(9,415,093)
Interest Expenses	2(a)	(430,780)	(483,408)	(467,458)
Insurance Expenses		(608,348)	(675,262)	(637,498)
Other Expenditure		(1,166,118)	(1,426,587)	(1,572,183)
		<u>(52,631,897)</u>	<u>(56,260,237)</u>	<u>(50,953,459)</u>
		282,789	(4,106,119)	(2,825,304)
Non-Operating Grants, Subsidies and Contributions	29	3,951,296	6,149,412	2,143,712
Fair Value Adjustments to financial assets at fair value through profit or loss:				
Increase in Equity in EMRC	2(a)	2,280,458	3,333,710	6,778,647
Profit on Asset Disposals	21	25,577	355,545	26,605
Loss on Asset Disposals	21	(502,036)	(20,000)	(111,802)
<b>NET RESULT</b>		<b>6,038,084</b>	<b>5,712,548</b>	<b>6,011,858</b>
<b>Other Comprehensive Income</b>				
Changes on Revaluation of Non-Current Assets	13	83,382,588	(215,000)	1,897,498
Capital (Developer) - Contributions	12	1,932,377	0	0
<b>Total Other Comprehensive Income</b>		<u>85,314,965</u>	<u>(215,000)</u>	<u>1,897,498</u>
<b>Total Comprehensive Income</b>		<u>91,353,049</u>	<u>5,497,548</u>	<u>7,909,356</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 2015**

	NOTE	2015 \$	2015 Budget \$	2014 \$
<b>Revenue</b>				
Governance		88,389	169,167	111,318
General Purpose Funding		35,638,730	34,240,791	31,406,406
Law, Order, Public Safety		480,016	360,377	592,064
Health		231,593	226,278	247,114
Education and Welfare		3,697,154	3,687,189	3,538,423
Community Amenities		10,237,400	10,843,888	9,198,825
Recreation and Culture		1,670,027	1,701,469	1,954,410
Transport		27,769	90,000	201,197
Economic Services		440,217	518,329	560,306
Other Property and Services		403,391	316,630	318,092
	<b>2(a)</b>	<u>52,914,686</u>	<u>52,154,118</u>	<u>48,128,155</u>
<b>Expenses</b>				
Governance		(3,124,093)	(3,134,685)	(2,998,502)
General Purpose Funding		(803,302)	(705,832)	(769,076)
Law, Order, Public Safety		(1,619,923)	(1,813,245)	(1,506,078)
Health		(1,077,962)	(1,082,224)	(971,854)
Education and Welfare		(4,460,315)	(4,183,696)	(3,919,219)
Community Amenities		(12,743,780)	(14,207,261)	(12,734,178)
Recreation & Culture		(17,919,375)	(20,248,648)	(18,099,939)
Transport		(8,168,074)	(8,626,811)	(7,759,809)
Economic Services		(1,051,604)	(1,000,819)	(904,910)
Other Property and Services		(1,232,690)	(773,608)	(822,436)
	<b>2(a)</b>	<u>(52,201,118)</u>	<u>(55,776,829)</u>	<u>(50,486,001)</u>
<b>Financial Costs</b>				
Other Property and Services		(430,780)	(483,408)	(467,458)
	<b>2(a)</b>	<u>(430,780)</u>	<u>(483,408)</u>	<u>(467,458)</u>
<b>Fair value Adjustments to Financial Assets at Fair Value through Profit or Loss</b>				
General Purpose Funding		2,280,458	3,333,710	6,778,647
	<b>2(a)</b>	<u>2,280,458</u>	<u>3,333,710</u>	<u>6,778,647</u>
<b>Non-Operating Grants, Subsidies and Contributions</b>				
Law, Order, Public Safety		95,638	0	0
Health		8,966	0	0
Recreation & Culture		3,616,086	4,066,796	375,251
Transport		230,606	2,082,616	1,768,461
		<u>3,951,296</u>	<u>6,149,412</u>	<u>2,143,712</u>
<b>Profit/(Loss) on Disposal of Assets</b>				
Education and Welfare		(33,417)	0	(15,578)
Community Amenities		(385,952)	350,000	2,882
Recreation & Culture		0	0	(33,355)
Transport		0	5,545	5,273
Other Property and Services		(57,091)	(20,000)	(44,419)
	21	<u>(476,460)</u>	<u>335,545</u>	<u>(85,197)</u>
<b>Net Result</b>		<b>6,038,083</b>	<b>5,712,548</b>	<b>6,011,858</b>
<b>Other Comprehensive Income</b>				
Changes on revaluation of non-current assets	13	83,382,588	(215,000)	1,897,498
Capital (Developer) - Contributions	12	1,932,377	0	0
<b>Total Other Comprehensive Income</b>		<u>85,314,965</u>	<u>(215,000)</u>	<u>1,897,498</u>
<b>Total Comprehensive Income</b>		<u><b>91,353,048</b></u>	<u><b>5,497,548</b></u>	<u><b>7,909,356</b></u>

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

**SHIRE OF KALAMUNDA  
STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2015**

	NOTE	2015 \$	2014 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	3	20,522,982	10,266,124
Trade and Other Receivables	5	2,082,181	2,007,512
Inventories	6	498,601	493,385
<b>TOTAL CURRENT ASSETS</b>		<u>23,103,764</u>	<u>12,767,021</u>
<b>NON-CURRENT ASSETS</b>			
Other Receivables	5	855,448	866,327
Inventories	6	300,707	0
Investments	4	24,996,679	22,716,221
Property, Plant and Equipment	7	154,922,420	158,016,926
Infrastructure	8	241,179,282	158,952,206
<b>TOTAL NON-CURRENT ASSETS</b>		<u>422,254,536</u>	<u>340,551,680</u>
<b>TOTAL ASSETS</b>		<u>445,358,300</u>	<u>353,318,702</u>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	9	6,474,819	5,465,877
Current Portion of Long Term Borrowings	10	593,852	593,215
Provisions	11	2,619,690	2,373,857
<b>TOTAL CURRENT LIABILITIES</b>		<u>9,688,361</u>	<u>8,432,949</u>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Borrowings	10	6,293,947	6,923,621
Provisions	11	704,550	643,738
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>6,998,497</u>	<u>7,567,359</u>
<b>TOTAL LIABILITIES</b>		<u>16,686,858</u>	<u>16,000,308</u>
		<u>428,671,442</u>	<u>337,318,394</u>
<b>EQUITY</b>			
Retained Surplus		205,253,251	205,879,928
Reserves - Cash Backed	12	11,208,096	2,610,960
Revaluation Surplus	13	212,210,094	128,827,506
<b>TOTAL EQUITY</b>		<u>428,671,442</u>	<u>337,318,394</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 2015**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2013</b>		<b>200,318,202</b>	<b>2,160,828</b>	<b>126,930,008</b>	<b>329,409,038</b>
Comprehensive Income					
Net Result		6,011,858	0	0	6,011,858
Changes on Revaluation of Non-Current Assets	13	0	0	1,897,498	1,897,498
Total Comprehensive Income		6,011,858	0	1,897,498	7,909,356
Other					
Transfers from/(to) Reserves		(450,132)	450,132	0	0
<b>Balance as at 30 June 2014</b>		<b>205,879,928</b>	<b>2,610,960</b>	<b>128,827,506</b>	<b>337,318,394</b>
Comprehensive Income					
Net Result from ordinary operations		6,038,083	0	0	6,038,083
Transfer of Developer contributions		1,932,377	0	0	1,932,377
Changes on Revaluation of Non-Current Assets	13	0	0	83,382,588	83,382,588
Total Comprehensive Income		7,970,460	0	83,382,588	91,353,048
Other					
Transfers from/(to) Reserves		(8,597,136)	8,597,136	0	0
<b>Balance as at 30 June 2015</b>		<b>205,253,251</b>	<b>11,208,096</b>	<b>212,210,094</b>	<b>428,671,442</b>

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 2015**

	NOTE	2015 \$	2015 Budget \$	2014 \$
<b>Cash Flows From Operating Activities</b>				
<b>Receipts</b>				
Rates		30,814,251	30,737,854	28,499,903
Grants and Subsidies - Operating		6,868,761	6,302,078	4,613,487
Contributions, Reimbursements and Donations		929,560	1,200,297	1,186,704
Fees and Charges		11,503,387	13,482,144	12,135,390
Interest Earnings		1,155,674	1,079,306	1,078,473
Goods and Services Tax		2,420,722	3,015,082	843,948
Other Revenue		54,602	56,624	84,591
		<u>53,746,957</u>	<u>55,873,385</u>	<u>48,442,496</u>
<b>Payments</b>				
Employee Costs		(23,292,640)	(23,409,119)	(20,595,031)
Materials and Contracts		(15,844,175)	(18,486,514)	(12,899,102)
Utility Charges		(2,410,918)	(2,399,729)	(2,276,340)
Interest Expenses		(442,094)	(675,262)	(477,915)
Insurance Expenses		(608,348)	(494,722)	(637,498)
Goods and Services Tax		(959,959)	(2,346,408)	(2,832,295)
Other Expenditure		(1,166,118)	(1,426,587)	(511,630)
		<u>(44,724,252)</u>	<u>(49,238,341)</u>	<u>(40,229,811)</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	14(b)	<u>9,022,705</u>	<u>6,635,044</u>	<u>8,212,685</u>
<b>Cash Flows from Investing Activities</b>				
Payments for Development of Land Held for Resale		0	(10,000)	(1,707)
Payments for Purchase of Property, Plant & Equipment		(2,177,538)	(2,343,849)	(3,422,457)
Payments for Construction of Infrastructure		(3,666,949)	(11,472,460)	(6,679,969)
Non-Operating Grants, Subsidies and Contributions		5,883,673	6,149,412	2,143,712
Proceeds from Sale of Fixed Assets	21	1,760,104	627,100	345,802
<b>Net Cash Provided by (Used in) Investment Activities</b>		1,799,290	(7,049,797)	(7,614,619)
<b>Cash Flows from Financing Activities</b>				
Repayment of Debentures		(629,037)	(629,123)	(593,215)
Proceeds from Self Supporting Loans		63,900	65,590	49,379
<b>Net Cash Provided By (Used In) Financing Activities</b>		(565,137)	(563,533)	(543,836)
<b>Net Increase (Decrease) in Cash Held</b>		10,256,858	(978,287)	54,230
Cash at Beginning of Year		10,266,124	10,356,998	10,211,894
<b>Cash and Cash Equivalents at the End of the Year</b>	14(a)	<u><u>20,522,982</u></u>	<u><u>9,378,711</u></u>	<u><u>10,266,124</u></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 2015**

	NOTE	2015 Actual \$	2015 Budget \$	2014 Actual \$
<b>Revenue</b>				
Governance		88,389	169,167	111,318
General Purpose Funding		7,326,783	6,777,754	9,245,664
Law, Order, Public Safety		575,654	360,377	592,064
Health		240,559	226,278	247,114
Education and Welfare		3,697,154	3,687,189	3,538,423
Community Amenities		10,262,977	11,193,888	9,207,916
Recreation and Culture		5,286,113	5,768,266	2,329,661
Transport		258,375	2,178,161	1,974,931
Economic Services		440,217	518,329	560,306
Other Property and Services		403,390	316,630	330,333
		<u>28,579,611</u>	<u>31,196,039</u>	<u>28,137,730</u>
<b>Expenses</b>				
Governance		(3,124,093)	(3,134,684)	(2,998,502)
General Purpose Funding		(803,302)	(705,832)	(769,076)
Law, Order, Public Safety		(1,619,923)	(1,813,245)	(1,506,078)
Health		(1,077,962)	(1,082,224)	(971,854)
Education and Welfare		(4,493,732)	(4,183,696)	(3,934,797)
Community Amenities		(13,155,309)	(14,207,261)	(12,740,387)
Recreation and Culture		(17,919,375)	(20,248,648)	(18,133,294)
Transport		(8,168,074)	(8,626,811)	(7,759,809)
Economic Services		(1,051,603)	(1,000,819)	(904,910)
Other Property and Services		(1,720,560)	(1,277,018)	(1,346,555)
		<u>(53,133,933)</u>	<u>(56,280,238)</u>	<u>(51,065,262)</u>
<b>Net Result Excluding Rates</b>		(24,554,325)	(25,084,199)	(22,927,533)
<b>Adjustments for Cash Budget Requirements:</b>				
(Profit)/Loss on Asset Disposals	21	476,459	(335,545)	85,197
Movement in Deferred Pensioner Rates (Non-Current)		(58,788)	(36,000)	7,947
Movement in Employee Benefit Provisions		306,645	537,505	295,870
Deferment of Loan Repayment (Non-Current)		(309)	0	0
Write off		0	0	141,479
Land Resumption Costs		0	0	926,859
EMRC Contribution (non-cash)	2(a)	(2,280,458)	(3,333,710)	(6,778,647)
Depreciation and Amortisation on Assets	2(a)	7,556,640	9,965,687	9,415,093
<b>Capital Expenditure and Revenue</b>				
Purchase Land Held for Resale		0	0	(1,707)
Land Development Costs	7(a)	(5,300)	(10,000)	(1,811)
Purchase Land and Buildings	7(a)	(1,596,994)	(1,948,976)	(1,560,572)
Purchase Furniture and Equipment	7(a)	(162,102)	(145,283)	(1,349,450)
Purchase Plant and Equipment	7(a)	(413,139)	(249,590)	(510,624)
Purchase Roads	8(a)	(1,549,749)	(4,039,433)	(3,937,537)
Purchase Footpaths	8(a)	(197,704)	(873,561)	(346,399)
Purchase Drainage	8(a)	(122,942)	(666,903)	(689,168)
Purchase Parks & Ovals	8(a)	(1,510,945)	(5,718,588)	(1,335,447)
Purchase Other Infrastructure	8(a)	(285,609)	(173,975)	(371,418)
Proceeds from Disposal of Fixed Assets	21	1,760,104	627,100	158,715
Repayment of Debentures	22(a)	(629,037)	(629,123)	(593,215)
Proceeds from Self Supporting Loans		63,900	65,590	49,379
Capital (Developer) - Contributions		1,932,377	0	0
Transfers to Reserves (Restricted Assets)	12	(10,041,261)	(2,504,813)	(2,173,273)
Transfers from Reserves (Restricted Assets)	12	1,444,125	3,171,000	1,723,140
Estimated Surplus/(Deficit) July 1 B/Fwd	23(b)	4,244,120	2,875,530	5,077,852
Estimated Surplus/(Deficit) June 30 C/Fwd	23(b)	4,968,115	2,289,459	4,244,120
<b>Total Amount Raised from General Rate</b>	23(a)	<u>(30,592,407)</u>	<u>(30,796,746)</u>	<u>(28,939,389)</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 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

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

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

**Critical Accounting Estimates**

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

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

**The Local Government Reporting Entity**

All Funds through which the 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. A separate statement of those monies appears at Note 20. to these financial statements.

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

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

Receivables and payables are stated inclusive of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(c) Cash and Cash Equivalents**

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

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

**(d) Trade and Other Receivables**

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

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

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

**(e) Inventories**

***General***

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

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

***Land Held for Sale***

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

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

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

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(f) Fixed Assets**

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

***Mandatory Requirement to Revalue Non-Current Assets***

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

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.

In 2013, Council 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 was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or Regional significance.

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

Whilst they were initially recorded at cost, fair value at the date of acquisition was deemed cost as per AASB 116.

Consequently, these assets were initially recognised at cost but revalued along with other items of Land and Buildings at 30 June 2014.

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

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

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

***Initial Recognition and Measurement between Mandatory Revaluation Dates***

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

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

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

***Revaluation***

Increases in the carrying amount arising on revaluation of assets classes are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity.

***Land Under Roads***

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

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

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

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

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

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

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

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

***Depreciation***

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

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

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

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

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 in the period in which they arise.

***Capitalisation Threshold***

Expenditure on items of land under \$1, IT Software under \$30,000 and all other assets under \$3,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

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

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

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

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

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

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

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

***Fair Value Hierarchy***

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

**Level 1**

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

**Level 2**

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

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

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

***Valuation techniques***

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

**Market approach**

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

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDING 30TH JUNE 2015**

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

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

**Income approach**

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

**Cost approach**

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

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

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years.

**(h) 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 (i.e. trade date accounting is adopted).

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

***Classification and Subsequent Measurement***

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

Amortised cost is calculated as:

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

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

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

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

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

***Classification and Subsequent Measurement (Continued)***

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

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

*(ii) Loans and receivables*

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

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

*(iii) Held-to-maturity investments*

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

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

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

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

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

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

*(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.



**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

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

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

***Impairment***

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

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

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

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

***Derecognition***

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

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

**(i) Impairment of Assets**

In accordance with Australian Accounting Standards the 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 (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

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

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(j) 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.

**(k) Employee Benefits**

**Short-Term Employee Benefits**

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

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

**Other Long-Term Employee Benefits**

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

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

**(l) Borrowing Costs**

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

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(m) Provisions**

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

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

**(n) Leases**

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

**(o) Investment in Associates**

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

The carrying amount of the investment includes, where applicable, 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.

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

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(p) Interests in Joint Arrangements**

The Shire'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 17.

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

When the Shire contributes assets to the joint venture or if the Shire purchases assets from the joint venture, only the portion of the gain or loss not attributable to the Shire's share of the joint venture shall be recognised. The Shire 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.

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

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

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

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

**(r) Superannuation**

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

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

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the 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 sale where it is held as non-current based on the Council's intentions to release for sale.

**(t) Rounding Off Figures**

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

**SHIRE OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(u) 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, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

**(v) Budget Comparative Figures**

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

**SHIRE OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

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

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

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

	<b>Title</b>	<b>Issued / Compiled</b>	<b>Applicable <sup>(1)</sup></b>	<b>Impact</b>
(i)	AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the Standard will have any material effect.
(ii)	AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	September 2012	1 January 2018	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, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]

**SHIRE OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
<p>(iii) AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments</p> <p>[Operative date: Part C Financial Instruments - 1 January 2015]</p>	December 2013	Refer title column	<p>Part C of this Standard makes consequential amendments to AASB 9 and numerous other Standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value.</p> <p>As the bulk of changes relate either to editorial or reference changes it is not expected to have a significant impact on the Council.</p>
<p>(iv) AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations</p> <p>[AASB 1 &amp; AASB 11]</p>	August 2014	1 January 2016	<p>This Standard amends AASB 11: <i>Joint Arrangements</i> to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: <i>Business Combinations</i>, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.</p> <p>Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the Council's financial statements.</p>

**SHIRE OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
<p>(v) AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation</p> <p>[AASB 116 &amp; 138]</p>	<p>August 2014</p>	<p>1 January 2016</p>	<p>This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.</p> <p>Given the Council currently uses the expected pattern of consumption the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.</p>
<p>(vi) AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15</p>	<p>December 2014</p>	<p>1 January 2017</p>	<p>Consequential changes to various Standards arising from the issuance of AASB 15.</p> <p>It will require changes to reflect the impact of AASB 15.</p>
<p>(vii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</p> <p>[AASB 7, 101, 134 &amp; 1049]</p>	<p>January 2015</p>	<p>1 January 2016</p>	<p>This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements.</p> <p>This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column.</p> <p>It is not anticipated it will have any significant impact on disclosures.</p>



**SHIRE OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(viii) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality	January 2015	1 July 2015	This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing it to be completely withdrawn.  It is not anticipated it will have a significant impact as the principles of materiality remain largely unchanged.
(ix) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities  [AASB 10, 124 & 1049]	March 2015	1 July 2016	The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.  The Standard is expected to have a significant disclosure impact on the financial report of the Council as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.

Notes:

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

**(x) 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 were compiled, became mandatory and which were applicable to its operations.

These new and revised Standards were:

AASB 2011-7  
AASB 2012-3  
AASB 2013-3  
AASB 2013-8  
AASB 2013-9 Parts A & B

Most of the Standards adopted had a minimal effect on the accounting and reporting practices of the Council as they did not have a significant impact on the accounting or reporting practices or were either not applicable, 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.

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

2. REVENUE AND EXPENSES	2015 \$	2014 \$
<b>(a) Net Result</b>		
The Net Result includes:		
(i) Charging as an Expense:		
<b>Significant Expense</b>		
Transport	<u>0</u>	<u>926,859</u>
<p>This significant expense in 2014 relates to Land Resumption costs that were previously capitalised as Land asset when acquired in 2007 for the extension and construction of a road asset. In accordance with the Local Government (Financial Management) Regulation land under roads should not be recognised and were therefore expensed.</p>		
<b>Auditors Remuneration</b>		
<b>Current Auditor</b>		
- Audit of the annual financial report	19,500	0
- Audit and Acquittal of external funded projects	<u>0</u>	<u>0</u>
	<u>19,500</u>	<u>0</u>
<b>Previous Auditor</b>		
- Audit of the annual financial report	12,296	55,142
- Audit and Acquittal of external funded projects	<u>0</u>	<u>8,420</u>
	<u>12,296</u>	<u>63,562</u>
	<u>31,796</u>	<u>63,562</u>
<b>Depreciation</b>		
Buildings	1,705,367	3,351,230
Furniture and Equipment	500,407	453,466
Plant and Equipment	528,405	563,229
Roads	2,915,477	2,852,763
Footpaths	263,469	258,649
Drainage	398,925	394,858
Parks & Ovals	985,100	1,341,086
Other Infrastructure	<u>259,490</u>	<u>199,812</u>
	<u>7,556,640</u>	<u>9,415,093</u>
<b>Interest Expenses (Finance Costs)</b>		
Debentures ( <i>refer Note 22(a)</i> )	<u>430,780</u>	<u>467,458</u>
	<u>430,780</u>	<u>467,458</u>
(ii) Crediting as Revenue:		
<b>Significant Revenue</b>		
Increase in Equity Value		
Eastern Metropolitan Regional Council (EMRC)	<u>2,280,458</u>	<u>6,778,647</u>
	<u>2,280,458</u>	<u>6,778,647</u>

**SHIRE OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(a) Net Result**

	<b>2015 Actual \$</b>	<b>2015 Budget \$</b>	<b>2014 Actual \$</b>
<b>Interest Earnings</b>			
- Self Supporting Loans	28,031	36,100	34,904
- Reserve Funds	54,977	122,961	56,422
- Other Funds	604,048	490,002	567,219
Non-investments	110,099	90,000	93,726
Other Interest Revenue ( <i>refer note 27</i> )	358,519	340,243	326,202
	<u>1,155,674</u>	<u>1,079,306</u>	<u>1,078,473</u>

**(b) Statement of Objective**

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

**GOVERNANCE**

**Objective:**

To provide a decision making process for the efficient allocation of scarce resources.

**Activities:**

Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.

**GENERAL PURPOSE FUNDING**

**Objective:**

To collect revenue to allow for the provision of services.

**Activities:**

Rates, general purpose government grants and interest revenue.

**LAW, ORDER, PUBLIC SAFETY**

**Objective:**

To provide services to help ensure a safer and environmentally conscious community.

**Activities:**

Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.

**HEALTH**

**Objective:**

To provide an operational framework for environmental and community health.

**Activities:**

Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

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

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

**EDUCATION AND WELFARE**

**Objective:**

To provide services to disadvantaged persons, the elderly, children and youth.

**Activities:**

Provision and maintenance of home and community care programs, day care centres, youth services and other voluntary services.

**COMMUNITY AMENITIES**

**Objective:**

To provide services required by the community.

**Activities:**

Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes and public conveniences.

**RECREATION AND CULTURE**

**Objective:**

To establish and effectively manage infrastructure and resource which will help the social well being of the community.

**Activities:**

Maintenance of public halls, civic centres, aquatic centre, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.

**TRANSPORT**

**Objective:**

To provide safe, effective and efficient transport services to the community.

**Activities:**

Construction and maintenance of roads, footpaths, bridges, lighting and cleaning of streets.

**ECONOMIC SERVICES**

**Objective:**

To help promote the shire and its economic wellbeing.

**Activities:**

Tourism and area promotion, rural services and building control.

**OTHER PROPERTY AND SERVICES**

**Objective:**

To monitor and control council's overheads operating accounts.

**Activities:**

Private works operation, plant repair and operation costs and engineering operation costs.

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(c) Conditions Over Grants/Contributions**

<b>Grant/Contribution</b>	<b>Function/ Activity</b>	<b>Opening Balance <sup>(1)</sup> 01/07/13 \$</b>	<b>Received <sup>(2)</sup> 2013/2014 \$</b>	<b>Expended <sup>(3)</sup> 2013/14 \$</b>	<b>Closing Balance <sup>(1)</sup> 30/06/14 \$</b>	<b>Received <sup>(2)</sup> 2014/15 \$</b>	<b>Expended <sup>(3)</sup> 2014/15 \$</b>	<b>Closing Balance 30/06/15 \$</b>
Cat Module Implementation	Law, Order and Public Safety	19,425	0	(19,425)	0	0	0	0
State Emergency Services	Law, Order and Public Safety	795	66,375	(51,995)	15,175	58,625	(60,465)	13,335
SES Equipment	Law, Order and Public Safety	0	7,400	(5,940)	1,460	5,700	(7,160)	0
Bush Fire Brigade	Law, Order and Public Safety	0	148,252	(116,590)	31,662	126,999	(125,861)	32,800
Healthy Communities Initiative	Recreation and Culture	58,016	140,000	(192,198)	5,818	0	(5,818)	0
DSR - Kids Sport Program	Recreation and Culture	10,830	61,670	(70,938)	1,562	81,670	(78,440)	4,792
Darling Range Master Plan	Recreation and Culture	13,000	0	(13,000)	0	0	0	0
Hartfield Park Offset Proposal Funding	Community Amenities	107,488	0	(38,058)	69,430	0	(28,809)	40,621
Woodlupine Nature Play space	Community Amenities	0	0	0	0	0	0	0
Woodlupine family centre - CCTV camera	Community Amenities	0	0	0	0	8,966	0	8,966
Abernethy Road	Transport	308,915	0	(308,915)	0	0	0	0
Baden Road	Transport	50,934	359,803	(410,737)	0	0	0	0
Hale Road	Transport	114,267	0	(102,933)	11,334	0	(11,334)	0
Kalamunda/Fernan/Abernethy	Transport	666,666	0	0	666,666	0	(666,666)	0
Lot 24 Hardey Road East	Transport	0	12,125	0	12,125	0	0	12,125
Lot 47 Hardey Road East	Transport	0	15,572	0	15,572	0	0	15,572
Metro Local Government Reform	Governance	0	100,000	(93,768)	6,232	0	(6,232)	0
Bronze wing Grass Weed Control	Community Amenities	23,056	6,364	(24,622)	4,798	0	(4,798)	0
Weed Cycle at Lower Lesmurdie	Community Amenities	6,684	0	0	6,684	0	(6,684)	0
Water Conservation Project	Community Amenities	0	10,000	0	10,000	0	(10,000)	0
Banksia Woodland Project	Community Amenities	0	7,250	0	7,250	0	(1,460)	5,790
Pioneer park	Community Amenities	0	18,333	0	18,333	0	(18,333)	0
Ray Owen Sports Centre Kiosk	Community Amenities	0	11,973	0	11,973	0	(11,973)	0
Ray Owen Lighting Upgrade	Community Amenities	0	12,017	0	12,017	0	(12,017)	0
Hartfield Park Master plan	Community Amenities	0	150,000	(8,568)	141,432	3,005,000	(801,407)	2,345,025
Kostera Oval redevelopment project	Community Amenities	0	0	0	0	500,000	(222,372)	277,628
<b>Total</b>		<b><u>1,380,076</u></b>	<b><u>1,127,134</u></b>	<b><u>(1,457,687)</u></b>	<b><u>1,049,523</u></b>	<b><u>3,786,960</u></b>	<b><u>(2,079,829)</u></b>	<b><u>2,756,654</u></b>

**Notes:**

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

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

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

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

	Note	2015 \$	2014 \$
<b>3. CASH AND CASH EQUIVALENTS</b>			
Cash on Hand - Unrestricted		6,940	6,940
Cash at Bank - Municipal		9,307,946	7,648,223
Cash at Bank - Restricted Reserves		<u>11,208,096</u>	<u>2,610,961</u>
		<u>20,522,982</u>	<u>10,266,124</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
<b>Reserves - Restricted</b>			
Land and Property Enhancement and Maintenance Reserve	12	1,354,213	874,089
Waste Management Reserve	12	232,426	160,645
EDP Reserve	12	139,325	136,450
Local Government Election Reserve	12	50,000	0
Long Service Leave Reserve	12	1,060,585	275,403
Plant and Equipment Reserve	12	29,696	29,086
Stirk Park Reserve	12	25,897	25,364
HACC Reserve	12	1,220,151	582,781
Forrestfield Industrial Area Reserve	12	117,322	131,897
Insurance Contingency Reserve	12	172,542	168,984
Light Plant Reserve	12	35,033	34,313
Revaluation Reserve	12	244,811	138,886
Nominated Employee Leave Provisions Reserve	12	525,500	24,973
Unexpended Capital works and specific purpose grants	12	4,003,345	0
Forrestfield Industrial Area scheme stage 1 reserve	12	1,932,377	0
Environment Reserve	12	64,872	28,088
		<u>11,208,096</u>	<u>2,610,960</u>
<b>Municipal Cash - Restricted</b>			
Bonds		2,029,486	1,943,384
Conditional Unspent Grants and Contributions	2(c)	2,756,654	1,049,523
HACC Restricted		<u>0</u>	<u>574,875</u>
		<u>4,786,140</u>	<u>3,567,782</u>
Total Restricted		<u>15,994,236</u>	<u>6,178,742</u>
<b>4. INVESTMENTS</b>			
Financial assets at fair value through profit or loss		<u>24,996,679</u>	<u>22,716,221</u>
<b>Financial assets at fair value through profit or loss</b>			
At beginning of the year		22,716,221	15,937,574
Revaluation to Income Statement			
At end of the year		<u>2,280,458</u>	<u>6,778,647</u>
		<u>24,996,679</u>	<u>22,716,221</u>

The Shire held investments in the Eastern Metropolitan Regional Council (EMRC) as at 30 June 2015 (for details refer Note 17).

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>5. TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Rates Outstanding	613,087	893,721
Sundry Debtors	496,661	789,427
Prepayments	544,655	64,457
GST Receivable	361,706	199,911
Loans - Clubs/Institutions	66,073	59,997
	<u>2,082,181</u>	<u>2,007,512</u>
<b>Non-Current</b>		
Rates Outstanding - Pensioners	514,420	455,632
Loans - Clubs/Institutions	341,028	410,695
	<u>855,448</u>	<u>866,327</u>
<b>6. INVENTORIES</b>		
<b>Current</b>		
Fuel and Materials	111,941	107,318
Land Held for Resale - Cost		
- Cost of Acquisition	335,593	335,000
- Development Costs	51,067	51,067
	<u>498,601</u>	<u>493,385</u>
<b>Non-Current</b>		
Land Held for Resale - Cost		
- Cost of Acquisition	284,661	0
- Development Costs	16,046	0
	<u>300,707</u>	<u>0</u>
<b>7. PROPERTY, PLANT AND EQUIPMENT</b>		
Land and Buildings		
Freehold Land at:		
- Independent Valuation 2014	63,101,000	65,122,000
	<u>63,101,000</u>	<u>65,122,000</u>
Land Vested In and Under the Control of Council at:		
- Independent Valuation 2014	2,799,800	2,799,800
	<u>2,799,800</u>	<u>2,799,800</u>
Total Land	<u>65,900,800</u>	<u>67,921,800</u>
Buildings at:		
- Independent Valuation 2014	83,141,844	83,470,542
- Additions after Valuation - Cost	1,596,994	0
Less: Accumulated Depreciation	(1,700,064)	0
	<u>83,038,774</u>	<u>83,470,542</u>
Total Buildings	<u>83,038,774</u>	<u>83,470,542</u>
Total Land and Buildings	<u>148,939,574</u>	<u>151,392,342</u>

**SHIRE OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)</b>		
Furniture and Equipment at:		
- Cost	6,171,359	6,018,787
Less Accumulated Depreciation	<u>(4,436,080)</u>	<u>(3,935,914)</u>
	<u>1,735,279</u>	<u>2,082,873</u>
Plant and Equipment at:		
- Management Valuation 2013	4,356,073	4,575,226
- Additions after Valuation - Cost	923,763	510,624
Less Accumulated Depreciation	<u>(1,032,269)</u>	<u>(544,139)</u>
	<u>4,247,567</u>	<u>4,541,711</u>
	<u><u>154,922,420</u></u>	<u><u>158,016,926</u></u>

**Land and Buildings:**

The Shire of Kalamunda has undertaken an independent valuation as at 30 June 2014 of its Land and Buildings.

In relation to land and buildings, valuations were made on the basis of observable open market values of similar assets, adjusted for condition and comparability, at their current use (Level 2 inputs in the fair value hierarchy) and unobservable input being replacement cost based on hypothetical development plans (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 are varied, they have the potential to result in a significantly higher or lower fair value measurement.

With regards to specialised buildings, they were valued having regard for their current replacement cost utilising both observable and unobservable inputs, being construction costs based on recent contract prices, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs).

Given the significance of Level 3 inputs into the overall fair value measurement, these specialised building assets are deemed to have been valued using Level 3 inputs.

The revaluation of these assets resulted in an overall increase of \$1,897,498 in the net value of the Shire's land and buildings. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 13(a) for further details) and was recognised as Changes on Revaluation of non-current assets in the Statement of Comprehensive income.

With regards to land vested in and under the control of Council, these assets were originally recognised as at 30 June 2013 at deemed costs where cost was effectively the fair value at the date of recognition.



**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

As land vested in and under the control of Council is Crown Land restricted as to usage, it is not possible for an alternative usage to be considered when arriving at the fair value. In addition, due to its nature, any significant value attributable directly to the land would likely be offset by the need to return value to the Crown before any restriction is lifted, thus reducing the net fair value to nil.

Consequently, the original value of deemed costs was obtained having regard for the current replacement cost of the improvements of the land to allow for its current restricted usage.

These included both observable and unobservable inputs being construction costs based on recent contract prices, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs).

Given the significance of the Level 3 inputs into the overall fair value measurement, this land vested in and under the control of Council is deemed to have been valued using Level 3 inputs.

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.

Due to mandatory fair value measurement framework as detailed in Note 1(f), Land Vested in and under the control of Council required a fair value assessment to occur in the current year.

This was performed by independent valuers at 30 June 2014.

The valuation of land vested in and under the control of Council resulted in an overall increase of \$550,500 and was recognised as changes in revaluation of non-current assets in the Statement of Comprehensive income during the year along with the overall increase in the revaluation of Land and Buildings.

**Plant and Equipment:**

The plant and equipment was revalued in 2013 as part of the mandatory requirements embodied in Local Government (Financial Management) Regulation 17A.

Whilst the additions since that time are shown at cost, given that they were acquired at arms length and any accumulated depreciation reflects the usage potential, it is considered the recorded written down value approximates fair value. Thus the value is considered in accordance with Local Government (Financial Management) Regulation 17A (2) which requires these assets to be shown at fair value.

They will be revalued during the year ended 30 June 2016 in accordance with the mandatory asset measurement framework detailed at Note 1(f).

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**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.

		Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Reclassification \$	Carrying Amount at the End of Year \$
Freehold Land	(Level 2)	34,559,000	5,300	(1,725,000)	0	0	0	(301,300) <sup>(1)</sup>	32,538,000
Land	(Level 3)	30,563,000	0	0	0	0	0	0	30,563,000
Land Vested In and Under the Control of Council	(Level 3)	2,799,800	0	0	0	0	0	0	2,799,800
<b>Total Land</b>		<b>67,921,800</b>	<b>5,300</b>	<b>(1,725,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(301,300)</b>	<b>65,900,800</b>
Buildings	(Level 3)	83,470,542	1,596,994	(323,396)	0	0	(1,705,367)	0	83,038,774
<b>Total Buildings</b>		<b>83,470,542</b>	<b>1,596,994</b>	<b>(323,396)</b>	<b>0</b>	<b>0</b>	<b>(1,705,367)</b>	<b>0</b>	<b>83,038,774</b>
<b>Total Land and Buildings</b>		<b>151,392,342</b>	<b>1,602,294</b>	<b>(2,048,396)</b>	<b>0</b>	<b>0</b>	<b>(1,705,367)</b>	<b>(301,300)</b>	<b>148,939,574</b>
Furniture and Equipment		2,082,873	162,102	(9,290)	0	0	(500,407)	0	1,735,279
Plant and Equipment	(Level 3)	4,541,711	413,139	(178,877)	0	0	(528,405)	0	4,247,568
<b>Total Property, Plant and Equipment</b>		<b>158,016,926</b>	<b>2,177,536</b>	<b>(2,236,563)</b>	<b>0</b>	<b>0</b>	<b>(2,734,179)</b>	<b>(301,300)</b>	<b>154,922,420</b>

**Notes:**

**(1)** - Amount transferred to current assets - land held for resale

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>8. INFRASTRUCTURE</b>		
Roads		
- Independent valuation 2015	193,671,292	0
- Cost	0	145,273,626
Less Accumulated Depreciation	0	(33,196,075)
	193,671,292	112,077,551
Footpaths		
- Independent valuation 2015	15,398,876	0
- Cost	0	13,217,348
Less Accumulated Depreciation	0	(2,961,594)
	15,398,876	10,255,754
Drainage		
- Independent valuation 2015	11,544,373	0
- Management Valuation 2015	7,707,285	0
- Cost	0	31,813,226
Less Accumulated Depreciation	0	(5,694,667)
	19,251,658	26,118,559
Parks & Ovals		
- Independent valuation 2015	5,868,888	0
- Cost	0	18,435,081
Less Accumulated Depreciation	0	(11,519,069)
	5,868,888	6,916,012
Other Infrastructure		
- Independent valuation 2015	6,988,568	0
- Cost	0	4,555,903
Less Accumulated Depreciation	0	(971,573)
	6,988,568	3,584,330
	241,179,282	158,952,206

**Infrastructure Assets:**

The Shire of Kalamunda has undertaken an independent valuation as at 30 June 2015 of its Infrastructure Assets.

In relation to Infrastructure assets, valuations were made on the basis of unobservable input based on depreciation replacement cost (Level 3 inputs in the fair value hierarchy). The unit rates and valuation methodology was determined independently by an external valuer that conforms to industry standards.

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 are varied, they have the potential to result in a significantly higher or lower fair value measurement.

The revaluation of these assets resulted in an overall increase of \$83,382,588 in the net value of the Shire's Infrastructure assets . It is the Council Policy in relation to accounting for revaluation movements to treat categories as one class of asset, being Infrastructure. The sub-categories have been disclosed purely for reference purposes. As the Council deems these assets to be one class, any decrements are offset against increments within the same class of asset and the net credit/deficit is recognised in the Statement of Other Comprehensive income and the Revaluation Reserve. Should the decrements above not be netted off with the increments recognised it would result in a charge to the Statement of Comprehensive Income of \$8,163,588 The net result for the period would therefore be (\$2,125,505) and the Other Comprehensive Income for the period would be \$93,478,853

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**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.

		<b>Balance as at the Beginning of the Year</b>	<b>Additions</b>	<b>(Disposals)</b>	<b>Revaluation Increments/ (Decrements)</b>	<b>Impairment (Losses)/ Reversals</b>	<b>Depreciation (Expense)</b>	<b>Re-classification</b>	<b>Carrying Amount at the End of Year</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Roads	(Level 3)	112,077,551	1,549,749	0	82,959,470	0	(2,915,477)	0	193,671,294
Footpaths	(Level 3)	10,255,754	197,704	0	5,208,887	0	(263,469)	0	15,398,876
Drainage	(Level 3)	26,118,559	122,942	0	(6,590,920)	0	(398,925)	0	19,251,656
Parks & Ovals	(Level 3)	6,916,012	1,510,945	0	(1,572,968)	0	(985,100)	0	5,868,888
Other Infrastructure	(Level 3)	3,584,330	285,609	0	3,378,119	0	(259,490)	0	6,988,568
<b>Total</b>		<b><u>158,952,206</u></b>	<b><u>3,666,949</u></b>	<b><u>0</u></b>	<b><u>83,382,588</u></b>	<b><u>0</u></b>	<b><u>(4,822,461)</u></b>	<b><u>0</u></b>	<b><u>241,179,282</u></b>

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>9. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Sundry Creditors	3,534,421	2,528,961
Bonds and Deposits	2,029,486	1,943,384
Accrued Expenses	748,641	282,302
Accrued Interest on Debentures	136,655	147,969
Accrued Salaries and Wages	186	563,261
Income in advance	25,430	0
	<u>6,474,819</u>	<u>5,465,877</u>

**10. LONG-TERM BORROWINGS**

<b>Current</b>		
Secured by Floating Charge Debentures	<u>593,852</u>	<u>593,215</u>
	<u>593,852</u>	<u>593,215</u>
<b>Non-Current</b>		
Secured by Floating Charge Debentures	<u>6,293,947</u>	<u>6,923,621</u>
	<u>6,293,947</u>	<u>6,923,621</u>

Additional detail on borrowings is provided in Note 22.

**11. PROVISIONS**

Analysis of Total Provisions

Current	2,619,690	2,373,857
Non-Current	<u>704,550</u>	<u>643,738</u>
	<u>3,324,240</u>	<u>3,017,595</u>

	<b>Provision for Annual Leave \$</b>	<b>Provision for Long Service Leave \$</b>	<b>Total \$</b>
Opening balance at 1 July 2014	1,600,148	1,417,447	3,017,595
Additional provision	1,550,278	968,860	2,519,139
Amounts used	(1,719,729)	(301,744)	(2,021,473)
Increase / (decrease) in the discounted amount arising because of time and the effect of any change in the discounted rate	<u>73,964</u>	<u>(264,985)</u>	<u>(191,021)</u>
Balance at 30 June 2015	<u>1,504,662</u>	<u>1,819,578</u>	<u>3,324,240</u>

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

	2015 \$	2015 Budget \$	2014 \$
<b>12. RESERVES - CASH BACKED</b>			
<b>(a) Land and Property Enhancement and Maintenance Reserve</b>			
Opening Balance	874,089	1,885,991	717,693
Interest Earned	18,407	56,580	22,499
Amount Set Aside / Transfer to Reserve	1,403,161	341,250	185,897
Amount Used / Transfer from Reserve	(941,444)	(2,050,000)	(52,000)
	<u>1,354,213</u>	<u>233,821</u>	<u>874,089</u>
<b>(b) Waste Management Reserve</b>			
Opening Balance	160,645	161,278	156,580
Interest Earned	3,381	4,838	4,065
Amount Set Aside / Transfer to Reserve	68,400	125,000	0
Amount Used / Transfer from Reserve	0	(200,000)	0
	<u>232,426</u>	<u>91,116</u>	<u>160,645</u>
<b>(c) EDP Reserve</b>			
Opening Balance	136,450	250,309	169,913
Interest Earned	2,875	7,509	4,338
Amount Set Aside / Transfer to Reserve	0	0	1,227,999
Amount Used / Transfer from Reserve	0	(188,000)	(1,265,800)
	<u>139,325</u>	<u>69,818</u>	<u>136,450</u>
<b>(d) Local Government Election Reserve</b>			
Opening Balance	0	103,300	0
Interest Earned	0	3,099	0
Amount Set Aside / Transfer to Reserve	50,000	50,000	98,092
Amount Used / Transfer from Reserve	0	0	(98,092)
	<u>50,000</u>	<u>156,399</u>	<u>0</u>
<b>(e) Leave Reserve</b>			
Opening Balance	275,403	278,302	73,109
Interest Earned	5,800	8,349	2,295
Amount Set Aside / Transfer to Reserve	779,382	1,100,000	199,999
Amount Used / Transfer from Reserve	0	(270,000)	0
	<u>1,060,585</u>	<u>1,116,651</u>	<u>275,403</u>
<b>(f) Plant and Equipment Reserve</b>			
Opening Balance	29,086	29,201	28,350
Interest Earned	610	876	736
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>29,696</u>	<u>30,077</u>	<u>29,086</u>
<b>(g) Stirk Park Reserve</b>			
Opening Balance	25,364	25,464	24,723
Interest Earned	533	764	641
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>25,897</u>	<u>26,228</u>	<u>25,364</u>
<b>(h) HACC Reserve</b>			
Opening Balance	582,781	598,808	443,392
Interest Earned	12,271	17,964	8,774
Amount Set Aside / Transfer to Reserve	1,090,519	0	404,863
Amount Used / Transfer from Reserve	(465,420)	0	(274,248)
	<u>1,220,151</u>	<u>616,772</u>	<u>582,781</u>

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

	2015 \$	2015 Budget \$	2014 \$
<b>12. RESERVES - CASH BACKED</b>			
<b>(i) Forrestfield Industrial Area Reserve</b>			
Opening Balance	131,897	130,276	160,787
Interest Earned	2,776	3,908	4,110
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	(17,351)	(30,000)	(33,000)
	<u>117,322</u>	<u>104,184</u>	<u>131,897</u>
<b>(j) Insurance Contingency Reserve</b>			
Opening Balance	168,985	169,647	164,706
Interest Earned	3,557	5,089	4,279
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	(100,000)	0
	<u>172,542</u>	<u>74,736</u>	<u>168,985</u>
<b>(k) Light Plant Reserve</b>			
Opening Balance	34,313	34,447	33,443
Interest Earned	720	1,033	870
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>35,033</u>	<u>35,480</u>	<u>34,313</u>
<b>(l) Revaluation Reserve</b>			
Opening Balance	138,886	192,008	136,416
Interest Earned	2,924	5,760	2,470
Amount Set Aside / Transfer to Reserve	103,001	50,000	0
Amount Used / Transfer from Reserve	0	(153,000)	0
	<u>244,811</u>	<u>94,768</u>	<u>138,886</u>
<b>(m) Nominated Employee Leave Provisions Reserve</b>			
Opening Balance	24,973	225,069	24,340
Interest Earned	527	6,752	633
Amount Set Aside / Transfer to Reserve	500,000	600,000	0
Amount Used / Transfer from Reserve	0	(100,000)	0
	<u>525,500</u>	<u>731,821</u>	<u>24,973</u>
<b>(n) Unexpended Capital works and specific purpose grants</b>			
Opening Balance	0	0	0
Interest Earned	0	0	0
Amount Set Aside / Transfer to Reserve	4,003,345	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>4,003,345</u>	<u>0</u>	<u>0</u>
<b>(o) Forrestfield Industrial Area scheme stage 1 reserve</b>			
Opening Balance	0	0	0
Interest Earned	0	0	0
Amount Set Aside / Transfer to Reserve	1,952,285	0	0
Amount Used / Transfer from Reserve	(19,908)	0	0
	<u>1,932,377</u>	<u>0</u>	<u>0</u>

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**12. RESERVES - CASH BACKED**

	2015 \$	2015 Budget \$	2014 \$
<b>(p) Environment Reserve</b>			
Opening Balance	28,088	14,679	27,376
Interest Earned	593	440	712
Amount Set Aside / Transfer to Reserve	36,191	115,600	0
Amount Used / Transfer from Reserve	0	(80,000)	0
	<u>64,872</u>	<u>50,719</u>	<u>28,088</u>
 TOTAL RESERVES	 <u>11,208,096</u>	 <u>3,432,590</u>	 <u>2,610,960</u>
 Total Opening Balance	 2,610,960	 4,098,779	 2,160,828
Interest Earned	54,977	122,961	56,422
Total Amount Set Aside / Transfer to Reserve	9,986,284	2,381,850	2,116,850
Total Amount Used / Transfer from Reserve	(1,444,125)	(3,171,000)	(1,723,140)
TOTAL RESERVES	<u>11,208,096</u>	<u>3,432,590</u>	<u>2,610,960</u>

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

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

- (a) Land and Property Enhancement and Maintenance Reserve**  
- to be used to fund land and property purchases, upgrade and maintenance of existing properties.
- (b) Waste Management Reserve**  
- to be used to fund financing operations for the development of Shire's sanitation service.
- (c) EDP Reserve**  
- to be used for the upgrade/replacement of the Shire's computer hardware and software requirements.
- (d) Local Government Election Reserve**  
- to be used to fund the cost of future elections.
- (e) 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.
- (f) Plant and Equipment Reserve**  
- to be used to fund future replacement of Shire's plant and associated equipment.
- (g) Stirk Park Reserve**  
- to be used to fund improvements to Stirk Park.
- (h) HACC Reserve**  
- to be used to fund future HACC Service programmes and asset replacement.
- (i) Forrestfield Industrial Area Reserve**  
- to be used to fund infrastructure requirements for the Forrestfield Industrial Area.
- (j) Insurance Contingency Reserve**  
- to be used to fund insurance variations and potential call backs.
- (k) Light Plant Reserve**  
- to be used to fund future replacement of Shire's plant and associated equipment.



**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**12. RESERVES - CASH BACKED (continued)**

- (l) Revaluation Reserve  
- to be used to fund triannual rating revaluations.
- (m) Nominated Employee Leave Provisions Reserve  
- to be used to fund future nominated staff leave entitlements.
- (n) Unexpended Capital works and specific purpose grants  
- 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.
- (o) Forrestfield Industrial Area scheme stage 1 reserve  
- The reserve is established to meet the Shires' reporting obligation under clause 6.5.16 of the Shire of Kalamunda Local Planning Scheme No. 3. The funds that were managed under the Trust for the scheme were transferred to the newly established reserve on 23<sup>rd</sup> June 2015. The reserve will be maintained to reflect all transactions related to the scheme for the benefit of the scheme members.
- (p) Environment Reserve  
- to be used to fund environment strategies and projects.

**13. REVALUATION SURPLUS**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:		
<b>(a) Land</b>		
Opening Balance	59,097,346	0
Revaluation Increment	0	59,097,346
	<u>59,097,346</u>	<u>59,097,346</u>
<b>(b) Buildings</b>		
Opening Balance	69,248,449	126,448,297
Revaluation Decrement	0	(57,199,848)
	<u>69,248,449</u>	<u>69,248,449</u>
<b>(c) Plant &amp; Equipment</b>		
Opening Balance	481,711	481,711
	<u>481,711</u>	<u>481,711</u>
<b>(d) Infrastructure</b>		
Opening Balance	0	0
Revaluation Increment	83,382,588	0
	<u>83,382,588</u>	<u>0</u>
<b>TOTAL ASSET REVALUATION SURPLUS</b>	<u><u>212,210,094</u></u>	<u><u>128,827,506</u></u>

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(a) Reconciliation of Cash**

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

	<b>2015</b> <b>\$</b>	<b>2015</b> <b>Budget</b> <b>\$</b>	<b>2014</b> <b>\$</b>
Cash and Cash Equivalents	<u>20,522,982</u>	<u>9,378,711</u>	<u>10,266,124</u>

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

Net Result	6,038,084	5,712,548	6,011,858
Depreciation	7,556,640	9,965,687	9,415,093
(Profit)/Loss on Sale of Asset	476,459	(335,545)	85,197
(Increase)/Decrease in Receivables	(127,688)	710,000	513,725
(Increase)/Decrease in Inventories	(4,623)	(37,000)	69,098
Increase/(Decrease) in Payables	1,008,942	(435,029)	(116,993)
Provisions	306,645	537,500	295,870
Non-Cash Contribution (EMRC)	(2,280,458)	(3,333,710)	(6,778,647)
Grants Contributions for the Development of Assets	(3,951,296)	(6,149,412)	(2,143,712)
Land Resumption costs expensed	0	0	926,859
Write off of Loan Receivable	0	0	(85,744)
Write off of Work in Progress	0	0	20,081
Net Cash from Operating Activities	<u>9,022,705</u>	<u>6,635,039</u>	<u>8,212,685</u>

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**14. NOTES TO THE STATEMENT OF CASH FLOWS (Cont.)**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>(c) Undrawn Borrowing Facilities</b>		
<b>Credit Standby Arrangements</b>		
Bank Overdraft limit	1,500,000	1,500,000
Bank Overdraft at Balance Date	0	0
Credit Card limit	75,000	75,000
Credit Card Balance at Balance Date	<u>(9,471)</u>	<u>(2,648)</u>
<b>Total Amount of Credit Unused</b>	<u><u>1,565,529</u></u>	<u><u>1,572,352</u></u>
<b>Loan Facilities</b>		
Loan Facilities - Current	593,852	593,215
Loan Facilities - Non-Current	<u>6,293,947</u>	<u>6,923,621</u>
<b>Total Facilities in Use at Balance Date</b>	<u><u>6,887,799</u></u>	<u><u>7,516,836</u></u>
<b>Unused Loan Facilities at Balance Date</b>	<u><u>NIL</u></u>	<u><u>NIL</u></u>

**15. CONTINGENT LIABILITIES**

The Shire of Kalamunda has no contingent liabilities that require disclosure or adjustments in the Financial Report as at 30 June 2015.

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>16. CAPITAL AND LEASING COMMITMENTS</b>		
<b>(a) Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	353,332	315,262
- later than one year but not later than five years	442,089	590,286
- later than five years	<u>0</u>	<u>0</u>
	<u><u>795,421</u></u>	<u><u>905,548</u></u>

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

**(b) Capital Expenditure Commitments**

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

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**17. JOINT VENTURE ARRANGEMENTS**

The Shire of Kalamunda has a share in the Net Assets in the Eastern Metropolitan Regional Council (EMRC) as a member council.

The accounting share applicable to the Shire of Kalamunda as at 30 June 2015 as disclosed in the financial statements of the Eastern Metropolitan Regional Council is \$24,996,679. This represents the Shire's 16.93% share of the Total Equity in the Eastern Metropolitan Regional Council.

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

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Interest in the Joint Venture	<u>24,996,679</u>	<u>22,716,221</u>
Current Assets	13,403,040	12,360,457
Non-Current Assets	<u>13,801,751</u>	<u>12,433,756</u>
	<u>27,204,791</u>	<u>24,794,213</u>
Current Liabilities	1,013,679	917,156
Non-Current Liabilities	<u>1,194,433</u>	<u>1,160,836</u>
	<u>2,208,112</u>	<u>2,077,992</u>
Net Assets	<u>24,996,679</u>	<u>22,716,221</u>

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

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Governance	8,657,932	8,614,164
General Purpose Funding	10,395,351	9,271,035
Law, Order, Public Safety	1,149,446	1,069,766
Health	257,139	176,667
Education and Welfare	4,408,470	3,475,045
Community Amenities	68,008,121	68,239,575
Recreation and Culture	93,322,850	91,312,090
Transport	255,301,412	170,780,580
Economic Services	2,425	2,426
Other Property and Services	<u>3,855,155</u>	<u>377,354</u>
	<u>445,358,300</u>	<u>353,318,702</u>

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

	2015	2014	2013
<b>19. FINANCIAL RATIOS</b>			
Current Ratio	1.171	1.064	1.165
Asset Sustainability Ratio	0.423	0.668	0.395
Debt Service Cover Ratio	9.506	12.964	8.490
Operating Surplus Ratio	0.045	0.089	(0.022)
Own Source Revenue Coverage Ratio	0.867	0.853	0.781

The above ratios are calculated as follows:

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

**Notes:**

Information relating to the **Asset Consumption Ratio** and the **Asset Renewal Funding Ratio** can be found at Supplementary Ratio Information on Page 61 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 and an item of significant expense as a result of asset write offs totalling \$2,975,070.

These items of significant revenue and 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 2015**

**20. 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:

	Balance 1 July 2014	Amounts Received	Amounts Paid / Transferred	Balance 30 June 2015
	\$	\$	(\$)	\$
Unclaimed Monies	18,608	9,306	(7,013)	20,901
Wattle grove - Cell9	10,275,075	4,029,460	(1,510,815)	12,793,720
B.C.I.T.F Levies	24,288	192,718	(197,489)	19,517
B.S.L Levies	15,725	141,819	(132,918)	24,626
Cash in Lieu of Public Open Space	2,244,700	257,812	(278,988)	2,223,524
Forrestfield Industrial Area	812,465	1,243,233	(2,055,698)	0 <sup>(1)</sup>
	<u>13,390,861</u>			<u>15,082,288</u>

**Notes:**

(1) - The funds that were managed under the Trust for the scheme were transferred to the newly established reserve on 23<sup>rd</sup> June 2015 in accordance with the clause 6.5.16 of the Shire of Kalamunda Local Planning Scheme no. 3. The reserve will be maintained fully cash backed to reflect all transactions related to the scheme for the benefit of the scheme members.

**21. DISPOSALS OF ASSETS - 2014/15 FINANCIAL YEAR**

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>Plant and Equipment</b>						
Education and Welfare	65,820	0	32,403	0	(33,417)	0
Transport	0	40,000	0	45,545	0	5,545
Other Property and Services	113,058	201,555	58,661	181,555	(54,398)	(20,000)
<b>Furniture and equipment</b>						
Other Property and Services	9,290	0	6,597	0	(2,693)	0
<b>Land &amp; building</b>						
Community Amenities	2,048,396	50,000	1,662,443	400,000	(385,952)	350,000
					0	
	<u>2,236,564</u>	<u>291,555</u>	<u>1,760,104</u>	<u>627,100</u>	<u>(476,460)</u>	<u>335,545</u>

Profit	25,577	355,545
Loss	(502,036)	(20,000)
	<u>(476,459)</u>	<u>335,545</u>

**Reconciliation of proceeds on Sale of Assets reported in the Cash flow statement**

	2015 \$	2014 \$
Proceeds as Reported	1,760,104	158,715
Add/ (Less) Receivable	-	187,087
<b>Total Proceeds on Sale of Assets as per Cash Flow</b>	<u>1,760,104</u>	<u>345,802</u>

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**22. INFORMATION ON BORROWINGS**

(a) Repayments - Debentures

Particulars	Loan #	Principal 1 July 2014 \$	New Loans \$	Principal Repayments		Principal 30 June 2015		Interest Repayments	
				Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
*Forrestfield Bowling Club	199	26,960	0	3,644	3,644	23,316	23,317	2,130	2,130
*Kalamunda Cricket Club	207	7,883	0	1,782	1,782	6,101	6,101	494	494
*Kalamunda & District Basketball	208	78,649	0	17,791	17,791	60,859	60,859	4,902	4,902
*Forrestfield Utd Soccer Club	214	114,208	0	5,574	5,574	108,634	108,634	6,274	6,274
*Lesmurdie Tennis Club	215	20,166	0	4,003	4,003	16,163	16,163	1,222	1,222
Foothills Netball Association	216	84,009	0	3,640	3,640	80,369	80,370	5,377	5,377
*Maida Vale Tennis Club	217	39,548	0	2,807	2,807	36,741	36,741	2,348	2,348
*Kalamunda United Soccer Club	218	1,878	0	1,878	1,878	0	0	119	119
*Kalamunda Club	219	156,343	0	24,608	24,608	131,735	131,735	9,468	9,468
*Forrestfield Junior Football Club	220	12,758	0	1,814	1,814	10,944	10,943	766	766
Shire Depot	221	1,870,075	0	67,704	67,704	1,802,371	1,802,371	125,477	125,477
Wet'n'Wild	222	335,736	0	47,750	47,750	287,986	287,986	20,152	20,152
Sweeper trucks	223	67,172	0	67,172	67,258	0	0	2,987	2,987
Land Acquisition Kalamunda Rd	224	1,065,807	0	140,209	140,209	925,598	925,598	57,543	57,543
Plant & Equipment Purchase	225	363,535	0	82,990	82,990	280,545	280,545	20,586	20,586
Newburn Rd Extension	226	491,542	0	59,007	59,007	432,535	432,535	27,046	27,046
Kalamunda Swimming Pool	227	1,714,683	0	59,610	59,610	1,655,073	1,655,073	95,709	95,709
Depot Waste Trucks	228	1,065,884	0	37,055	37,055	1,028,829	1,028,829	59,495	59,495
Accruals	N/A							(11,314)	41,314
		7,516,836	0	629,037	629,124	6,887,800	6,887,800	430,780	483,409

(\*) 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 2015**

**22. INFORMATION ON BORROWINGS (Continued)**

(b) New Debentures - 2014/15

The Shire did not take up any new debentures during the year ended 30 June 2015.

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2015.

(d) 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 2014 and 30 June 2015 was \$nil.



**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**23. RATING INFORMATION - 2014/15 FINANCIAL YEAR**

**(a) Rates**

<b>RATE TYPE</b>	<b>Rate in \$</b>	<b>Number of Properties</b>	<b>Rateable Value \$</b>	<b>Rate Revenue \$</b>	<b>Interim Rates \$</b>	<b>Back Rates \$</b>	<b>Prepaid Rates \$</b>	<b>Total Revenue \$</b>	<b>Budget Rate Revenue \$</b>	<b>Budget Interim Rate \$</b>	<b>Budget Back Rate \$</b>	<b>Budget Total Revenue \$</b>
<b>General Rate</b>												
General GRV	0.05286	20,847	406,618,297	21,513,474	136,924	5,650	8,334	21,664,382	22,212,647	250,000	299,097	22,761,744
Industrial GRV	0.05598	284	78,682,725	4,405,339	94,435	12,624	0	4,512,398	4,410,779	0	0	4,410,779
Commercial GRV	0.04997	305	35,145,088	1,753,971	7,177	717	0	1,761,865	1,792,671	0	0	1,792,671
Vacant GRV	0.07000	689	9,244,260	637,993	77,034	345	0	715,372	886,895	0	0	886,895
<b>Unimproved Value Valuations</b>												
General UV	0.00291	231	162,655,000	473,977	0	(819)	0	473,158	481,291	0	0	481,291
Commercial UV	0.00323	68	46,470,000	149,393	1,109	636	0	151,138	142,826	0	0	142,826
<b>Sub-Totals</b>		22,424	738,815,370	28,934,146	316,679	19,153	8,334	29,278,312	29,927,109	250,000	299,097	30,476,206
<b>Minimum Payment</b>	<b>Minimum \$</b>											
General GRV	800	1,187		949,600	0	0	0	949,600	81,331	0	0	81,331
Industrial GRV	950	19		18,050	0	0	0	18,050	6,791	0	0	6,791
Commercial GRV	950	50		47,500	0	0	0	47,500	10,119	0	0	10,119
Vacant GRV	800	212		169,600	0	0	0	169,600	94,293	0	0	94,293
<b>Unimproved Value Valuations</b>												
General UV	800	0		0	0	0	0	0	0	0	0	0
Commercial UV	950	3		2,850	0	0	0	2,850	2,103	0	0	2,103
<b>Sub-Totals</b>		1,471	0	1,187,600	0	0	0	1,187,600	194,637	0	0	194,637
Cash in Lieu of Rates (Ex-Gratia Rates)								30,465,912				30,670,843
Discounts (refer note 26.)								126,493				125,903
<b>Total Amount Raised From General Rate</b>								<b>30,592,405</b>				<b>30,796,746</b>

<b>CASH IN LIEU OF RATES</b>	<b>Rate Revenue</b>	<b>Budget Revenue</b>
	<b>2015 \$</b>	<b>2015 \$</b>
Dampier Pipeline Contribution	81,373	77,236
Co-operative Bulk Handling	45,120	48,667
	126,493	125,903

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**23. RATING INFORMATION - 2014/15 FINANCIAL YEAR (Continued)**

**(b) Information on Surplus/(Deficit) Brought Forward**

	<b>2015</b> <b>(30 June 2015</b> <b>Carried Forward)</b> <b>\$</b>	<b>2015</b> <b>(1 July 2014</b> <b>Brought Forward)</b> <b>\$</b>	<b>2014</b> <b>(30 June 2014</b> <b>Carried Forward)</b> <b>\$</b>
<b>Surplus/(Deficit) 1 July 14 Brought Forward</b>	<u>4,968,115</u>	<u>4,244,120</u>	<u>4,244,120</u>
<b><u>Comprises:</u></b>			
Cash and Cash Equivalents			
Cash on Hand - Unrestricted	4,528,746	4,087,381	4,087,381
Cash - Restricted Grants	4,786,140	3,567,782	3,567,782
Cash - Restricted Reserves	11,208,096	2,610,961	2,610,961
Receivables			
Rates Outstanding	613,087	893,721	893,721
Sundry Debtors	496,659	789,427	789,427
Prepayments	544,655	64,457	64,457
GST Receivable	361,706	199,911	199,911
Inventories			
Fuel and Materials	111,941	107,318	107,318
<b><u>Less:</u></b>			
Reserves - Restricted Cash	(11,208,096)	(2,610,961)	(2,610,961)
Trade and other Payables			
Sundry Creditors	(3,534,421)	(2,528,961)	(2,528,961)
Bonds and Deposits	(2,029,486)	(1,943,384)	(1,943,384)
Accrued Expenses	(748,641)	(282,302)	(282,302)
Accrued Interest on Debentures	(136,655)	(147,969)	(147,969)
Accrued Salaries and Wages	(186)	(563,261)	(563,261)
Income in advance	(25,430)	0	0
Provisions			
Provision for Annual Leave	(1,504,662)	(1,600,148)	(1,600,148)
Provision for Long Service Leave	(1,115,028)	(773,709)	(773,709)
Add:			
Provision for Annual Leave	1,504,662	1,600,148	1,600,148
Provision for Long Service Leave	1,115,028	773,709	773,709
<b>Surplus/(Deficit)</b>	<u><u>4,968,115</u></u>	<u><u>4,244,120</u></u>	<u><u>4,244,120</u></u>

**Difference**

There was no difference between the Surplus/(Deficit) 1 July 2014 Brought Forward position used in the 2015 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2014 audited financial report.

**SHIRE OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**24. SPECIFIED AREA RATE - 2014/15 FINANCIAL YEAR**

The Shire did not impose any Specified Area Rates in 2014-15.

**25. SERVICE CHARGES - 2014/15 FINANCIAL YEAR**

The Shire did not impose any service charges in 2014-15.

**26. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS  
- 2014/15 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.
- 2 double passes to a concert performed and donated by the Western Australian Symphony Orchestra.
- 1 \$ 500 account with Nightingales Pharmacy & Newsagency

**27. INTEREST CHARGES AND INSTALMENTS - 2014/15 FINANCIAL YEAR**

	<b>Interest Rate %</b>	<b>Admin. Charge \$</b>	<b>Revenue \$</b>	<b>Budgeted Revenue \$</b>
Interest on Unpaid Rates	11.00%		188,675	179,107
Interest on Instalments Plan	5.50%		152,219	144,500
Charges on Instalment Plan		6	141,852	160,150
Pensioner Deferred Rate Interest	3.95%		17,625	16,636
			<b>500,371</b>	<b>500,393</b>

Instalment options which attracted administration charges and interest are as follows

**Option - Two instalments**

The first instalment is to be received on or before the 14 August 2014 or 35 days after the date of service appearing on the rate notice whichever is later and including all arrears and half of the current rates and service charges. The second instalment is to be made on the 18 December 2014.

**Option - Four instalments**

The first instalment to be received on or before the 14 August 2014 or 35 days after the date of service appearing on the rate notice whichever is later and including all arrears and one quarter of the current rates and service charges. The second, third and fourth instalments dates as listed below.

**Due Dates**

Second quarterly instalment	16 October 2014
Third quarterly instalment	18 December 2014
Fourth quarterly instalment	12 February 2015

**SHIRE OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

<b>28. FEES &amp; CHARGES</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Governance	335,365	294,295
General Purpose Funding	490	1,945
Law, Order, Public Safety	266,827	321,353
Health	221,839	241,114
Education and Welfare	519,584	454,699
Community Amenities	10,153,794	8,696,457
Recreation and Culture	1,264,236	1,308,887
Transport	27,769	150,946
Economic Services	440,217	560,306
Other Property and Services	83,565	109,764
	<u>13,313,684</u>	<u>12,139,767</u>

There were additional fees and charges that were adopted during the year in addition to those detailed in the original budget. Details of the new fees charges adopted after the original budget approval are given below.

**Kalamunda History Village - Education program**

School Students Guided	per student	\$8.00
School Students Self Guided	per student	\$3.00
Additional Carers/Parents	per person	\$3.00

**Health**

Asbestos Analysis Fee	per analysis	\$70.50
(Fee for submission and analysis of sample to ARL Labs )		

**Walliston Transfer Station (resident only)**

Compost Bin (Inc Delivery)	each	\$49.50
Worm Farm (Inc Delivery)	each	\$139.00

**29. GRANT REVENUE**

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

<b>By Nature or Type:</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Operating Grants and Subsidies	6,868,761	4,613,487
Non-Operating Grants, Subsidies and Contributions	3,951,296	2,143,712
	<u>10,820,057</u>	<u>6,757,199</u>
<b>By Program:</b>		
Governance	3,544,014	1,088,691
General Purpose Funding	0	100,000
Law, Order, Public Safety	281,262	221,232
Health	8,966	0
Education and Welfare	3,019,503	2,919,317
Community Amenities	11,085	49,297
Recreation and Culture	3,720,620	607,489
Transport	230,606	1,768,461
Other Property and Services	4,000	2,712
	<u>10,820,057</u>	<u>6,757,199</u>

**SHIRE OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

<b>30. EMPLOYEE NUMBERS</b>	<b>2015</b>			<b>2014</b>
The number of full-time equivalent employees at balance date	250			245
<b>31. ELECTED MEMBERS REMUNERATION</b>	<b>2015</b>	<b>2015</b>		<b>2014</b>
	<b>\$</b>	<b>Budget</b>		<b>\$</b>
		<b>\$</b>		
The following fees, expenses and allowances were paid to council members and/or the president.				
Meeting Fees	273,980	271,500		271,500
President's Allowance	61,800	60,000		60,000
Deputy President's Allowance	16,477	15,000		15,000
Information, Communications and Technology Allowance	41,125	42,000		42,000
Travel and Accommodation Allowance	588	600		600
Training and Conferences	5,418	0		10,088
	399,388	389,100		399,188

**32. MAJOR LAND TRANSACTIONS**

The Shire of Kalamunda has no Major Land Transactions in 2014-15.

**33. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

Council did not participate in any trading undertakings or major trading undertakings during the 2014/15 financial year.

**34. LOCAL GOVERNMENT REFORM PROCESS**

In October 2014, the State Government announced its decision on boundary changes for the Perth's metropolitan local governments. It foreshadowed a City of Perth Act to recognize the State capital and the plan to reduce the number of metro councils from 30 to 16. Under the plan, the Shire of Kalamunda would be abolished and amalgamated under the City of Belmont.

The Shire participated in funding up to \$90,000 for joint legal action requesting a judicial review of the process undertaken by the State Government. The case was determined at the Supreme Court and was in favour of the State Government's action.

In February 2015, the State Government announced that planned changes to Perth metropolitan local government boundaries were on hold. Changes to boundaries would only go ahead in areas where the affected council's supported the changes.

The Shire of Kalamunda formally withdrew from the Local Government Reform Process, following a Special Council Meeting held on 12 February 2015.

The Council passed a motion noting the Premier's recent comments regarding Local Government Reform no longer being pursued by the Government and requesting the Premier to direct the Department of Local Government and Communities and the Minister for Local Government to stop boundary amendments affecting the Shire of Kalamunda and formally revoke Governor's Orders with immediate effect.

Within the motion Council noted it would withdraw from the Local Government Reform Process and put on hold any further formal discussions with City of Belmont relating to the Reform Process.

A revocation of the Governor's Orders for the Metropolitan Local Government Reform was gazetted on 13 March 2015.

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

**35. 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:*

	<b>Carrying Value</b>		<b>Fair Value</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>				
Cash and cash equivalents	20,522,982	10,266,124	20,522,982	10,266,124
Receivables	<u>2,937,629</u>	<u>2,873,839</u>	<u>2,937,629</u>	<u>2,873,839</u>
	<u><u>23,460,611</u></u>	<u><u>13,139,963</u></u>	<u><u>23,460,611</u></u>	<u><u>13,139,963</u></u>
<b>Financial Liabilities</b>				
Payables	6,474,819	5,465,877	6,474,819	5,465,877
Borrowings	<u>6,887,799</u>	<u>7,516,836</u>	<u>6,887,799</u>	<u>7,208,957</u>
	<u><u>13,362,618</u></u>	<u><u>12,982,713</u></u>	<u><u>13,362,618</u></u>	<u><u>12,674,834</u></u>

Fair value is determined as follows:

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

**SHIRE OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(a) Cash and Cash Equivalents**

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

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 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 investing in registered commercial banks. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Impact of a 10% <sup>(1)</sup> movement in the price of investments:		
- Equity	2,499,668	2,271,622
- Statement of Comprehensive Income	2,499,668 <sup>(2)</sup>	2,271,622
 Impact of a 1% <sup>(1)</sup> movement in interest rates on cash		
- Equity	205,230	102,661
- Statement of Comprehensive Income	205,230 <sup>(2)</sup>	102,661

**Notes:**

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

<sup>(2)</sup> Maximum impact.

**SHIRE OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

**35. 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:

	<b>2015</b>	<b>2014</b>
Percentage of Rates and Annual Charges		
- Current	54%	66%
- Overdue	46%	34%
Percentage of Other Receivables		
- Current	99%	98%
- Overdue	1%	2%



**SHIRE OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2015**

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

**(c) Payables**

**Borrowings**

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. 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:

	<b>Due within 1 year \$</b>	<b>Due between 1 &amp; 5 years \$</b>	<b>Due after 5 years \$</b>	<b>Total contractual cash flows \$</b>	<b>Carrying values \$</b>
<b><u>2015</u></b>					
Payables	6,474,819	0	0	6,474,819	6,474,819
Borrowings	<u>593,852</u>	<u>2,894,568</u>	<u>3,399,379</u>	<u>6,887,799</u>	<u>6,887,799</u>
	<u><u>7,068,671</u></u>	<u><u>2,894,568</u></u>	<u><u>3,399,379</u></u>	<u><u>13,362,618</u></u>	<u><u>13,362,618</u></u>
<b><u>2014</u></b>					
Payables	5,465,877	0	0	5,465,877	5,465,877
Borrowings	<u>1,069,098</u>	<u>3,864,600</u>	<u>6,052,938</u>	<u>10,986,636</u>	<u>7,516,836</u>
	<u><u>6,534,975</u></u>	<u><u>3,864,600</u></u>	<u><u>6,052,938</u></u>	<u><u>16,452,513</u></u>	<u><u>12,982,713</u></u>

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## **Independent Auditor's Report To the Members of the Shire of Kalamunda**

We have audited the accompanying financial report of the Shire of Kalamunda (the "Council"), which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information to the financial report and the statement by the Chief Executive Officer.

### **Responsibility of the Council for the financial report**

The Council of the Shire of Kalamunda is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1995 Part 6. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **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 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 entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the

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circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1995 Part 6 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Council's financial position and of its performance.

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

### **Independence**

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

### **Auditor's opinion**

In our opinion, the financial report of the Shire of Kalamunda:

- (i) presents fairly, in all material respects, the Council's financial position as at 30 June 2015 and of its performance and cashflows for the year then ended;
- (ii) complies with Australian Accounting Standards (including the Australian Accounting Interpretations); and
- (iii) is prepared in accordance with the requirements of the Local Government Act 1995 Part 6 (as amended) and Regulations under that Act.

### **Statutory Compliance**

Without qualification to the audit opinion expressed above, we draw attention to the Note 12(o) to the financial statements. Clause 6.5.16.1 of the Shire of Kalamunda Local Planning Scheme No.3 requires the local government to establish and maintain a reserve account in accordance with the Local Government Act 1995 for each Development Contribution Area into which Cost Contributions for that Development Contribution Area will be credited and for which all payments for Infrastructure and Administrative costs within that Development Contribution Area will be paid.

Our audit procedures identified that a reserve account was not created for the DCA during the year ended 30 June 2014, being the first year in which funds had been received under the DCA. We did however note that the Council created and maintained a separate trust account titled "Trust – F/Field Industrial", ensuring that all transactions, income and expenditure were recorded. As required under the Local Planning Scheme, interest earned on funds received was also credited to the account to the benefits of the DCA members. The funds were classified as restricted and were fully cash backed. We note this matter has been rectified as at 30 June 2015 and the Council has created a reserve account as required under the Local Government Act 1995.

Apart from the above, I did not, during the course of my audit, become aware of any other instance where the Council did not comply with the requirements of the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996 as they relate to financial statements.

GRANT THORNTON

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

MARet

M A Petricevic  
Partner - Audit & Assurance

Perth, 10 November 2015

**SHIRE OF KALAMUNDA  
SUPPLEMENTARY RATIO INFORMATION  
FOR THE YEAR ENDED 30TH JUNE 2015**

**RATIO INFORMATION**

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

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Asset Consumption Ratio	0.867	0.764	0.812
Asset Renewal Funding Ratio	0.927	0.897	0.981

The above ratios are calculated as follows:

Asset Consumption Ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
Asset Renewal Funding Ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$