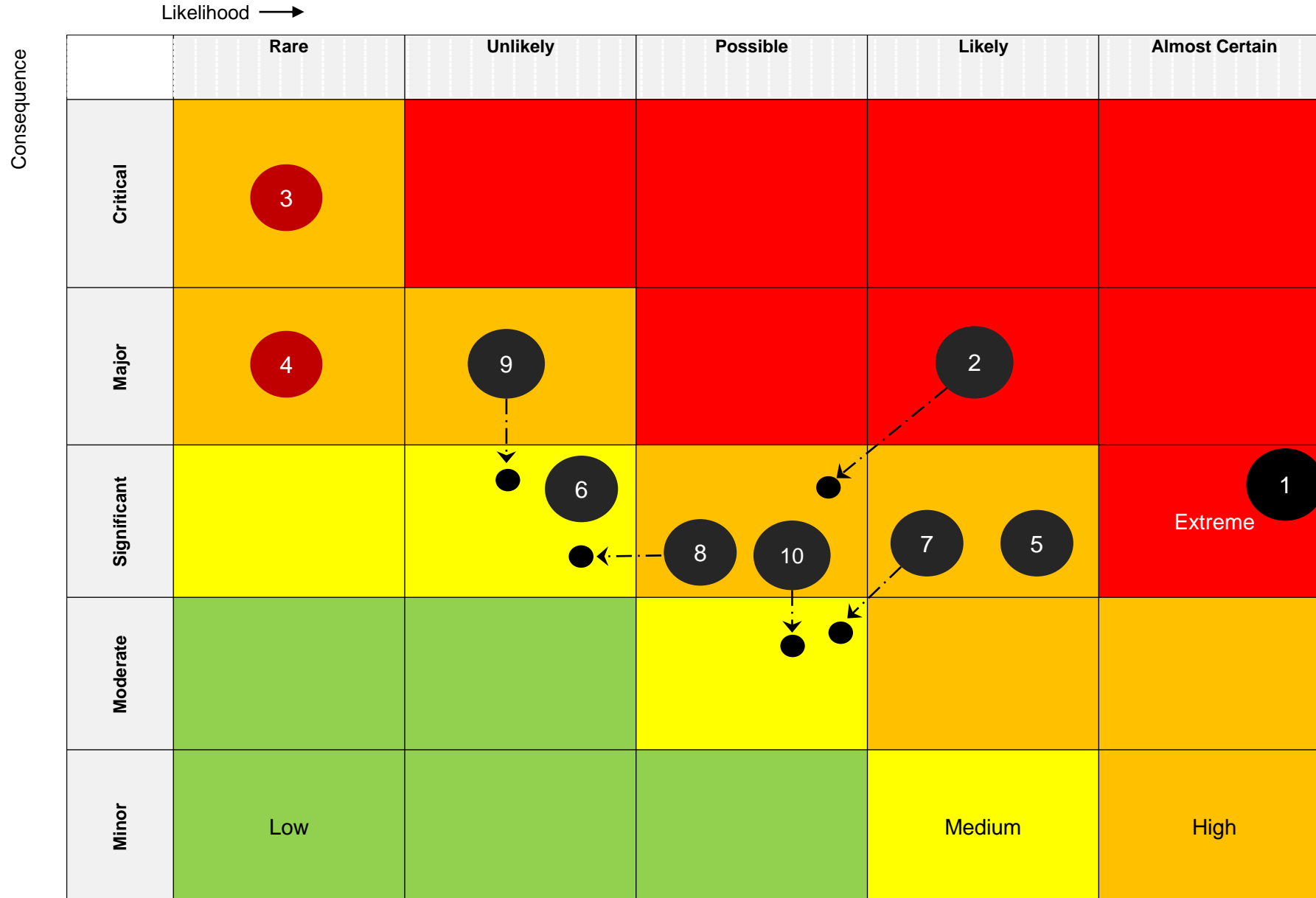


## Audit & Risk Committee Meeting - 30 October 2018 Attachments

|  |           |
|--|-----------|
| <b>9.1.2. City of Kalamunda Risk Profile.....</b>                | <b>2</b>  |
| <b>9.1.2.1. Risk Profile.....</b>                                | <b>2</b>  |
| <b>9.1.2.2. Intergrated Risk Management Plan.....</b>            | <b>3</b>  |
| <b>9.1.2.3. City of Kalamunda Strategic Risk Register.....</b>   | <b>26</b> |
| <b>9.2.1. Adoption of Annual Financial Report 2017/2018.....</b> | <b>31</b> |
| <b>9.2.1.1. 2017/2018 Annual Financial Report.....</b>           | <b>31</b> |

### City of Kalamunda Risk Profile 2018



| Rank | RISK NAME                            |
|------|--------------------------------------|
| 1    | Community Engagement                 |
| 2    | Degradation of Biodiversity          |
| 3    | Occupational Health & Safety         |
| 4    | Emergency Response & Recovery        |
| 5    | Information Security                 |
| 6    | Land for Recreation Activities       |
| 7    | Contaminated Land                    |
| 8    | Housing Diversity & Lifestyle Choice |
| 9    | Governance                           |
| 10   | Asset Management                     |

**LEGEND**

- Fatality Risk
- Target Risk Rating following implementation of treatment actions

# Integrated Risk Management Plan



## Contents

|  |    |
|--|----|
| Introduction .....                         | 4  |
| Intent .....                               | 4  |
| Purpose .....                              | 4  |
| What is Risk Management?.....              | 4  |
| Benefits of Risk Management .....          | 4  |
| Goals of the Plan .....                    | 4  |
| Principles Underpinning the Plan .....     | 5  |
| Legislative Framework .....                | 6  |
| Risk Management Policy .....               | 6  |
| Principles – Framework - Process .....     | 6  |
| Responsibilities .....                     | 7  |
| Monitor and review .....                   | 8  |
| Legislation.....                           | 8  |
| Australian/New Zealand Standard.....       | 8  |
| A Framework for Managing Risk .....        | 8  |
| Mandate and Commitment.....                | 9  |
| Framework Design for Managing Risk .....   | 9  |
| Risk Governance and Accountabilities ..... | 10 |
| Structures .....                           | 11 |
| Risk Hierarchy .....                       | 11 |
| Strategic Level Risks .....                | 11 |
| Operational Level Risks .....              | 12 |
| Project Level Risks.....                   | 12 |
| Implementing the Risk Management Plan..... | 12 |
| Risk System .....                          | 12 |
| Risk Management Process .....              | 12 |
| Communication and Consultation .....       | 13 |
| Establishing the Context.....              | 13 |
| Risk Assessment.....                       | 14 |
| Risk Identification.....                   | 14 |
| Risk Assessment Categories.....            | 15 |
| Risk Analysis .....                        | 15 |
| Risk Evaluation.....                       | 15 |
| Risk Matrix .....                          | 17 |
| Risk Appetite and Tolerance .....          | 18 |
| Risk Treatment.....                        | 18 |
| Monitoring and Review of Risk.....         | 19 |

Tools – Risk Registers ..... 19

Risk Reporting..... 19

Tools for Building Risk Capability ..... 19

Monitoring and Review..... 19

KPIs and Performance Measures .....20

Monitoring, Review and Continual Improvement of the Framework .....20

Appendix .....21

    A: Risk Register .....22

    B: Example of Completed template for inclusion in Reports to Council on Risk  
    Management.....23

## Introduction

### Intent

Risk Management is a core component of corporate governance and an integral part of contemporary management practices. The aim of the plan is to ensure that the City makes informed decisions in terms of its strategies and operations ensuring that risks and opportunities are appropriately considered.

### Purpose

The Risk Management Plan identifies the manner in which the City manages risk to ensure that strategic, operational and project objectives are met. The Risk Management Plan identifies the process, systems and templates used by the City to manage risk. The Risk Management Plan is structured around AS/NZS/ISO 31000:2009, and the requirements under the Local Government (Audit) Regulations 1996.

### What is Risk Management?

A risk is defined as the effect of uncertainty (either positive or negative) on business objectives.

Risk management is the coordination of activities that directs and controls the organisation with regard to risks. It is commonly accepted that risk management involves both the management of potentially adverse effects as well as the realisation of potential opportunities.

In performing daily activities, risk management can be described as the collection of deliberate actions and activities carried out at all levels to identify, understand and manage risk in order to achieve the objectives of the City.

### Benefits of Risk Management

The benefits of risk management embedded in all aspects of management are:

- ) effective management of adverse events or opportunities that impact on our purpose and objectives
- ) ability to make informed decisions regarding management of potential negative effects of risk and take potential advantage of opportunities
- ) improved planning and performance management processes enabling a strong focus on core business service delivery and implementation of business improvements
- ) ability to direct resources to risks of greatest significance or impact
- ) improvement in culture of the organisation enhancing staff capacity to understand their role in contributing to the achievement of objectives
- ) greater organisational efficiencies

### Goals of the Plan

The Plan aims to:

- ) integrate risk management within the City's performance management cycle
- ) communicate the benefits of risk management

- ) convey the City's policy, approach and attitude to risk management
- ) set the scope and application of risk management within the organisation
- ) establish the roles and responsibilities for managing risk
- ) set out a consistent approach for managing risk across the organisation, aligned with relevant standards and industry best practice
- ) detail the process for escalating and reporting risk
- ) convey the City's commitment to the periodic review and verification of the Risk Management Plan and its continual improvement
- ) describe the resources available to assist those with accountability or responsibility for managing risks
- ) ensures the City meets its risk reporting obligations
- ) manages the identifiable business risks relevant to financial reporting
- ) whether the risk is a risk of fraud
- ) whether the risk is related to recent significant economic, accounting or other developments and therefore requires special attention
- ) the complexity of transactions
- ) whether the risk involves significant transactions with related parties

### Principles Underpinning the Plan

The Australian Standard for Risk Management – Principles and guidelines (AS/NZ ISO 31000:2009) is based on 11 best practice principles. These principles underpin the Plan and guide how to effectively and efficiently manage risk at all levels.

1. **Creating and protecting value** – risk management contributes to the achievement of the City's objectives and improves performance in areas such as corporate governance, program and project management, and employee health and safety.
2. **An integral part of all organisational processes** – risk management is not a stand-alone activity performed in isolation. Rather, it is an integral part of our governance and accountability framework, performance management, planning and reporting processes.
3. **Part of decision making** – risk management aids decision-makers to make informed choices, prioritise activities and identify the most effective and efficient course of action.
4. **Explicitly addressing uncertainty** – risk management identifies the nature of uncertainty and how it can be addressed through a range of mechanisms, such as sourcing risk assessment information and implementing risk controls.
5. **Systemic, structural and well timed** – risk management contributes to efficiency and to consistent, comparable and reliable results.
6. **Based on the best available information** – risk management should draw on diverse resources of historic data, expert judgement and stakeholder feedback to make evidence-based decisions. As decision-makers, we should be cognisant of the limitations of data, modelling and divergence amongst experts.
7. **Tailored** – risk management aligns with the internal and external environment within which the City operates, and in the context of its risk profile.
8. **Human and cultural factors** – risk management recognises that the capabilities, perceptions and aims of people (internal and external) can aid or hinder the achievement of objectives.
9. **Transparent and inclusive** – risk management requires appropriate and timely involvement of stakeholders to ensure that it stays relevant and up to date. Involving stakeholders in decision making processes enables diverse views to be taken into account when determining risk criteria.

10. **Dynamic, interactive and responsiveness to change** – risk management responds swiftly to both internal and external events, changes in the environmental context and knowledge, results of monitoring and reviewing activities, new risks that emerge and others that change or disappear.
11. **Continual improvement of the organisation** – risk management facilitates continuous improvement of our operation by developing and implementing strategies to improve risk management maturity.

## Legislative Framework

### Risk Management Policy

#### Intent:

The City of Kalamunda is committed to organisation-wide risk management principles, systems and processes that ensure consistent, efficient, and effective assessment of risk in all planning, decision making and operational processes. This will ensure compliance with the Financial Reporting, Budgeting and Integrated Planning requirements of the Local Government Act (1995), Local Government (Financial Management) Regulations 1996 and the Local Government (Audit) Regulations 1996.

The Local Government (Audit) Regulations 1996 includes a review by the Chief Executive Officer on the appropriateness and effectiveness of the local governments systems in regard to risk management, internal control and legislative compliance, and reporting the results to the Audit and Risk Committee for consideration of that review, to the Council.

#### Definition of Risk:

AS/NZS ISO 31000:2009 defines risk as “the effect of uncertainty on objectives.”

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative, or a deviation from the expected. An objective may be financial, related to health and safety, or defined in other terms.

Definition of Risk Management: the application of coordinated activities to direct and control an organisation with regard to risk.

### Principles – Framework - Process

The City of Kalamunda considers risk management to be an essential management function in its operations. They recognise that the risk management responsibility for managing specific risks lies with the person who has the responsibility for the function, service or activity that gives rise to that risk. The City is committed to the principles, framework and process of managing risk as outlined in AS/NZS ISO 31000:2009.

The City of Kalamunda will manage risks continuously using a process involving the identification, analysis, evaluation, treatment, monitoring and review of risks. It will be applied to decision making through all levels of the organisation in relation to planning or executing any function, service or activity.



In particular it will be applied to:

- Strategic and operational planning
- Expenditure of large amounts of money
- New strategies and procedures
- Management of projects, tenders and proposals
- Introducing significant change
- The management of sensitive issues.
- The achievement of organisational goals and objectives.
- Compliance with Local Government Act (1995), Local Government (Audit) Regulations 1996
- The ongoing health and safety of all employees at the workplace
- Ensuring public safety within the Council's jurisdiction is not compromised
- Limited loss or damage to property and other assets
- Limited interruption to business continuity
- Positive public perception of Council and the City
- Application of equal opportunity principles in the workforce and the community

## Responsibilities

Executive, managers and supervisors have the responsibility and accountability for ensuring that all staff are managing the risks within their own work areas. In each of these areas, risks should be anticipated and reasonable protective measures taken. All managers will encourage openness and honesty in the reporting and escalation of risks.

All staff will be encouraged to alert management to the risks that exist within their area, without fear of reprimand.

All staff will, after appropriate training, adopt the principles of risk management and comply with all policies, procedures and practices relating to risk management.

All staff and employees will, as required, conduct risk assessments during the performance of their daily duties. The level of sophistication of the risk assessment will be commensurate with the scope of the task and the associated level of risk identified. Failure by staff to observe lawful directions from supervisors regarding the management of risks and/or failure of staff to take reasonable care in identifying and treating risks in the workplace may result in disciplinary action.

It is the responsibility of every department to observe and implement this policy in accordance with procedures and initiatives that are developed by management from time to time.

It is the responsibility of the auditor to obtain an understanding of the local government and its environment, including its internal control, sufficient to identify and assess risks of material misstatement of the financial statements whether due to fraud or error.

Council is committed morally and financially to the concept and resourcing of risk management.

## Monitor and review

The Organisation will implement a robust reporting and recording system that will be regularly monitored to ensure closeout of risks and identification of ongoing issues and trends.

Risk management key performance indicators, relating to both organisational and personal performance will be developed, implemented and monitored, by the City's Executive and Council as appropriate

Signed: ..... Name .....  
 Date / / Chief Executive Officer  
 Review Date / /

This policy is to remain in force until otherwise determined by Council.

## Legislation

- J Section 5.56(1) and (2) of the Local Government Act 1995- Planning for the Future; Regulation 17(1) (a) of the Local Government (Audit) Regulations: "The CEO is to review the appropriateness and effectiveness of a local government's system and procedures in relation to risk management".
- J Under regulation 17 (1) of the Local Government (Audit) Regulations 1996 the CEO is to review the appropriateness and effectiveness of a local government's system and procedures in relation to –
  - (a) risk management; and
  - (b) internal control; and
  - (c) legislative compliance.
 17 (2) the review may relate to any or all of the matters referred to in sub regulation (1) (a),(b) and (c), but each of those matters is to be the subject at least once every 2 calendar years.  
 17 (3) The CEO is to report to the audit committee the results of that review.

## Australian/New Zealand Standard

- J Alignment with the Australian/New Zealand Standard ISO 31000:2009 Risk management – Principles and guidelines (AS/NZS ISO 31000).

## A Framework for Managing Risk

Risk management should be implemented by ensuring that the risk management process is applied to all relevant levels and functions of the organisation as part of its practices and processes (principles and guidelines (AS/NZS ISO 31000:2009)).

Risk Management requires strong and sustained commitment by management of the organisation as well as strategic and rigorous planning to achieve commitments at all levels (Risk management – principles and guidelines (AS/NZS ISO 31000:2009)).



### Mandate and Commitment

The introduction of risk management and ensuring its ongoing effectiveness require strong and sustained commitment by management of the organisation, as well as strategic and rigorous planning to achieve commitment at all levels. Management should:

- ) define and endorse the risk management policy;
- ) ensure that the organisation's culture and risk management policy are aligned;
- ) determine risk management performance indicators that align with performance indicators of the organisation;
- ) align risk management objectives with the strategies of the organisation;
- ) ensure legal and regulatory compliance

### Framework Design for Managing Risk

The component of a framework for managing risk includes:

- ) An understanding of the organisation and its context
- ) Establishing a risk management policy
- ) Accountability
- ) Integration into organisational processes
- ) Resources

- ) Establishing internal communication and reporting mechanisms
- ) Establishing external communication and reporting mechanisms



### Risk Governance and Accountabilities

Risk management is part of the City's strategy to promote accountability through good governance and robust business practices, which contributes to the strategic objective of creating a sustainable organisation to manage resources effectively in order to strengthen service delivery.

The City is committed to embedding risk management principles and practices into its organisational culture, governance and accountability arrangements, planning, information technology, engineering, community services, reporting, performance reviews, business transformation and improvement processes.

Through the framework and its supporting processes, the City formally establishes and communicates its risk appetite, guiding staff in their actions and ability to manage risk.

The City has a low appetite for risks relating to:

- ) health, safety and the wellbeing of staff and the community
- ) administration of finances and assets
- ) legislative compliance

There is a potentially higher appetite where benefits created by innovative concepts and ideas outweigh the risks. Benefits may include improved service delivery, and/ or increases efficiencies and effectiveness of the City's operations.

In accordance with the Framework, each business unit and directorate will communicate their appetite for risk as part of the risk assessment process.

To position the City as a risk-aware, responsive and resilient organisation, its risk management approach is directed through:

- ) compliance with relevant legislation, policies and procedures
- ) alignment with standards and better practice guides to soundly support decision making and continuous improvement or risk management practices

Effective risk management is modelled by:

- ) leadership demonstrated by the Chief Executive Officer and the executive management team
- ) staff in all work contexts through their identification, analysis, evaluation, treatment, monitoring and review of risks that may impact in achieving the City objectives

The scope of responsibility and accountability for risk management is the business of everyone. The success of the City's risk management strategy relies on all staff enacting the risk management approach outlined in this framework.

### Structures

**The Chief Executive Officer (CEO)** – under legislation the CEO is required to review the appropriateness and effectiveness of a local governments systems and procedures in relation to risk management, internal control and legislative compliance at least once in every two years and report to the audit and risk committee the results of that review.

**Audit and Risk Committee** – each local government is to establish an audit and risk committee made up of at least three or more persons with the majority to be elected members. It has an oversight role on all matters that relate to audits including the appointment of the external auditor and review of reports from the CEO, external auditor and internal auditor. The audit and risk committee supports Council in its endeavours to provide effective corporate governance and fulfil its responsibilities in relation to controlling and directing the affairs of the City.

**External Auditor** – is the person appointed by the local government under the Local Government Act 1995 to undertake the audit of the accounts and financial report for each financial year. An audit report and management report is then issued to the Audit and Risk Committee.

**Internal Auditor** – is a person appointed by a local government to undertake an audit of the adequacy and effectiveness of the internal control, legislative compliance, accounting systems and procedures, review of policies, procedures and risk management in accordance with an audit plan. The internal auditor is to report his findings to the CEO, and as directed by the CEO, to the Audit and Risk Committee.

### Risk Hierarchy

The levels of risks can be identified at different levels depending on what activity is being assessed. These include:

#### Strategic Level Risks

Strategic Level risks are associated with achieving the long term objectives of the City. These risks can be of an internal or external nature and they are usually controlled by Council and/or the Executive Management Team.

In the context of integrated Planning and Reporting, Strategic Level Risks may include:

- ) Risks associated with achieving the objectives of the Strategic Community Plan:
  - Effective engagement with the community
  - Equity in involvement
  - Transparency of process
  - Integration of informing strategies
  - Organisational acceptance of Strategic Community Plan
- ) Risks associated with delivering the Corporate Business Plan:
  - Impact of new assets on changes to services
  - Aligning service delivery to meet organisational objectives
  - Resourcing and sustainability
  - Alignment of local government structures and operations to support achievement of objectives.

### Operational Level Risks

Operational Level risks are associated with developing the operational plans, functions or activities of the local government. These risks have day to day impacts on the City and are owned and managed by the person who has responsibility for the activity to the level of delegated authority or capability.

In the context of Integrated Planning and reporting, Operational risk may include:

- ) Risks associated with delivery of the Long Term Financial Plan
- ) Risks associated with the development or delivery of the Asset Management Plan
- ) Risks associated with the delivery of the Workforce Plan:

### Project Level Risks

Project level risks are associated with developing or delivering projects or discreet activities. Project risks should be managed at each stage of the project by the person who has responsibility for them.

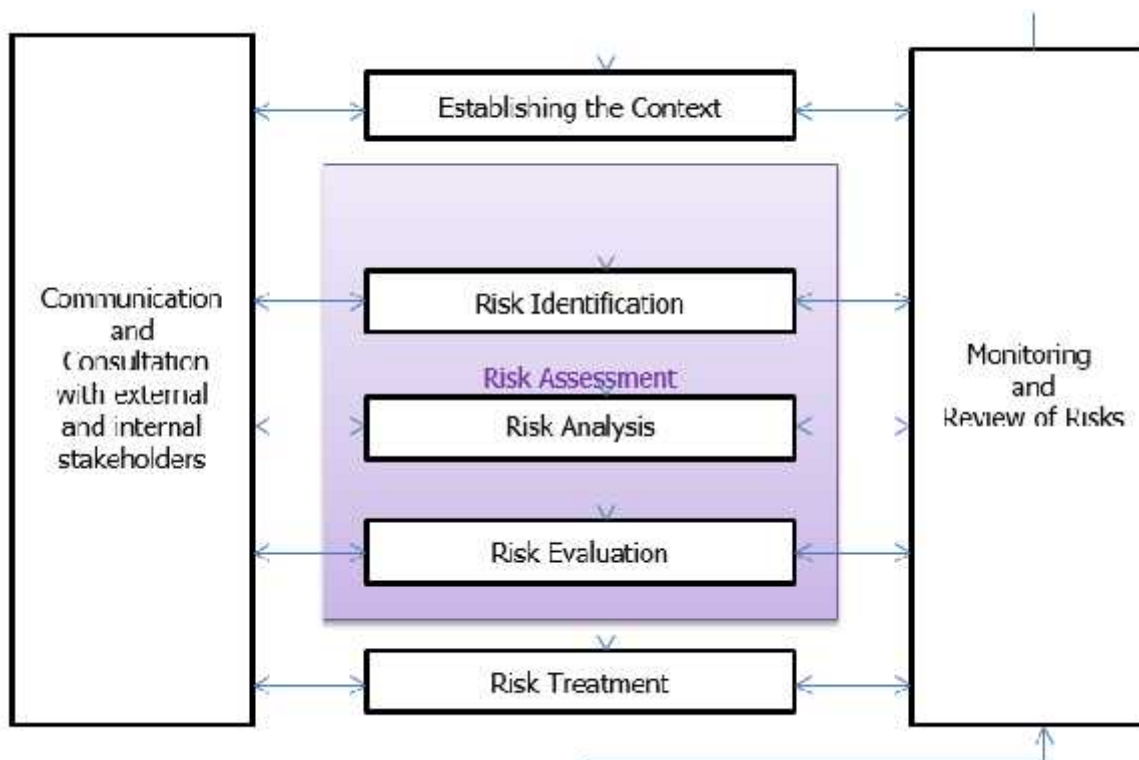
## Implementing the Risk Management Plan

Risk management should be implemented by ensuring that the risk management process is applied to all relevant levels and functions of the organisation as part of its practices and processes (principles and guidelines (AS/NZS ISO 31000:2009)).

### Risk System

#### Risk Management Process

The risk management process should be an integral part of management, embedded in the culture and tailored to the business process of the City. The risk management process is shown in the following diagram (AS/NZ 31000:2009)



Communication and Consultation

Communication and consultation with external and internal stakeholders must take place throughout the risk management process. Therefore plans for communication and consultation must be developed at an early stage. This will ensure that issues relating to the risk itself, its causes, its consequences (if known), and the measures being taken to treat or address them are managed.

It is an essential element of risk management as it helps stakeholders understand the basis on which decisions are made, and the reasoning behind particular actions.

Transparent clear communications throughout the process will help meet the obligations on local government for accountability and transparency.

Consulting with all stakeholders using a planned consultation process helps identify and address risks through improved understanding and backed by proper documentation.

Establishing the Context

By establishing the context, the City articulates its objectives, defines the external and internal parameters to be taken into account when managing risk, and sets the scope and risk criteria for the remaining process. While many of these parameters are similar to those considered in the design of the risk management framework, when establishing the context for the risk management process, they need to be considered in greater detail and particularly how they relate to the scope of the particular risk management process.

### Risk Assessment

Risk assessment is the overall process of risk identification, risk analysis and risk evaluation. It includes the following components:

- Establishing the context
- Identification of the risk
- Analysing the level of risk and establishing whether it meets acceptable levels of tolerance
- Evaluating the risk in relation to the benefits it may provide
- Consideration on whether there are ways to mitigate risk and the treatment of risk.

### Risk Identification

The City will identify sources of risk, areas of impact, events including changes in circumstances) and their causes and their potential consequences. The aim of this step is to generate a comprehensive list of risks based on those events that might create, enhance, prevent, degrade, accelerate or delay the achievements of those objectives. It is also important to identify any risks associated with not pursuing an opportunity.

The techniques used to identify risks associated with the development, transition and operation of the SOK include:

| Activity  | Detail / timeframe   | Participants                              |
|---|--|---|
| Strategic risk assessment as part of the decision making process  | In planning processes and phased implementation timelines                      | Council, Executive and key stakeholders   |
| Corporate risk analysis   | In annual planning cycle and at key review points                              | Council, Executive and key stakeholders   |
| Operational risk analysis   | Agenda item on all regular Council, project, committee and staff team meetings | All relevant Elected Members and Officers |
| Internal and external Emergency management  | As required  | Executive, relevant staff and LEMC        |
| Business Continuity   | Ongoing with regular review  | All relevant Elected Members and Staff    |
| Review of current risk treatments and assessment of future organisational and project plans in relation to risk | Annually and as relevant   | All relevant Elected Members and Officers |
| Incident / Issue reporting, investigation and review  | When reported and monthly  | All relevant staff and stakeholders       |
| Feedback processes  | Ongoing  | All relevant staff and key stakeholders   |



### Risk Assessment Categories

Financial  
Health  
Reputation  
Operation  
Environment  
Compliance  
Project

### Risk Analysis

Risk analysis involves developing an understanding of risk. Risk analysis provides an input to risk evaluation and informs decisions on whether risks need to be treated, and on the most appropriate risk treatment strategies and methods. Risk analysis can also provide an input into making decisions where choices must be made and the options involve different types and levels of risk.

### Risk Evaluation

The purpose of risk evaluation is to assist in making decisions, based on the outcomes of risk analysis, about which risks need treatment and the priority for treatment implementation.

Risk evaluation involves comparing the level of risk found during the analysis process with risk criteria established when the context was considered. Based on this comparison, the need for treatment can be considered.

The City has a low appetite for risks relating to:

- ) health, safety and the wellbeing of staff and the community
- ) administration of finances and assets
- ) legislative compliance

There is a potentially higher appetite where benefits created by innovative concepts and ideas outweigh the risks. Benefits may include improved service delivery, and/ or increases efficiencies and effectiveness of the City's operations.

Risk should be evaluated on the basis of materiality consideration to other matters including:

- ) financial
- ) health and safety
- ) reputation
- ) operation
- ) environment
- ) compliance
- ) project

The following chart provides examples to assist in the evaluation process in establishing whether risks are considered to be:

- ) **insignificant** – immaterial and less than a \$10,000 financial impact, a minor breach of policy and will result in no health, safety or reputational impacts of the City
- ) **moderate** – financial effect of between \$10,000 and \$100,000, may result in minor injury and low reputational impact but can be contained within the City
- ) **significant** – financial impact of between \$100,000 and \$500,000, may result in moderate reputational impact, compliance breach requiring internal investigation
- ) **major** – financial impact of between \$500,000 and \$1 million, resulting in serious injury, substantial reputational damage, compliance breach requiring external investigation
- ) **critical** – financial impact greater than \$1 million, potential fatality or permanent disability widespread reputational damage, significant compliance breach

[Risk Matrix](#)

# CITY OF KALAMUNDA RISK MATRIX

|                       |   |   |  |  |   |  | LIKELIHOOD                                   |                           |                           |   |   |                     |
|-----------------------|---|---|--|--|---|--|--|---------------------------|---------------------------|---|---|---------------------|
|                       |   |   |  |  |   |  | < once in 15years                            | At least once in 10 years | At least once in 3 years  | At least once per year                    | More than once per year                 |                     |
| CONSEQUENCE           |   |   |  |  |   |  | May occur, only in exceptional circumstances | Could occur at some time  | Should occur at some time | Will probably occur in most circumstances | Expected to occur in most circumstances |                     |
| Financial             | Health & Safety   | Reputation  | Operation                                | Environment  | Compliance  | Project  | Severity                                     | Rare<br>E                 | Unlikely<br>D             | Possible<br>C                             | Likely<br>B                             | Almost Certain<br>A |
| >\$1M                 | Fatality or permanent disabling injuries or illness       | Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions | Non-achievement of major deliverables    | Major breach of legislation or extensive contamination and environmental damage requiring third party intervention | Breach resulting in external investigation or third party actions resulting in significant tangible loss and damage to reputation | >50% increase in cost or timeline, or inability to meet project objectives requiring the project to be abandoned or redeveloped                              | Critical                                     | High                      | Extreme                   | Extreme                                   | Extreme                                 | Extreme             |
| \$500,000 - \$1M      | Serious irreversible injuries or illness                  | Substantiated, organisational embarrassment, high impact news profile, third party actions                                  | Non-achievement of major deliverables    | Minor Breach of legislation / significant contamination or damage requiring third party assistance                 | Breach resulting in external investigation or third party actions resulting in tangible loss and some damage to reputation        | 20 — 50 % increase in time or cost or significant variation to scope or objective requiring restructure of project and Senior Management or Council approval | Major  | High                      | High                      | Extreme                                   | Extreme                                 | Extreme             |
| \$100,000 - \$500,000 | Injuries or illness that could lead to a Lost Time Injury | Substantiated, public embarrassment, moderate impact, moderate news profile   | Significant delays to major deliverables | Environmental damage requiring restitution or internal clean up  | Breach requiring internal investigation, treatment or moderate damage control   | 10 -20 % increase in time or cost or variation to scope or objective requiring Senior Management approval  | Significant                                  | Medium                    | Medium                    | High                                      | High                                    | Extreme             |
| \$10,000 - \$100,000  | Medical treatment injury or illness                       | Substantiated, low impact, low news item  | Inconvenient delays                      | Minor damage or contamination  | Breach of policy, process or legislative requirement requiring attention of minimal damage control                                | 5-10% increase in time or cost or variation to scope or objective requiring managers approval  | Moderate                                     | Low                       | Low                       | Medium                                    | High                                    | High                |
| < \$10,000            | First aid treatment injury or illness                     | Unsubstantiated, low impact, low profile or "no news" item  | Little impact                            | Little impact  | Minor breach of policy, or process requiring approval or variance   | Small variation to cost , timelines, scope or quality of objectives and required outcomes  | Insignificant                                | Low                       | Low                       | Low                                       | Medium                                  | High                |

## Risk Appetite and Tolerance

Given that local governments have limited resources, it is important to focus on the key risks. The risk management methodology outlined below has been adapted from the Australian /New Zealand Standard on Risk Management (AS/NZ ISO 31000:2009) to provide a structured approach for the City. This methodology will assist in the risk management process with particular emphasis on the following:

- ) Identifying the key risks facing the organisation
- ) Assessing whether the associated internal controls are effective
- ) Identifying whether further controls may be required

### Step 1: Identify Risks

The first step is to identify the key risks facing the City. The purpose of the risk identification stage is to consider those events that may affect the City's ability to achieve its objectives and goals. It is important that careful attention is paid to this step because potential risks not identified during this stage are likely to be excluded from further analysis.

### Step 2: Analyse Risks

Following identification of the risks, each risk is assessed in terms of the causes and consequences of each risk event. Following this, identified risks are assessed in terms of how likely the event is to occur (likelihood) and the possible magnitude (consequences of each risk).

### Step 3: Risk Evaluation

The next step is to identify the existing preventative and mitigating controls that are currently in place for each risk event. This provides for a residual risk level. Following this risk tolerance is assessed determining whether the risk is to be accepted or further actions are required in order to manage the risk.

If the risk tolerance decision is not accepted or is subject to further action, target risk ratings are to be completed to determine a new target residual risk level.

### Step 4: Risk Treatment

The final step is to treat risks and control activities with the implementation of any action plans to correct deficiencies. It is also appropriate to identify the further controls that should be implemented to ensure the risks are being managed at an acceptable level. Consistent with the accountability principles of a robust corporate governance environment, each additional control to be implemented should be assigned to a nominated responsible officer.

## Risk Treatment

When a risk has been assessed there are a number of options available including:

- ) Not undertake or continue with an activity
- ) Increase the risk to pursue an opportunity
- ) Remove the source of the risk
- ) Change the likelihood of the risk
- ) Share the risk with another party such as insurers
- ) Retain the risk and ensure it is continually monitored.

### Monitoring and Review of Risk

An essential element of the risk management process is the monitoring and review of risk. This may be by internal audit review of process and internal controls depending on the nature of the process.

### Tools – Risk Registers

The risk register enables staff to document, manage, monitor, review and update strategic, corporate and operational risk information. Maintaining and updating the risk register allows management to monitor and review risks in alignment with the strategic plan, divisional operational plans, programs of change and other related plans.

### Risk Reporting

As there is no one single risk report that meets the decision making needs of the City, risk reports are tailored by the accountable area and summarised using the preferred templates to support management decision during the planning and review processes, and in support of reports to Council.

### Tools for Building Risk Capability

A range of guides and publications are available to build staff awareness and develop skills by enabling staff to proactively manage risk. This increased awareness and understanding provides staff with greater self-confidence and willingness to take responsibility for the management of risk across their business unit directorate.

Recommended guides and publications include:

- ) Risk Management Resources – Department of Local Government March 2013
- ) Section 7 of the Western Australian Local Government Accounting Manual – Department of Local Government
- ) AS/NZS ISO 31000:2009 Risk Management – Principles and guidelines by Standards Australia
- ) International Standard on Auditing 315 – Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement

### Monitoring and Review

Review risk management performance against objectives  
 Review risk management IT system (CAMMS Module)  
 Review organisational risk management culture  
 Include review of the risk registers in strategic and operational planning and budgeting.  
 Include Risk Management in all new business ventures and activities  
 Include Risk Management as part of purchasing process.  
 Include risk management in annual performance appraisals  
 Conduct annual risk management internal audit  
 Look for continuous improvement opportunities  
 Review if the Integrated Organisational Risk Management Plan used as reference and orientation document

Review if risk management accountabilities and responsibilities are included in position descriptions and KPIs.

Review if hazard management processes aligned for both OSH and all organisational risks

### KPIs and Performance Measures

The Key Performance Indicators (KPI's) for Risk Management are in development. Currently the Risk Management KPI measures the number of identified risks not mitigated.

## Monitoring, Review and Continual Improvement of the Framework

The monitoring and review will be a planned part of the risk management process and involve regular checking and surveillance. Strategic risks should be reviewed six monthly by the Executive. Project risks should be reviewed on an ongoing basis and operational risk should be reviewed by each Directorate six monthly.

Responsibilities for monitoring and review should be carried out periodically and clearly defined. The review process should encompass all aspects of the risk management process.

The main aim of the monitoring and review process is to:

- ) Ensure key controls remain efficient and effective within the City
- ) Provide early identification of changes in the risk context or risk assessment which may require revision of the risk treatment
- ) Identify any new or emerging risk due to changes in circumstances including new technology, new personnel, corporate restructuring, new business models, changes in operating environment, new accounting pronouncements and legislative changes
- ) Review risks due to changes in legislation and procedures
- ) Independent investigations and reports with adverse findings requiring steps to be taken in relation to risk and processes.

## Appendix

A. Risk Register

B. Example of Completed Template for Inclusion in Reports to Council on Risk Management

[A: Risk Register](#)

| RISK IDENTIFICATION |           |                  |            | RISK ANALYSIS |              |                                |                              | RISK RATING         |            |                             |                        |                         |                    |            |                            | RISK TREATMENT ACTION PLAN |                  |                    |          |               |                |                    |
|---------------------|-----------|------------------|------------|---------------|--------------|--------------------------------|------------------------------|---------------------|------------|-----------------------------|------------------------|-------------------------|--------------------|------------|----------------------------|----------------------------|------------------|--------------------|----------|---------------|----------------|--------------------|
| ID No.              | Objective | Risk Description | Risk Owner | Causes        | Consequences | Existing Preventative Controls | Existing Mitigating Controls | Current Risk Rating |            |                             |                        | Risk Tolerance Decision | Target Risk Rating |            |                            |                            | Treatment Action | Responsible Person | Due Date | Action Status | Follow Up date | Risk Action Status |
|                     |           |                  |            |               |              |                                |                              | Consequence         | Likelihood | Current Residual Risk Level | Rating Basis/ Scenario |                         | Consequence        | Likelihood | Target Residual Risk Level | Rating Basis/ Scenario     |                  |                    |          |               |                |                    |
|                     |           |                  |            |               |              |                                |                              |                     |            |                             |                        |                         |                    |            |                            |                            |                  |                    |          |               |                |                    |
|                     |           |                  |            |               |              |                                |                              |                     |            |                             |                        |                         |                    |            |                            |                            |                  |                    |          |               |                |                    |
|                     |           |                  |            |               |              |                                |                              |                     |            |                             |                        |                         |                    |            |                            |                            |                  |                    |          |               |                |                    |
|                     |           |                  |            |               |              |                                |                              |                     |            |                             |                        |                         |                    |            |                            |                            |                  |                    |          |               |                |                    |
|                     |           |                  |            |               |              |                                |                              |                     |            |                             |                        |                         |                    |            |                            |                            |                  |                    |          |               |                |                    |
|                     |           |                  |            |               |              |                                |                              |                     |            |                             |                        |                         |                    |            |                            |                            |                  |                    |          |               |                |                    |
|                     |           |                  |            |               |              |                                |                              |                     |            |                             |                        |                         |                    |            |                            |                            |                  |                    |          |               |                |                    |
|                     |           |                  |            |               |              |                                |                              |                     |            |                             |                        |                         |                    |            |                            |                            |                  |                    |          |               |                |                    |
|                     |           |                  |            |               |              |                                |                              |                     |            |                             |                        |                         |                    |            |                            |                            |                  |                    |          |               |                |                    |
|                     |           |                  |            |               |              |                                |                              |                     |            |                             |                        |                         |                    |            |                            |                            |                  |                    |          |               |                |                    |







B: Example of Completed template for inclusion in Reports to Council on Risk Management

**B Example of Risk management Considerations for Inclusion in Reports to Council**

| RISK  | LIKELIHOOD | CONSEQUENCES  | RISK RATING | ACTION/STRATEGY  |
|---|------------|---------------|-------------|--|
| 1. Delays in supporting Planning amendments | Unlikely   | Insignificant | Low         | Ensure the WA Planning Commission is fully briefed on the planning merits of this proposal |

## City of Kalamunda 2018 Strategic Risk Register

| ID No. | Risk Description   | Risk Owner                    | 2017 to 2018 Trend  | Treatment Actions in past 12 months   | Risk Rating (2017) |            |                    | Risk Rating (2018) |                |                   | Treatment Actions in next 12 months  | Action   | Review Date   |
|--------|--|-------------------------------|---|---|--------------------|------------|--------------------|--------------------|----------------|-------------------|--|--|---------------|
|        |  |                               |   |   | Consequence        | Likelihood | Current Risk Level | Consequence        | Likelihood     | Target Risk Level |  |  |               |
| 1.     | Inadequate Community Engagement leading to Community distrust in the City.   | CEO                           | New Risk  | New/modified risk.  |                    |            |                    | Significant        | Almost Certain | Extreme           | 1. Staff Training – Strategies for dealing with opposition and outrage in public participation (June 2019).<br>2. Annual Report to Council on Community Engagement campaigns<br>3. A Risk Assessment to be undertaken of proposed methodologies for Community Engagement and campaigns   | Risk Assessment of campaigns to be immediately implemented.  | December 2018 |
| 2.     | Degradation of City's biodiversity profile through the development process   | Director Development Services |    | New/modified risk.  | Major              | Likely     | Extreme            | Significant        | Possible       | High              | 1. Investigation of Tree Retention policy;<br>2. Risk identification through council reporting;<br>3. Ensure existing planning processes and legislation re: flora and fauna protection are enforced through planning assessments.<br>4. Local Environmental Strategy and Environmental Land Use Planning Strategy being prepared and Biodiversity Strategy being reviewed.<br>5. Changes in planning processes and focus towards environmental protection by developers, consultants and the City (i.e. FFN). | On Track with key actions being progressed as part of the Local Environmental Land Use Planning Strategy.    | December 2018 |
| 3.     | Increased safety risks resulting from both existing occupational hazards and changing employee health profile (e.g. aging workforce, mental health, drug and alcohol prevalence) | CEO                           |  | 1. Risk level has been maintained at 2016 levels.<br>2. Risk treatment includes regular audits, safety management plan, training, drug & alcohol testing and hazard management.<br>3. There was 1 potentially fatal event in 2016/17 (bee sting event).   | Critical           | Rare       | High               | Critical           | Rare           | High              | 1. Asset Services Safety Initiative incorporating creation of safety team;<br>2. Review and improve Fit for Work Policy and Retirement Policy;<br>3. Improved management of poor performance<br>4. Drug and Alcohol enforcement<br>5. Review safety management system and plan<br>6. Implementing reporting framework to Council.  | On track   | December 2018 |
| 4.     | Inadequate Emergency Recovery process in response to critical community event  | Director Development Services |  | 1. Risk level has been maintained at 2016 levels.<br>2. Last year's actions included emergency recovery testing, monitoring and review of disaster recovery plan and bushfire risk management plan Additional staff, additional training.   | Major              | Rare       | High               | Major              | Rare           | High              | 1. Emergency Management Recovery training and testing;<br>2. Monitoring and review of the local emergency management arrangements<br>3. Review of Bushfire Risk Management Plans<br>4. Maintaining relationships with police and emergency management departments<br>5. Continue to fund a CESM role.  | On track   | December 2018 |
| 5.     | Ineffective Information Security Protocols   | Director Corporate Services   |  | 1. Risk profile has been maintained since 2016.<br>2. Risk treatment activities have included testing of Disaster Recovery Plan, Testing Business Continuity Plan;<br>3. Increased insurance;<br>4. Cloud migration, increased 3rd party penetration testing, backup environment;<br>5. 2nd firewall, plus increased resourcing and capability of team. | Significant        | Likely     | High               | Significant        | Likely         | High              | 1. Frequent penetration testing continues;<br>2. Testing of the Disaster Recovery Plan continues;<br>3. Staff training and awareness regarding security protocols<br>4. External Security Review<br>5. Appointment of Internal Cyber Security Officer.<br>6. Development of an information security plan.  | Revise the City's Policy's and Procedures regarding handling and disclosure of information held by the City. | November 2018 |

### City of Kalamunda 2018 Strategic Risk Register

| ID No. | Risk Description   | Risk Owner                    | 2017 to 2018 Trend | Treatment Actions in past 12 months  | Risk Rating (2017) |            |                    | Risk Rating (2018) |            |                   | Treatment Actions in next 12 months   | Action  | Review Date   |
|--------|--|-------------------------------|--------------------|--|--------------------|------------|--------------------|--------------------|------------|-------------------|---|---|---------------|
|        |  |                               |                    |  | Consequence        | Likelihood | Current Risk Level | Consequence        | Likelihood | Target Risk Level |   |   |               |
| 6.     | Inability to provide sufficient land for active and passive recreation activities                | Director Development Services | →                  | New/modified risk.   | Significant        | Unlikely   | Medium             | Significant        | Unlikely   | Medium            | 1. Preparation of new Local Planning Strategy;<br>2. Review of Planning Scheme;<br>3. Community Engagement;<br>4. Forrestfield North Structure Planning;<br>5. Implementation of Public Open Space Strategy ;<br>6. Preparation and implementation of Master Plans for strategic reservations (i.e. Ray Owen and Hartfield Park).<br>7. Community Facilities Plan and future Development Contribution Plan. | On Track through implementation of the City's Public Open Space Strategy.   | December 2018 |
| 7.     | Ineffective management of contaminated land  | Director Development Services | →                  | 1.Risk rating has been downgraded since 2016 due to focused management interventions such as register of contaminated sites, investigation and monitoring of priority sites, community education and increased insurance.        | Significant        | Likely     | High               | Moderate           | Possible   | Medium            | 1. Register and update of contaminated sites;<br>2. Investigation and monitoring of priority sites including the carrying out of any recommendations from Preliminary and Detailed Site Investigations;<br>3. Community Education Program;<br>4. Allocation of funds through WAAR Levy for remediation<br>5. Alan Anderson Reserve remediation complete.  | On Track through Detailed Site Investigations and on-going contaminate sites remediation and investigation programs.  | December 2018 |
| 8.     | Failure to plan for housing diversity and lifestyle choices for aged and persons with disability | Director Development Services | ↑                  | 1. Two aged persons sites approved, progress towards several additional sites underway;<br>2. Aged care advisory committee, disability advisory committee;<br>3. Ongoing and constant advocacy.                                  | Significant        | Possible   | High               | Significant        | Unlikely   | Medium            | 1. Preparing a new Local Planning Strategy;<br>2. Review of Planning Scheme;<br>3. Community Promotion;<br>4. Forrestfield North (FFN) Structure Planning<br>5. Cambridge Reserve and Heidelberg Park as aged care developments<br>6. Dual Density amendment approved and being implemented.<br>7. Karingal Green, High Wycombe 160 Bed Development underway<br>8. Significant Advocacy.                    | On Track through preparation of new Local Planning Strategy and investigations into innovative housing. Also improved through Building and Development Approvals issued for strategic private sector initiatives. | December 2018 |
| 9.     | Ineffective governance and decision-making processes of Council.                                 | CEO                           | ↑                  | 1. Provision of training to Elected Members.<br>2. Focus on building strong relationships with Elected Members.  | Major              | Unlikely   | High               | Significant        | Unlikely   | Medium            | 1. Continue to foster strong relationships between Councillors and between Council and Administration;<br>2. Endorsement of Governance and Policy Framework;<br>3. Training of Council and Administration members.<br>4. Review and development of Code of Conduct<br>5. Policy developed and adopted – Elected Member Contact with Staff<br>6. Review of Governance function completed.                    | On Track  | December 2018 |
| 10.    | Ineffective asset management of all City owned assets and facilities                             | Director Asset Services       | ↑                  | 1. Asset Management Strategy adopted by Council on 24 July 2017 and actions being implemented.<br>2. Parks Asset Management Plan approved by Council on 28 August 2017 and used to inform the 2018/2019 Long Term Financial Plan | Significant        | Possible   | High               | Moderate           | Possible   | Medium            | 1. Deliver the Asset Management Strategy and related asset management activities;<br>2. Community consultation on Levels of Service (which improves the alignment of our activities with community needs).<br>3. Endorse the Drainage, Roads and Buildings Asset Management Plans.<br>4. Review of Community Facility Plan  | On Track  | December 2018 |

## City of Kalamunda 2018 Strategic Risk Register

| ID No. | Risk Description   | Risk Owner                    | 2017 to 2018 Trend | Treatment Actions in past 12 months  | Risk Rating (2017) |            |                    | Risk Rating (2018) |            |                   | Treatment Actions in next 12 months   | Action  | Review Date   |
|--------|--|-------------------------------|--------------------|--|--------------------|------------|--------------------|--------------------|------------|-------------------|---|---|---------------|
|        |  |                               |                    |  | Consequence        | Likelihood | Current Risk Level | Consequence        | Likelihood | Target Risk Level |   |   |               |
|        |  |                               |                    | 3. The 2018/2019 Long Term Financial Plan has utilised the recommendations from the Pathways Asset Management Plan adopted by Council on 22 May 2017.<br>4. Draft Drainage Asset Management Plan finalised in June 2017 for consideration by Council in July 2017. |                    |            |                    |                    |            |                   | 5. Development of asset and maintenance plan for Kalamunda Water Park.  |   |               |
| 11.    | Ineffective advocacy resulting in lost funding opportunities | CEO                           | ↑                  | 1. Council endorsement of Advocacy Strategy.<br>2. Regular meetings with political stakeholders.<br>3. Regular meetings with community stakeholders.   | Significant        | Possible   | High               | Moderate           | Possible   | Medium            | 1. Continued implementation of advocacy strategy<br>2. Development of individual advocacy plans<br>3. Community engagement to support advocacy<br>4. Continued design and planning for shovel-ready projects<br>5. Continue to partner with key stakeholders to pursue advocacy campaigns<br>6. Ongoing liaison with members of parliament.   | On Track  | December 2018 |
| 12.    | Loss of character in Kalamunda Townsite                      | Director Development Services | →                  | 1. Risk has been mitigated via Activity Centre Plan for town centre and other strategic planning mechanisms, community engagement.   | Moderate           | Possible   | Medium             | Moderate           | Possible   | Medium            | 1. Activity Centre Plan for Kalamunda<br>2. Design Guidelines; Public Realm Guidelines and Design Assessment Panel;<br>3. Community and stakeholder Engagement and increased communications on developments;<br>4. Redevelopment of Stirk park;<br>5. Road pavement and streetscape enhancements (public realm).  | On Track. Kalamunda Activity Centre Plan well progressed and in the process of being workshopped and presented to Council for public advertising. | December 2018 |
| 13.    | Inability to support increasing demands of community groups  | Chief Executive Officer       | ↑                  | 1. Strong focus on stakeholder engagement.<br>2. Alignment of the community facilities plan and the long term financial plan.  | Significant        | Unlikely   | Medium             | Moderate           | Possible   | Medium            | 1. Build stronger relationships with Community Groups;<br>2. Actively engage Government in advocacy programs;<br>3. Continue to pursue deliberative democracy opportunities for the community e.g. SSRCC, ABCD<br>4. Continuing networking with other local governments e.g. the GAPP to secure funding.  | On Track  | December 2018 |
| 14.    | Lost opportunities from ineffective economic development     | Director Corporate Services   | ↑                  | 1. Developed the Economic Development Strategy & continued to build strong relationships with Chamber of Commerce and local businesses.<br>2. Resourcing of Economic Development team.   | Significant        | Unlikely   | Medium             | Moderate           | Possible   | Medium            | 1. Implement Economic Development Strategy;<br>2. Develop and implement Tourism Strategy;<br>3. Progress the Inland Port Member Councils Freight Logistics Project<br>4. Partner with Chamber of Commerce and industry groups<br>5. Partner with EMRC and other stakeholders<br>6. Increase opportunities industrial developments within the City<br>7. Improve commercial areas to encourage activation. | Implement Economic Development Strategy (June 2019). Develop Tourism Strategy (June 2019).  | December 2018 |

### City of Kalamunda 2018 Strategic Risk Register

| ID No. | Risk Description   | Risk Owner                    | 2017 to 2018 Trend | Treatment Actions in past 12 months   | Risk Rating (2017) |            |                    | Risk Rating (2018) |            |                   | Treatment Actions in next 12 months   | Action  | Review Date   |
|--------|--|-------------------------------|--------------------|---|--------------------|------------|--------------------|--------------------|------------|-------------------|---|---|---------------|
|        |  |                               |                    |   | Consequence        | Likelihood | Current Risk Level | Consequence        | Likelihood | Target Risk Level |   |   |               |
| 15.    | Failure of management controls resulting in fraud or misconduct  | CEO                           | →                  | 1. Risk management procedures, audit controls;<br>2. Experienced and qualified staff, public interest disclosure, internal governance and legal, gift register (and other policies);<br>3. Internal and external Audit.   | Significant        | Unlikely   | Medium             | Significant        | Unlikely   | Medium            | 1. Regular audit of controls continue;<br>2. Audit and Risk Committee oversight;<br>3. Review and improvement of Policy Framework<br>4. Training and awareness of Staff<br>5. Monitor for breaches and reporting mechanisms<br>6. Monitor directions and releases from key agencies.eg CCC, DLG.  | Develop and implement Fraud and Misconduct Plan.  | December 2018 |
| 16.    | Inability to meet changing housing needs of the community        | Director Development Services | →                  | 1. Dual density, local planning strategy and planning scheme review.  | Significant        | Unlikely   | Medium             | Significant        | Unlikely   | Medium            | 1. Prepare new Local Planning Strategy;<br>2. Community Engagement;<br>3. Forrestfield North Structure Planning<br>4. Prepare Housing Strategy 2018;<br>5. Dual Density Amendment implementation.   | On Track  | December 2018 |
| 17.    | Insufficient water for current and future community needs.       | Director Development Services | →                  | 1. Water harvesting applications.   | Significant        | Unlikely   | Medium             | Significant        | Unlikely   | Medium            | 1. Develop a water resource management plan<br>2. Forrestfield North Structure Planning (Local Water Management Strategy);<br>3. Public Open Space Strategy<br>4. Implement technology efficiencies in irrigation and water supply systems<br>5. Implement stage 2 of the Hartfield Park Managed Aquifer Recharge project.                  | On Track  | December 2018 |
| 18.    | Capital and operating budget overrun                             | Director Corporate Services   | →                  | 1. Risk has been downgraded since 2016 and will be monitored at strategic and operational levels from the strategic risk to the operational risk register.<br>2. There is a 5-year trend of improved audit outcomes, capital/operating budget management due to focused actions including financial management, monthly financial reporting and first/mid-term budget review. | Moderate           | Possible   | Medium             | Moderate           | Possible   | Medium            | 1. Continued monitoring of budget target KPI's;<br>2. Maintenance of two budget reviews<br>3. Continuing training of staff and Councillors in financial management budget processes<br>4. Monitoring ratios at Council level<br>5. Monitoring cash flow.  | On Track  | December 2018 |
| 19.    | Compliance with development approvals is ineffective             | Director Development Services | →                  | 1. Audit process for high risk development approvals.   | Moderate           | Possible   | Medium             | Moderate           | Possible   | Medium            | 1. Proactive monitoring of high risk approvals;<br>2. Community Education<br>3. Process for programing and reporting inspections and actioning recommendations<br>4. Closer integration between Strategic and Statutory Planning guidelines and processes in-line with State Government recommendations on the Planning Reform Green Paper. | On Track and on-going. Revised compliance program being implemented internally and well received by officers. | December 2018 |
| 20.    | Inadequate bushfire mitigation on City of Kalamunda public lands | Director Asset Services       | New Risk           |   |                    |            |                    | Moderate           | Possible   | Medium            | 1. Full time Senior Fire Mitigation Officer<br>2. Purchase of 3rd Fire Mitigation vehicle<br>3. Strategic Fire Mitigation programs for urban interface<br>4. Achieve targets for fuel reduction across the City<br>5. Continue the process for developing a Citywide Bushfire Risk Management Plan.   | On Track  | December 2018 |

| City of Kalamunda 2018 Strategic Risk Register |   |                               |                    |                                     |                    |            |                    |                    |            |                   |  |  |               |
|--|---|-------------------------------|--------------------|-------------------------------------|--------------------|------------|--------------------|--------------------|------------|-------------------|--|--|---------------|
| ID No.   | Risk Description  | Risk Owner                    | 2017 to 2018 Trend | Treatment Actions in past 12 months | Risk Rating (2017) |            |                    | Risk Rating (2018) |            |                   | Treatment Actions in next 12 months  | Action   | Review Date   |
|  |   |                               |                    |                                     | Consequence        | Likelihood | Current Risk Level | Consequence        | Likelihood | Target Risk Level |  |  |               |
| 21.  | The City has to close the Transfer Station Operation and Approvals, due to loss of the operating licence. | Director Asset Services       | New Risk           |                                     |                    |            |                    | Significant        | Unlikely   | Medium            | 1. Undertake Site Improvements as per Concept plan and approvals from Department of Water and Environmental Regulation<br>2. Implement new entry pass and commercial permit system<br>3. Educate Community<br>4. Monitor site operations and report on effectiveness or new procedures<br>5. Develop to improve data management collection to inform future direction. | On Track   | December 2018 |
| 22.  | Total loss of a major City asset or facility  | Director Asset Services       | New Risk           | New/modified risk.                  |                    |            |                    | Significant        | Unlikely   | Medium            | 1. Maintain evacuation, Disaster Recovery , and Business Continuity plans and associated training and drills.<br>2. Cloud data storage<br>3. Insurance in place.   | On Track   | December 2018 |
| 23.  | Failing to prepare for digital disruption within City operations.   | CEO                           | New Risk           | New/modified risk.                  |                    |            |                    | Moderate           | Possible   | Medium            | 1. Digital Strategy;<br>2. Advocacy Strategy;<br>3. Community Engagement;<br>4. Staff Training in emerging technology trends<br>5. ALTUS development an Cloud storage.   | On Track   | December 2018 |
| 24.  | Unavailability of land for food production and tourism.   | Director Development Services | New Risk           | New/modified risk.                  |                    |            |                    | Moderate           | Possible   | Medium            | 1. Review of Hills Rural Strategy;<br>2. Detailed analysis of Department of Agriculture Land Capability Assessment;<br>3. Promotion of Agritourism;<br>4. Review of Local Planning Strategy;<br>5. Identification of Priority Agriculture zone.  | On Track for review as part of Rural Strategy and revised Local Planning Strategy. | December 2018 |

**CITY OF KALAMUNDA**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

**TABLE OF CONTENTS**

|   |    |
|---|----|
| Statement by Chief Executive Officer                | 2  |
| Statement of Comprehensive Income by Nature or Type | 3  |
| Statement of Comprehensive Income by Program        | 4  |
| Statement of Financial Position                     | 5  |
| Statement of Changes in Equity                      | 6  |
| Statement of Cash Flows                             | 7  |
| Rate Setting Statement                              | 8  |
| Notes to and forming part of the Financial Report   | 9  |
| Independent Auditor's Report                        | 56 |

**Principal place of business:**  
No 2, Railway Road, Kalamunda, WA , 6076

**CITY OF KALAMUNDA  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the City of Kalamunda for the financial year ended 30 June 2018 is based on proper accounts and records to present fairly the financial position of the City of Kalamunda at 30 June 2018 and the results of the operations for the financial year then ended in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 12 day of October 2018



---

Chief Executive Officer

Rhonda Hardy

---

Name of Chief Executive Officer



**CITY OF KALAMUNDA**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

|   | NOTE  | 2018<br>Actual<br>\$ | 2018<br>Budget<br>\$ | 2017<br>Actual<br>\$ |
|---|-------|----------------------|----------------------|----------------------|
| <b>Revenue</b>  |       |                      |                      |                      |
| Rates   | 24(a) | 35,992,132           | 36,001,139           | 35,066,848           |
| Operating grants and subsidies  | 2(a)  | 2,683,366            | 1,412,166            | 6,773,668            |
| Contributions, Reimbursements and Donations                               |       | 1,401,505            | 583,665              | 2,080,997            |
| Fees and charges  | 2(a)  | 16,010,818           | 15,040,032           | 14,600,642           |
| Interest earnings   | 2(a)  | 1,094,348            | 1,148,432            | 1,196,851            |
| Other revenue   | 2(a)  | 62,043               | 101,564              | 78,667               |
|   |       | 57,244,212           | 54,286,998           | 59,797,673           |
| <b>Expenses</b>   |       |                      |                      |                      |
| Employee costs  |       | (24,026,597)         | (23,783,866)         | (25,907,535)         |
| Materials and contracts   |       | (19,923,884)         | (21,256,113)         | (23,059,891)         |
| Utility charges   |       | (2,338,226)          | (2,454,603)          | (2,258,866)          |
| Depreciation on non-current assets  | 9(b)  | (10,237,301)         | (6,047,128)          | (10,130,153)         |
| Interest expenses   | 2(b)  | (337,878)            | (350,410)            | (360,200)            |
| Insurance expenses  |       | (588,539)            | (562,243)            | (553,474)            |
| Other expenditure   |       | (461,950)            | (1,699,277)          | (850,964)            |
|   |       | (57,914,375)         | (56,153,640)         | (63,121,083)         |
|   |       | (670,163)            | (1,866,642)          | (3,323,410)          |
| Non-operating grants, subsidies and contributions                         | 2(a)  | 3,390,580            | 3,957,758            | 3,111,106            |
| Profit on asset disposals   | 9(a)  | 26,879               | 0                    | 19,069               |
| (Loss) on asset disposals   | 9(a)  | (254,208)            | (50,000)             | (382,722)            |
| Change in Equity - Joint venture  |       | 1,679,116            | 3,082,862            | 1,019,189            |
| Capital (Developer) Contributions   |       | 1,339,873            | 610,532              | 2,977,902            |
| <b>Net result</b>   |       | <b>5,512,077</b>     | <b>5,734,510</b>     | <b>3,421,134</b>     |
| <b>Other comprehensive income</b>   |       |                      |                      |                      |
| <i>Items that will not be reclassified subsequently to profit or loss</i> |       |                      |                      |                      |
| Changes on revaluation of non-current assets                              | 10    | 198,262,269          | 0                    | (2,735,973)          |
| Revaluation of Assets of Joint Venture                                    |       | (94,686)             | 0                    | 239,147              |
| <b>Total other comprehensive income</b>                                   |       | <b>198,167,583</b>   | <b>0</b>             | <b>(2,496,826)</b>   |
| <b>Total comprehensive income</b>   |       | <b>203,679,660</b>   | <b>5,734,510</b>     | <b>924,308</b>       |

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

**CITY OF KALAMUNDA**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY PROGRAM**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

|   | NOTE | 2018<br>Actual     | 2018<br>Budget   | 2017<br>Actual     |
|---|------|--------------------|------------------|--------------------|
|   |      | \$                 | \$               | \$                 |
| <b>Revenue</b>  |      |                    |                  |                    |
|   | 2(a) |                    |                  |                    |
| Governance  |      | 20,074             | 112,130          | 32,564             |
| General purpose funding   |      | 39,692,756         | 38,557,246       | 39,964,546         |
| Law, order, public safety   |      | 536,252            | 510,602          | 598,503            |
| Health  |      | 634,927            | 623,495          | 380,511            |
| Education and welfare   |      | 63,410             | 67,682           | 3,468,875          |
| Community amenities   |      | 12,737,344         | 11,696,186       | 10,821,689         |
| Recreation and culture  |      | 1,917,804          | 1,689,792        | 2,482,796          |
| Transport   |      | 36,614             | 0                | 17,342             |
| Economic services   |      | 557,578            | 607,042          | 504,768            |
| Other property and services   |      | 1,047,453          | 422,823          | 1,526,079          |
|   |      | 57,244,212         | 54,286,998       | 59,797,673         |
| <b>Expenses</b>   |      |                    |                  |                    |
|   | 2(b) |                    |                  |                    |
| Governance  |      | (3,829,504)        | (3,932,729)      | (3,835,900)        |
| General purpose funding   |      | (604,815)          | (755,528)        | (663,604)          |
| Law, order, public safety   |      | (2,024,127)        | (2,043,053)      | (1,821,031)        |
| Health  |      | (1,524,919)        | (1,595,707)      | (1,505,534)        |
| Education and welfare   |      | (289,588)          | (552,431)        | (4,478,342)        |
| Community amenities   |      | (14,648,753)       | (15,189,186)     | (13,036,657)       |
| Recreation and culture  |      | (18,634,266)       | (18,571,030)     | (17,809,933)       |
| Transport   |      | (12,404,703)       | (9,355,676)      | (12,658,321)       |
| Economic services   |      | (1,127,311)        | (1,242,151)      | (1,140,798)        |
| Other property and services   |      | (2,488,511)        | (2,565,739)      | (5,810,763)        |
|   |      | (57,576,497)       | (55,803,230)     | (62,760,883)       |
| <b>Finance Costs</b>  |      |                    |                  |                    |
|   | 2(b) |                    |                  |                    |
| Other property and services   |      | (337,878)          | (350,410)        | (360,200)          |
|   |      | (337,878)          | (350,410)        | (360,200)          |
|   |      | (670,163)          | (1,866,642)      | (3,323,410)        |
| Non-operating grants, subsidies and contributions                         | 2(a) | 3,390,580          | 3,957,758        | 3,111,106          |
| Profit on disposal of assets  | 9(a) | 26,879             | 0                | 19,069             |
| (Loss) on disposal of assets  | 9(a) | (254,208)          | (50,000)         | (382,722)          |
| Change in Equity - Joint venture  |      | 1,679,116          | 3,082,862        | 1,019,189          |
| Capital (Developer) Contributions   |      | 1,339,873          | 610,532          | 2,977,902          |
|   |      | 6,182,240          | 7,601,152        | 6,744,544          |
|   |      | <b>5,512,077</b>   | <b>5,734,510</b> | <b>3,421,134</b>   |
| <b>Other comprehensive income</b>   |      |                    |                  |                    |
| <i>Items that will not be reclassified subsequently to profit or loss</i> |      |                    |                  |                    |
| Changes on revaluation of non-current assets                              | 10   | 198,262,269        | 0                | (2,735,973)        |
| Revaluation of Assets of Joint Venture                                    |      | (94,686)           | 0                | 239,147            |
| <b>Total other comprehensive income</b>                                   |      | <b>198,167,583</b> | <b>0</b>         | <b>(2,496,826)</b> |
| <b>Total comprehensive income</b>   |      | <b>203,679,660</b> | <b>5,734,510</b> | <b>924,308</b>     |

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

**CITY OF KALAMUNDA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30TH JUNE 2018**

|   | NOTE  | 2018               | 2017               |
|---|-------|--------------------|--------------------|
|   |       | \$                 | \$                 |
| <b>CURRENT ASSETS</b>                   |       |                    |                    |
| Cash and cash equivalents               | 3     | 24,923,499         | 28,486,237         |
| Trade and other receivables             | 5     | 3,728,532          | 2,589,936          |
| Inventories                             | 6     | 100,015            | 120,560            |
| <b>TOTAL CURRENT ASSETS</b>             |       | <b>28,752,046</b>  | <b>31,196,733</b>  |
| <b>NON-CURRENT ASSETS</b>               |       |                    |                    |
| Other receivables                       | 5     | 1,627,466          | 961,818            |
| Inventories                             | 6     | 386,067            | 386,067            |
| Interest in Joint Venture               | 18    | 30,331,642         | 28,747,212         |
| Capital Work-In-Progress                |       | 3,661,867          | 1,662,982          |
| Property, plant and equipment           | 7     | 150,425,720        | 149,449,267        |
| Infrastructure                          | 8     | 364,044,611        | 164,274,289        |
| <b>TOTAL NON-CURRENT ASSETS</b>         |       | <b>550,477,373</b> | <b>345,481,635</b> |
| <b>TOTAL ASSETS</b>                     | 15    | <b>579,229,419</b> | <b>376,678,368</b> |
| <b>CURRENT LIABILITIES</b>              |       |                    |                    |
| Trade and other payables                | 11    | 6,381,133          | 6,605,355          |
| Current portion of long term borrowings | 12(a) | 652,798            | 750,747            |
| Provisions                              | 13    | 3,182,196          | 3,281,899          |
| <b>TOTAL CURRENT LIABILITIES</b>        |       | <b>10,216,127</b>  | <b>10,638,001</b>  |
| <b>NON-CURRENT LIABILITIES</b>          |       |                    |                    |
| Long term borrowings                    | 12(a) | 4,954,145          | 5,619,932          |
| Provisions                              | 13    | 553,776            | 594,724            |
| <b>TOTAL NON-CURRENT LIABILITIES</b>    |       | <b>5,507,921</b>   | <b>6,214,656</b>   |
| <b>TOTAL LIABILITIES</b>                |       | <b>15,724,048</b>  | <b>16,852,657</b>  |
| <b>NET ASSETS</b>                       |       | <b>563,505,371</b> | <b>359,825,711</b> |
| <b>EQUITY</b>                           |       |                    |                    |
| Retained surplus                        |       | 217,893,007        | 211,834,802        |
| Reserves - cash backed                  | 4     | 18,221,169         | 18,767,297         |
| Revaluation surplus                     | 10    | 327,391,195        | 129,223,612        |
| <b>TOTAL EQUITY</b>                     |       | <b>563,505,371</b> | <b>359,825,711</b> |

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

**CITY OF KALAMUNDA**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

|   | NOTE | RESERVES            |                           |                        | TOTAL<br>EQUITY    |
|---|------|---------------------|---------------------------|------------------------|--------------------|
|   |      | RETAINED<br>SURPLUS | CASH/INVESTMENT<br>BACKED | REVALUATION<br>SURPLUS |                    |
|   |      | \$                  | \$                        | \$                     | \$                 |
| <b>Balance as at 1 July 2016</b>                |      | <b>209,020,576</b>  | <b>18,160,389</b>         | <b>131,720,438</b>     | <b>358,901,403</b> |
| Comprehensive income                            |      |                     |                           |                        |                    |
| Net result                                      |      | 3,421,134           | 0                         | 0                      | 3,421,134          |
| Changes on revaluation of assets                | 10   | 0                   | 0                         | (2,735,973)            | (2,735,973)        |
| Increase / Decrease in EMRC revaluation reserve |      | 0                   | 0                         | 239,147                | 239,147            |
| Total comprehensive income                      |      | 3,421,134           | 0                         | (2,496,826)            | 924,308            |
| Transfers from/(to) reserves                    |      | (606,908)           | 606,908                   | 0                      | 0                  |
| <b>Balance as at 30 June 2017</b>               |      | <b>211,834,802</b>  | <b>18,767,297</b>         | <b>129,223,612</b>     | <b>359,825,711</b> |
| Comprehensive income                            |      |                     |                           |                        |                    |
| Net result                                      |      | 5,512,077           | 0                         | 0                      | 5,512,077          |
| Changes on revaluation of assets                | 10   | 0                   | 0                         | 198,262,269            | 198,262,269        |
| Increase / Decrease in EMRC revaluation reserve |      | 0                   | 0                         | (94,686)               | (94,686)           |
| Total comprehensive income                      |      | 5,512,077           | 0                         | 198,167,583            | 203,679,660        |
| Transfers from/(to) reserves                    |      | 546,128             | (546,128)                 | 0                      | 0                  |
| <b>Balance as at 30 June 2018</b>               |      | <b>217,893,007</b>  | <b>18,221,169</b>         | <b>327,391,195</b>     | <b>563,505,371</b> |

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

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

|   | NOTE | 2018<br>Actual | 2018<br>Budget | 2017<br>Actual |
|---|------|----------------|----------------|----------------|
|   |      | \$             | \$             | \$             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |      |                |                |                |
| <b>Receipts</b>   |      |                |                |                |
| Rates   |      | 35,057,719     | 35,978,139     | 34,766,087     |
| Operating grants and subsidies                              |      | 1,784,539      | 1,995,834      | 6,773,668      |
| Contributions, Reimbursements and Donations                 |      | 1,401,505      | 0              | 2,080,997      |
| Fees and charges  |      | 12,858,628     | 14,625,808     | 11,492,860     |
| Interest earnings   |      | 1,094,348      | 1,148,432      | 1,196,851      |
| Goods and services tax                                      |      | 3,597,319      | 1,628,995      | 3,332,311      |
| Other revenue   |      | 62,043         | 101,564        | 125,167        |
|   |      | 55,856,101     | 55,478,772     | 59,767,941     |
| <b>Payments</b>   |      |                |                |                |
| Employee costs  |      | (24,039,173)   | (22,525,301)   | (25,656,266)   |
| Materials and contracts                                     |      | (20,242,881)   | (21,289,085)   | (22,678,101)   |
| Utility charges   |      | (2,338,226)    | (2,454,603)    | (2,258,866)    |
| Interest expenses   |      | (350,633)      | (359,588)      | (368,915)      |
| Insurance expenses  |      | (588,539)      | (562,243)      | (553,474)      |
| Goods and services tax                                      |      | (504,109)      | (1,719,495)    | (526,642)      |
| Other expenditure   |      | (461,950)      | (1,699,278)    | (850,967)      |
|   |      | (48,525,511)   | (50,609,593)   | (52,893,231)   |
| <b>Net cash provided by (used in) operating activities</b>  | 14   | 7,330,590      | 4,869,179      | 6,874,710      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |      |                |                |                |
| Payments for purchase of property, plant & equipment        |      | (4,045,494)    | (6,757,317)    | (4,061,830)    |
| Payments for construction of infrastructure                 |      | (9,233,885)    | (15,911,400)   | (5,435,339)    |
| Capital Work-In-Progress                                    |      | (1,998,885)    | 0              | (1,662,982)    |
| Non-operating grants, subsidies and contributions           |      | 3,390,580      | 3,957,758      | 3,111,106      |
| Proceeds from sale of fixed assets                          |      | 330,241        | 0              | 64,392         |
| <b>Net cash provided by (used in) investment activities</b> |      | (11,557,442)   | (18,710,959)   | (7,984,653)    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |      |                |                |                |
| Repayment of long term borrowings                           |      | (763,735)      | (750,747)      | (629,778)      |
| Proceeds from self supporting loans                         |      | 87,977         | 77,023         | 70,389         |
| Proceeds from new long term borrowings                      |      | 0              | 1,950,000      | 706,510        |
| Capital (Developer) Contributions                           |      | 1,339,873      | 610,532        | 2,977,902      |
| <b>Net cash provided by (used in) financing activities</b>  |      | 664,115        | 1,886,808      | 3,125,023      |
| <b>Net increase (decrease) in cash held</b>                 |      | (3,562,738)    | (11,954,972)   | 2,015,080      |
| Cash at beginning of year                                   |      | 28,486,237     | 26,694,188     | 26,471,157     |
| <b>Cash and cash equivalents at the end of the year</b>     | 14   | 24,923,499     | 14,739,216     | 28,486,237     |

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

**RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2018**

| NOTE   | 2018<br>Actual | 2018<br>Budget   | 2017<br>Actual   |                  |
|--|----------------|------------------|------------------|------------------|
|  | \$             | \$               | \$               |                  |
| <b>OPERATING ACTIVITIES</b>  |                |                  |                  |                  |
| <b>Net current assets at start of financial year - surplus/(deficit)</b> | 5,749,092      | 3,323,060        | 4,378,271        |                  |
|  | 5,749,092      | 3,323,060        | 4,378,271        |                  |
| <b>Revenue from operating activities (excluding rates)</b>               |                |                  |                  |                  |
| Governance   | 20,074         | 112,130          | 32,564           |                  |
| General purpose funding  | 5,574,720      | 5,828,046        | 6,105,979        |                  |
| Law, order, public safety  | 536,252        | 510,602          | 598,503          |                  |
| Health   | 634,927        | 623,495          | 380,511          |                  |
| Education and welfare  | 63,410         | 67,682           | 3,472,614        |                  |
| Community amenities  | 12,737,344     | 11,696,186       | 10,822,586       |                  |
| Recreation and culture   | 1,917,804      | 1,689,792        | 2,495,671        |                  |
| Transport  | 36,614         | 0                | 17,342           |                  |
| Economic services  | 557,578        | 607,042          | 504,980          |                  |
| Other property and services  | 1,074,332      | 422,824          | 1,527,427        |                  |
|  | 23,153,055     | 21,557,799       | 25,958,177       |                  |
| <b>Expenditure from operating activities</b>                             |                |                  |                  |                  |
| Governance   | (3,829,504)    | (3,932,729)      | (3,835,900)      |                  |
| General purpose funding  | (604,815)      | (755,528)        | (663,604)        |                  |
| Law, order, public safety  | (2,039,127)    | (2,043,053)      | (1,821,031)      |                  |
| Health   | (1,524,919)    | (1,595,707)      | (1,505,534)      |                  |
| Education and welfare  | (502,378)      | (552,431)        | (4,490,643)      |                  |
| Community amenities  | (14,648,753)   | (15,189,186)     | (13,036,657)     |                  |
| Recreation and culture   | (18,642,082)   | (18,571,030)     | (18,177,809)     |                  |
| Transport  | (12,404,703)   | (9,355,676)      | (12,658,321)     |                  |
| Economic services  | (1,127,311)    | (1,242,151)      | (1,141,370)      |                  |
| Other property and services  | (2,844,990)    | (2,966,149)      | (6,172,935)      |                  |
|  | (58,168,582)   | (56,203,640)     | (63,503,804)     |                  |
| <b>Operating activities excluded</b>                                     |                |                  |                  |                  |
| (Profit) on disposal of assets   | 9(a)           | (26,879)         | 0                | (19,069)         |
| Loss on disposal of assets   | 9(a)           | 254,208          | 50,000           | 382,722          |
| Capital Assets exchange value received                                   |                | 0                | 0                | 46,500           |
| EMRC Contribution (non-cash)   |                | (1,679,116)      | (3,082,862)      | (1,019,189)      |
| Movement in deferred pensioner rates (non-current)                       |                | (98,343)         | (33,000)         | (10,364)         |
| Movement in employee benefit provisions (non-current)                    |                | (140,651)        | 1,127,264        | 195,318          |
| Interest on Deferred Loan Repayment                                      |                | (333)            | (329)            | (325)            |
| Depreciation and amortisation on assets                                  | 9(b)           | 10,237,301       | 6,047,128        | 10,130,153       |
| <b>Amount attributable to operating activities</b>                       |                | (20,720,248)     | (27,214,580)     | (23,461,610)     |
| <b>INVESTING ACTIVITIES</b>  |                |                  |                  |                  |
| Non-operating grants, subsidies and contributions                        |                | 3,390,580        | 3,957,758        | 3,111,106        |
| Proceeds from disposal of assets   | 9(a)           | 330,241          | 0                | 64,392           |
| District development plan costs  |                | (639,357)        | 0                | (200,514)        |
| Purchase of property, plant and equipment                                | 7(b)           | (4,045,494)      | (6,757,317)      | (4,061,830)      |
| Purchase and construction of infrastructure                              | 8(b)           | (9,233,885)      | (15,911,402)     | (5,435,339)      |
| Infrastructure Assets - Capital Work-in-progress                         |                | (1,998,885)      | 0                | (1,662,982)      |
| <b>Amount attributable to investing activities</b>                       |                | (12,196,799)     | (18,710,961)     | (8,185,167)      |
| <b>FINANCING ACTIVITIES</b>  |                |                  |                  |                  |
| Repayment of long term borrowings  | 12(a)          | (763,735)        | (750,747)        | (629,778)        |
| Proceeds from new long term borrowings                                   | 12(b)          | 0                | 1,950,000        | 706,510          |
| Proceeds from self supporting loans                                      | 12(a)          | 87,977           | 77,023           | 70,389           |
| Capital (Developer) - Contributions                                      |                | 1,339,873        | 610,532          | 2,977,902        |
| Transfers to reserves (restricted assets)                                | 4              | (7,281,397)      | (983,510)        | (10,333,602)     |
| Transfers from reserves (restricted assets)                              | 4              | 7,827,525        | 12,352,430       | 9,726,692        |
| <b>Amount attributable to financing activities</b>                       |                | 1,210,242        | 13,255,728       | 2,518,113        |
| <b>Surplus(deficiency) before general rates</b>                          |                | (31,706,805)     | (32,669,813)     | (29,128,664)     |
| <b>Total amount raised from general rates</b>                            | 24             | 35,797,152       | 35,812,062       | 34,877,756       |
| <b>Net current assets at June 30 c/fwd - surplus/(deficit)</b>           | 25             | <b>4,090,347</b> | <b>3,142,249</b> | <b>5,749,092</b> |

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

**CITY OF KALAMUNDA****NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018****1. BASIS OF PREPARATION**

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

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

**CRITICAL ACCOUNTING ESTIMATES**

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

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

**THE LOCAL GOVERNMENT REPORTING ENTITY**

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

**THE LOCAL GOVERNMENT REPORTING ENTITY (Continued)**

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 27 to these financial statements.

**AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY  
Land under roads**

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

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

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

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

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

## CITY OF KALAMUNDA

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

## 2. REVENUE AND EXPENSES

## (a) Revenue

|  | 2018<br>Actual    | 2017<br>Actual    |
|--|-------------------|-------------------|
|  | \$                | \$                |
| <b>Significant revenue</b>   |                   |                   |
| Increase In Equity Value<br>Eastern Metropolitan Regional Council (EMRC) | 1,679,116         | 1,019,189         |
| <b>Other revenue</b>   |                   |                   |
| Reimbursements and recoveries  |                   |                   |
| Other  | 62,043            | 78,667            |
|  | <u>62,043</u>     | <u>78,667</u>     |
| <b>Fees and Charges</b>  |                   |                   |
| Governance   | 5,000             | 21,778            |
| General purpose funding  | 281,202           | 170,986           |
| Law, order, public safety  | 303,865           | 354,409           |
| Health   | 621,044           | 362,225           |
| Education and welfare  | 55,217            | 429,229           |
| Community amenities  | 12,692,097        | 11,368,271        |
| Recreation and culture   | 1,335,306         | 1,315,115         |
| Transport  | 5,569             | 0                 |
| Economic services  | 556,517           | 502,180           |
| Other property and services  | 155,001           | 76,449            |
|  | <u>16,010,818</u> | <u>14,600,642</u> |

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



**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

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

**(a) Revenue (Continued)**

**Grant Revenue**

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

|  | <b>2018</b>      | <b>2017</b>      |
|--|------------------|------------------|
|  | <b>\$</b>        | <b>\$</b>        |
| <b>Operating grants and subsidies</b>                    |                  |                  |
| General purpose funding                                  | 2,301,537        | 3,510,483        |
| Law, order, public safety                                | 185,178          | 188,994          |
| Education and welfare                                    | 8,182            | 2,899,551        |
| Community amenities                                      | 0                | 4,500            |
| Recreation and culture                                   | 122,424          | 144,215          |
| Transport  | 31,045           | 0                |
| Other property and services                              | 35,000           | 25,925           |
|  | <b>2,683,366</b> | <b>6,773,668</b> |
| <b>Non-operating grants, subsidies and contributions</b> |                  |                  |
| Law, order, public safety                                | 514,832          | 0                |
| Health   | 0                | 202,614          |
| Education and welfare                                    | 0                | 25,515           |
| Recreation and culture                                   | 242,927          | 602,525          |
| Transport  | 2,632,821        | 2,280,452        |
|  | <b>3,390,580</b> | <b>3,111,106</b> |
| <b>Total grants, subsidies and contributions</b>         | <b>6,073,946</b> | <b>9,884,774</b> |

**SIGNIFICANT ACCOUNTING POLICIES**

**Grants, Donations and Other Contributions**

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

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

**Grants, Donations and Other Contributions (Continued)**

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 23. 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 period.

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

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

**(a) Revenue (Continued)**

|  | <b>2018<br/>Actual</b> | <b>2018<br/>Budget</b> | <b>2017<br/>Actual</b> |
|--|------------------------|------------------------|------------------------|
|  | \$                     | \$                     | \$                     |
| <b>Interest earnings</b>                   |                        |                        |                        |
| - Loans receivable - clubs/institutions    | 15,025                 | 25,120                 | 19,356                 |
| - Reserve funds                            | 142,207                | 104,287                | 151,956                |
| - Municipal funds                          | 444,875                | 398,000                | 557,254                |
| - Non Investments - Municipal              | 35,273                 | 170,500                | 42,449                 |
| - Other funds                              |                        |                        |                        |
| Other interest revenue (refer note 24( e)) | 456,968                | 450,525                | 425,836                |
|  | <b>1,094,348</b>       | <b>1,148,432</b>       | <b>1,196,851</b>       |

**(b) Expenses**

|  | <b>2018</b>    | <b>2017</b>    |
|--|----------------|----------------|
|  | \$             | \$             |
| <b>Auditors remuneration</b>                           |                |                |
| - Auditors remuneration - Grant Thornton Audit Pty Ltd | 19,500         | 24,279         |
| <b>Other Audit Services</b>                            |                |                |
| - Audit and acquittal of the external funded projects  | 0              | 17,098         |
| - Internal Audit and other special assignments         | 103,596        | 0              |
| <b>Interest expenses (finance costs)</b>               |                |                |
| Long term borrowings (refer Note 12(a))                | 337,878        | 360,200        |
|  | <b>337,878</b> | <b>360,200</b> |
| <b>Rental charges</b>                                  |                |                |
| - Operating leases                                     | 311,954        | 392,791        |
|  | <b>311,954</b> | <b>392,791</b> |

## CITY OF KALAMUNDA

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

|   | NOTE | 2018<br>\$        | 2017<br>\$        |
|---|------|-------------------|-------------------|
| <b>3. CASH AND CASH EQUIVALENTS</b>   |      |                   |                   |
| Cash on Hand - Unrestricted   |      | 5,690             | 5,790             |
| Cash at Bank - Municipal  |      | 6,696,640         | 9,713,150         |
| Cash at Bank - Restricted Reserves  |      | 18,221,169        | 18,767,297        |
|   |      | <u>24,923,499</u> | <u>28,486,237</u> |
| The following restrictions have been imposed by regulations or other externally imposed requirements: |      |                   |                   |
| Long Service Leave Reserve  | 4    | 967,820           | 1,556,519         |
| Land and Property Enhancement and Maintenance Reserve   | 4    | 1,648,799         | 1,835,357         |
| Waste Management Reserve  | 4    | 1,866,753         | 1,301,219         |
| EDP IT Equipment Reserve  | 4    | 937,352           | 831,396           |
| Local Government Elections Reserve  | 4    | 129,134           | 128,191           |
| HACC Reserve  | 4    | 20,003            | 341,726           |
| Forrestfield Industrial Area Reserve  | 4    | 122,341           | 121,445           |
| Insurance Contingency Reserve   | 4    | 279,944           | 178,606           |
| Revaluation Reserve   | 4    | 255,268           | 253,406           |
| Nominated Employee Leave Provisions Reserve   | 4    | 1,912,791         | 1,775,544         |
| Forrestfield Industrial Scheme Stage 1 Reserve  | 4    | 2,210,731         | 2,937,442         |
| Asset Enhancement Reserve   | 4    | 1,769,752         | 1,300,091         |
| Unexpended Capital Works and Specific Purpose Grants Reserve  | 4    | 5,431,620         | 5,989,204         |
| Waste Avoidance and Resource Recovery Reserve   | 4    | 600,578           | 60,000            |
| Environmental Reserve   | 4    | 68,285            | 157,151           |
|   |      | <u>18,221,169</u> | <u>18,767,297</u> |
| <b>Municipal Cash - Restricted</b>  |      |                   |                   |
| Conditional Unspent Grants and Contributions  | 23   | 48,252            | 1,433,258         |
| Bonds   |      | 2,913,682         | 2,628,842         |
|   |      | <u>2,961,934</u>  | <u>4,062,100</u>  |
| Total Restricted  |      | <u>21,183,103</u> | <u>22,829,397</u> |

**SIGNIFICANT ACCOUNTING POLICIES****Cash and cash equivalents**

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of

**Cash and cash equivalents (Continued)**

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.

## SIGNIFICANT ACCOUNTING POLICIES

### Financial Assets

#### Classification and subsequent measurement

##### (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) Held-to-maturity investments

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

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

##### (iii) 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.

#### 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).

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.

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.

## SIGNIFICANT ACCOUNTING POLICIES

#### Impairment (Continued)

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.

#### Initial recognition and measurement

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

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

#### Classification and subsequent measurement

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

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.

#### Derecognition

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

**4. RESERVES - CASH BACKED**

|  | 2018<br>Actual<br>Opening<br>Balance | 2018<br>Actual<br>Transfer<br>to | 2018<br>Actual<br>Transfer<br>(from) | 2018<br>Actual<br>Closing<br>Balance | 2018<br>Budget<br>Opening<br>Balance | 2018<br>Budget<br>Transfer<br>to | 2018<br>Budget<br>Transfer<br>(from) | 2018<br>Budget<br>Closing<br>Balance | 2017<br>Actual<br>Opening<br>Balance | 2017<br>Actual<br>Transfer<br>to | 2017<br>Actual<br>Transfer<br>(from) | 2017<br>Actual<br>Closing<br>Balance |
|--|--------------------------------------|----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------------------------|--------------------------------------|--------------------------------------|
|  | \$                                   | \$                               | \$                                   | \$                                   | \$                                   | \$                               | \$                                   | \$                                   | \$                                   | \$                               | \$                                   | \$                                   |
| Long Service Leave Reserve                                   | 1,556,519                            | 11,301                           | (600,000)                            | 967,820                              | 1,577,337                            | 159,430                          | (771,973)                            | 964,794                              | 1,530,051                            | 26,468                           | 0                                    | 1,556,519                            |
| Land and Property Enhancement and Maintenance Reserve        | 1,835,357                            | 13,442                           | (200,000)                            | 1,648,799                            | 1,829,886                            | 15,563                           | (896,151)                            | 949,298                              | 1,578,059                            | 257,298                          | 0                                    | 1,835,357                            |
| Waste Management Reserve                                     | 1,301,219                            | 609,681                          | (44,147)                             | 1,866,753                            | 1,583,187                            | 371,599                          | (200,000)                            | 1,754,786                            | 787,591                              | 513,628                          | 0                                    | 1,301,219                            |
| EDP IT Equipment Reserve                                     | 831,396                              | 705,956                          | (600,000)                            | 937,352                              | 809,425                              | 3,474                            | (629,000)                            | 183,899                              | 542,561                              | 325,390                          | (36,555)                             | 831,396                              |
| Local Government Elections Reserve                           | 128,191                              | 943                              | 0                                    | 129,134                              | 130,054                              | 115,219                          | (146,000)                            | 99,273                               | 126,009                              | 2,182                            | 0                                    | 128,191                              |
| HACC Reserve   | 341,726                              | 2,438                            | (324,161)                            | 20,003                               | 0                                    | 0                                | 0                                    | 0                                    | 741,168                              | 40,825                           | (440,267)                            | 341,726                              |
| Forrestfield Industrial Area Reserve                         | 121,445                              | 896                              | 0                                    | 122,341                              | 120,981                              | 2,033                            | 0                                    | 123,014                              | 119,376                              | 2,069                            | 0                                    | 121,445                              |
| Insurance Contingency Reserve                                | 178,606                              | 101,338                          | 0                                    | 279,944                              | 177,816                              | 2,850                            | (150,000)                            | 30,666                               | 175,565                              | 3,041                            | 0                                    | 178,606                              |
| Revaluation Reserve  | 253,406                              | 1,862                            | 0                                    | 255,268                              | 252,483                              | 4,289                            | (200,000)                            | 56,772                               | 249,098                              | 4,308                            | 0                                    | 253,406                              |
| Nominated Employee Leave Provisions Reserve                  | 1,775,544                            | 337,247                          | (200,000)                            | 1,912,791                            | 1,769,945                            | 137,376                          | (350,000)                            | 1,557,321                            | 1,135,890                            | 939,654                          | (300,000)                            | 1,775,544                            |
| Forrestfield Industrial Scheme Stage 1 Reserve               | 2,937,442                            | 42,506                           | (769,216)                            | 2,210,731                            | 2,873,290                            | 0                                | (2,873,290)                          | 0                                    | 5,022,390                            | 1,864,922                        | (3,949,870)                          | 2,937,442                            |
| Asset Enhancement Reserve                                    | 1,300,091                            | 469,661                          | 0                                    | 1,769,752                            | 1,097,569                            | 1,098                            | 0                                    | 1,098,667                            | 856,713                              | 443,378                          | 0                                    | 1,300,091                            |
| Unexpended Capital Works and Specific Purpose Grants Reserve | 5,989,204                            | 4,442,416                        | (5,000,000)                          | 5,431,620                            | 5,988,375                            | 169,223                          | (5,986,016)                          | 171,582                              | 5,229,908                            | 5,759,296                        | (5,000,000)                          | 5,989,204                            |
| Waste Avoidance and Resource Recovery Reserve                | 60,000                               | 540,578                          | 0                                    | 600,578                              | 60,000                               | 1,200                            | (60,000)                             | 1,200                                | 0                                    | 60,000                           | 0                                    | 60,000                               |
| Environmental Reserve  | 157,151                              | 1,134                            | (90,000)                             | 68,285                               | 156,350                              | 156                              | (90,000)                             | 66,506                               | 66,010                               | 91,141                           | 0                                    | 157,151                              |
|  | <b>18,767,297</b>                    | <b>7,281,397</b>                 | <b>(7,827,525)</b>                   | <b>18,221,169</b>                    | <b>18,426,698</b>                    | <b>983,510</b>                   | <b>(12,352,430)</b>                  | <b>7,057,778</b>                     | <b>18,160,389</b>                    | <b>10,333,600</b>                | <b>(9,726,692)</b>                   | <b>18,767,297</b>                    |

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.

**4. RESERVES - CASH BACKED (Continued)**

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

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

**5. TRADE AND OTHER RECEIVABLES**

**Current**

|                                       |
|---------------------------------------|
| Rates outstanding                     |
| Sundry debtors                        |
| GST receivable                        |
| Loans receivable - clubs/institutions |
| Prepayments                           |

**Non-current**

|  |
|--|
| Rates outstanding - pensioners         |
| Loans receivable - clubs/institutions  |
| Forrestfield North Development Project |

| 2018             | 2017             |
|------------------|------------------|
| \$               | \$               |
| 2,367,157        | 1,531,087        |
| 514,938          | 358,058          |
| 507,517          | 448,869          |
| 59,396           | 74,988           |
| 279,524          | 176,934          |
| <b>3,728,532</b> | <b>2,589,936</b> |
| 663,354          | 565,011          |
| 124,241          | 196,293          |
| 839,871          | 200,514          |
| <b>1,627,466</b> | <b>961,818</b>   |

**SIGNIFICANT ACCOUNTING POLICIES**

**Trade and other receivables**

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

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.

**Classification and subsequent measurement**

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.

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

**6. INVENTORIES**

**Current**

Fuel and Materials

**Non-current**

Land held for resale - cost

Cost of acquisition

Development costs

|                             | 2018           | 2017           |
|-----------------------------|----------------|----------------|
|                             | \$             | \$             |
| Fuel and Materials          | 100,015        | 120,560        |
|                             | <u>100,015</u> | <u>120,560</u> |
| Land held for resale - cost |                |                |
| Cost of acquisition         | 370,021        | 370,021        |
| Development costs           | 16,046         | 16,046         |
|                             | <u>386,067</u> | <u>386,067</u> |

**SIGNIFICANT ACCOUNTING POLICIES**

**General**

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

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

**Land held for 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.

**Land held for sale (Continued)**

Finance costs and holding charges incurred after development is completed are expensed.

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

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



**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

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

|   | 2018               | 2017               |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| Land and buildings                                    |                    |                    |
| Land - freehold land at:                              |                    |                    |
| - Independent valuation 2017 - level 2                | 62,876,000         | 62,876,000         |
|   | 62,876,000         | 62,876,000         |
| Land - vested in and under the control of Council at: |                    |                    |
| - Independent valuation 2017 - level 3                | 2,883,100          | 2,883,100          |
|   | 2,883,100          | 2,883,100          |
| Total land  | 65,759,100         | 65,759,100         |
| Buildings - specialised at:                           |                    |                    |
| - Independent valuation 2017 - level 3                | 79,190,798         | 79,190,796         |
| - Additions after valuation - cost                    | 1,845,274          | 0                  |
| Less: accumulated depreciation                        | (1,579,064)        | 0                  |
|   | 79,457,008         | 79,190,796         |
| Total buildings                                       | 79,457,008         | 79,190,796         |
| Total land and buildings                              | 145,216,108        | 144,949,896        |
| Furniture and equipment at:                           |                    |                    |
| - Cost  | 6,747,594          | 6,340,789          |
| Less: accumulated depreciation                        | (5,689,082)        | (5,293,456)        |
|   | 1,058,512          | 1,047,333          |
| Plant and equipment at:                               |                    |                    |
| - Management valuation 2016 - level 2                 | 2,380,631          | 2,976,408          |
| - Additions after valuation - cost 2017               | 781,135            | 781,135            |
| - Additions after valuation - cost 2018               | 1,682,906          | 0                  |
| Less: accumulated depreciation                        | (693,572)          | (305,505)          |
|   | 4,151,100          | 3,452,038          |
| <b>Total property, plant and equipment</b>            | <b>150,425,720</b> | <b>149,449,267</b> |

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

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

**(b) Movements in Carrying Amounts**

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

|  | Land -<br>freehold land | Land - vested<br>in and under<br>the control of<br>Council | Total land | Buildings -<br>specialised | Total<br>buildings | Total land<br>and<br>buildings | Furniture and<br>equipment | Plant and<br>equipment | Total property,<br>plant and<br>equipment |
|--|-------------------------|--|------------|----------------------------|--------------------|--------------------------------|----------------------------|------------------------|---|
|  | \$                      | \$   | \$         | \$                         | \$                 | \$                             | \$                         | \$                     | \$  |
| <b>Balance at 1 July 2016</b>  | 61,428,000              | 2,799,800  | 64,227,800 | 82,894,897                 | 82,894,897         | 147,122,697                    | 1,404,819                  | 3,082,285              | 151,609,801                               |
| Additions  | 0                       | 0  | 0          | 3,180,242                  | 3,180,242          | 3,180,242                      | 100,453                    | 781,135                | 4,061,830                                 |
| (Disposals)  | 0                       | 0  | 0          | 0                          | 0                  | 0                              | (6,692)                    | (99,975)               | (106,667)                                 |
| Revaluation increments/ (decrements)<br>transferred to revaluation surplus | 1,448,000               | 83,300   | 1,531,300  | (4,559,673)                | (4,559,673)        | (3,028,373)                    | 0                          | 0                      | (3,028,373)                               |
| Impairment (losses)/reversals  | 0                       | 0  | 0          | (367,876)                  | (367,876)          | (367,876)                      | 0                          | 0                      | (367,876)                                 |
| Depreciation (expense)   | 0                       | 0  | 0          | (1,745,168)                | (1,745,168)        | (1,745,168)                    | (451,248)                  | (311,406)              | (2,507,822)                               |
| Transfers / re-classifications   | 0                       | 0  | 0          | (211,626)                  | (211,626)          | (211,626)                      | 0                          | 0                      | (211,626)                                 |
| <b>Carrying amount at 30 June 2017</b>                                     | 62,876,000              | 2,883,100  | 65,759,100 | 79,190,796                 | 79,190,796         | 144,949,896                    | 1,047,332                  | 3,452,039              | 149,449,267                               |
| Additions  | 0                       | 0  | 0          | 1,845,276                  | 1,845,276          | 1,845,276                      | 517,312                    | 1,682,906              | 4,045,494                                 |
| (Disposals)  | 0                       | 0  | 0          | 0                          | 0                  | 0                              | (33,820)                   | (523,750)              | (557,570)                                 |
| Depreciation (expense)   | 0                       | 0  | 0          | (1,579,064)                | (1,579,064)        | (1,579,064)                    | (472,312)                  | (460,095)              | (2,511,471)                               |
| <b>Carrying amount at 30 June 2018</b>                                     | 62,876,000              | 2,883,100  | 65,759,100 | 79,457,008                 | 79,457,008         | 145,216,108                    | 1,058,512                  | 4,151,100              | 150,425,720                               |

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

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

**(c) Fair Value Measurements**

| <b>Asset Class</b>                                | <b>Fair Value Hierarchy</b> | <b>Valuation Technique</b>   | <b>Basis of Valuation</b>     | <b>Date of Last Valuation</b> | <b>Inputs Used</b>  |
|---|-----------------------------|--|-------------------------------|-------------------------------|---|
| <b>Land and buildings</b>                         |                             |  |                               |                               |   |
| Land - freehold land                              | 2                           | Market approach using recent observable market data for similar assets                 | Independent registered valuer | June 2017                     | Average price for square meter / sales process of comparable properties   |
| Land - vested in and under the control of Council | 3                           | Improvements to land valued using cost approach using depreciated replacement cost     | Independent registered valuer | June 2017                     | Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs     |
| Buildings - specialised                           | 3                           | Improvements to building valued using cost approach using depreciated replacement cost | Independent registered valuer | June 2017                     | Improvements to building using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |
| Buildings - specialised                           | 2                           | Market approach using recent observable market data for similar assets                 | Independent registered valuer | June 2017                     | Average price for square meter / sales process of comparable properties   |
| <b>Plant and equipment</b>                        |                             |  |                               |                               |   |
| - Management Valuation 2016                       | 2                           | Market approach using recent observable market data for similar assets                 | Management valuation          | June 2016                     | Market price per item   |
| - Management Valuation 2016                       | 3                           | Cost approach using depreciated replacement cost                                       | Management valuation          | June 2016                     | Purchase cost and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs                                     |

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

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

**8 (a). INFRASTRUCTURE**

|   | <b>2018</b>        | <b>2017</b>        |
|---|--------------------|--------------------|
|   | <b>\$</b>          | <b>\$</b>          |
| Infrastructure - Roads  |                    |                    |
| - Independent valuation 2018 - level 3  | 181,719,311        | 0                  |
| - Independent valuation 2015 - level 3  | 0                  | 115,916,874        |
| - Additions after valuation - cost  | 0                  | 5,896,864          |
| Less: accumulated depreciation  | 0                  | (7,109,427)        |
|   | <b>181,719,311</b> | <b>114,704,311</b> |
| Infrastructure - Footpaths  |                    |                    |
| - Independent valuation 2018 - level 3  | 27,311,282         | 0                  |
| - Independent valuation 2015 - level 3  | 0                  | 13,255,933         |
| - Additions after valuation - cost  | 0                  | 388,851            |
| Less: accumulated depreciation  | 0                  | (1,096,943)        |
|   | <b>27,311,282</b>  | <b>12,547,841</b>  |
| Infrastructure - Drainage   |                    |                    |
| - Independent valuation 2018 - level 3  | 126,380,082        | 0                  |
| - Independent valuation 2015 - level 3  | 0                  | 18,640,817         |
| - Additions after valuation - cost  | 0                  | 1,082,481          |
| Less: accumulated depreciation  | 0                  | (923,661)          |
|   | <b>126,380,082</b> | <b>18,799,637</b>  |
| Infrastructure - Parks and Ovals  |                    |                    |
| - Independent valuation 2018 - level 3  | 11,943,212         | 0                  |
| - Independent valuation 2015 - level 3  | 0                  | 5,795,052          |
| - Additions after valuation - cost  | 0                  | 6,058,143          |
| Less: accumulated depreciation  | 0                  | (1,002,835)        |
|   | <b>11,943,212</b>  | <b>10,850,360</b>  |
| Infrastructure - Other  |                    |                    |
| - Independent valuation 2018 - level 3  | 16,690,724         | 0                  |
| - Independent valuation 2015 - level 3  | 0                  | 6,615,233          |
| - Increase in value in other infrastructure belongs to reserves vested under the Council from Land & Bulding revaluation 2017 | 0                  | 292,400            |
| - Additions after valuation - cost  | 0                  | 1,180,906          |
| Less: accumulated depreciation  | 0                  | (716,399)          |
|   | <b>16,690,724</b>  | <b>7,372,140</b>   |
| <b>Total infrastructure</b>   | <b>364,044,611</b> | <b>164,274,289</b> |

**CITY OF KALAMUNDA****NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018****8. INFRASTRUCTURE (Continued)****(b) Movements in Carrying Amounts**

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

|   | Infrastructure -          |                               |                              |                    |                           |                         |
|---|---------------------------|-------------------------------|------------------------------|--------------------|---------------------------|-------------------------|
|   | Infrastructure -<br>Roads | Infrastructure -<br>Footpaths | Infrastructure -<br>Drainage | Parks and<br>Ovals | Infrastructure -<br>Other | Total<br>Infrastructure |
|   | \$                        | \$                            | \$                           | \$                 | \$                        | \$                      |
| <b>Balance at 1 July 2016</b>   | 117,251,183               | 13,074,652                    | 18,708,221                   | 10,371,391         | 6,551,809                 | 165,957,256             |
| Additions   | 2,232,530                 | 317,086                       | 783,023                      | 1,338,958          | 763,742                   | 5,435,339               |
| Revaluation increments/ (decrements) transferred to revaluation surplus | 0                         | 0                             | 0                            | 0                  | 292,400                   | 292,400                 |
| Depreciation (expense)  | (4,779,402)               | (843,896)                     | (691,607)                    | (859,989)          | (447,437)                 | (7,622,331)             |
| Transfers / re-classifications  | 0                         | 0                             | 0                            | 0                  | 211,626                   | 211,626                 |
| <b>Carrying amount at 30 June 2017</b>                                  | 114,704,311               | 12,547,841                    | 18,799,637                   | 10,850,360         | 7,372,140                 | 164,274,289             |
| Additions   | 3,249,378                 | 693,397                       | 2,009,121                    | 2,425,950          | 856,038                   | 9,233,885               |
| Revaluation increments/ (decrements) transferred to revaluation surplus | 68,397,426                | 14,919,981                    | 106,273,004                  | (250,325)          | 8,922,182                 | 198,262,269             |
| Depreciation (expense)  | (4,631,804)               | (849,937)                     | (701,680)                    | (1,082,773)        | (459,636)                 | (7,725,830)             |
| <b>Carrying amount at 30 June 2018</b>                                  | 181,719,311               | 27,311,282                    | 126,380,082                  | 11,943,212         | 16,690,724                | 364,044,611             |

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

**8. INFRASTRUCTURE (Continued)**

**(c) Fair Value Measurements**

| <b>Asset Class</b>                      | <b>Fair Value Hierarchy</b> | <b>Valuation Technique</b>                       | <b>Basis of Valuation</b> | <b>Date of Last Valuation</b> | <b>Inputs Used</b>  |
|---|-----------------------------|--|---------------------------|-------------------------------|---|
| <b>Infrastructure - Roads</b>           | Level 3                     | Cost approach using depreciated replacement cost | Independent valuation     | June 2018                     | Observable input based on depreciation replacement cost (Level 3) |
| <b>Infrastructure - Footpaths</b>       | Level 3                     | Cost approach using depreciated replacement cost | Independent valuation     | June 2018                     | Observable input based on depreciation replacement cost (Level 3) |
| <b>Infrastructure - Drainage</b>        | Level 3                     | Cost approach using depreciated replacement cost | Independent valuation     | June 2018                     | Observable input based on depreciation replacement cost (Level 3) |
| <b>Infrastructure - Parks and Ovals</b> | Level 3                     | Cost approach using depreciated replacement cost | Independent valuation     | June 2018                     | Observable input based on depreciation replacement cost (Level 3) |
| <b>Infrastructure - Other</b>           | Level 3                     | Cost approach using depreciated replacement cost | Independent valuation     | June 2018                     | Observable input based on depreciation replacement cost (Level 3) |

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

The City engaged an Independent Valuer to determine the fair value of the infrastructure assets. The valuation was carried out as of 30 June 2018 by a professional valuation company AssetVal Pty Ltd

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

**CITY OF KALAMUNDA****NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018****9. FIXED ASSETS****SIGNIFICANT ACCOUNTING POLICIES****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.

**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.

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

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

**Revaluation**

The fair value of fixed assets is determined at least every three years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

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

**Land under control**

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

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

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

**9. FIXED ASSETS (Continued)**

**(a) Disposals of Assets**

The following assets were disposed of during the year.

|                                    | <b>Actual<br/>Net Book<br/>Value</b> | <b>Actual<br/>Sale<br/>Proceeds</b> | <b>Actual<br/>Profit</b> | <b>Actual<br/>Loss</b> | <b>Budget<br/>Net Book<br/>Value</b> | <b>Budget<br/>Sale<br/>Proceeds</b> | <b>Budget<br/>Profit</b> | <b>Budget<br/>Loss</b> |
|------------------------------------|--------------------------------------|-------------------------------------|--------------------------|------------------------|--------------------------------------|-------------------------------------|--------------------------|------------------------|
|                                    | \$                                   | \$                                  | \$                       | \$                     | \$                                   | \$                                  | \$                       | \$                     |
| <b>Plant and Equipment</b>         |                                      |                                     |                          |                        |                                      |                                     |                          |                        |
| <b>Law, order, public safety</b>   | 15,000                               | 0                                   | 0                        | (15,000)               | 0                                    | 0                                   | 0                        | 0                      |
| <b>Education and welfare</b>       | 212,790                              | 0                                   | 0                        | (212,790)              | 0                                    | 0                                   | 0                        | 0                      |
| <b>Recreation and culture</b>      | 18,400                               | 10,584                              | 0                        | (7,816)                | 0                                    | 0                                   | 0                        | 0                      |
| <b>Other property and services</b> | 311,380                              | 319,657                             | 26,879                   | (18,602)               | 50,000                               | 0                                   | 0                        | (50,000)               |
|                                    | <b>557,570</b>                       | <b>330,241</b>                      | <b>26,879</b>            | <b>(254,208)</b>       | <b>50,000</b>                        | <b>0</b>                            | <b>0</b>                 | <b>(50,000)</b>        |

**(b) Depreciation**

|                                  | <b>2018</b>       | <b>2017</b>       |
|----------------------------------|-------------------|-------------------|
|                                  | \$                | \$                |
| Buildings - specialised          | 1,579,064         | 1,745,168         |
| Furniture and equipment          | 472,312           | 451,248           |
| Plant and equipment              | 460,095           | 311,406           |
| Infrastructure - Roads           | 4,631,804         | 4,779,402         |
| Infrastructure - Footpaths       | 849,937           | 843,896           |
| Infrastructure - Drainage        | 701,680           | 691,607           |
| Infrastructure - Parks and Ovals | 1,082,773         | 859,989           |
| Infrastructure - Other           | 459,636           | 447,437           |
|                                  | <b>10,237,301</b> | <b>10,130,153</b> |



**9. FIXED ASSETS (Continued)**

**(b) Depreciation (Continued)**

**SIGNIFICANT ACCOUNTING POLICIES**

**Depreciation**

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

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

- a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The

accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or

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

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

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

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

**Depreciation rates**

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**

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

**CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

**10. REVALUATION SURPLUS**

|  | 2018<br>Opening<br>Balance | 2018<br>Revaluation<br>Increment | 2018<br>Revaluation<br>(Decrement) | 2018<br>Total<br>Movement on<br>Revaluation | 2018<br>Closing<br>Balance | 2017<br>Opening<br>Balance | 2017<br>Revaluation<br>Increment | 2017<br>Revaluation<br>(Decrement) | 2017<br>Total<br>Movement on<br>Revaluation | 2017<br>Closing<br>Balance |
|--|----------------------------|----------------------------------|------------------------------------|---|----------------------------|----------------------------|----------------------------------|------------------------------------|---|----------------------------|
|  | \$                         | \$                               | \$                                 | \$  | \$                         | \$                         | \$                               | \$                                 | \$  | \$                         |
| Land & Land - vested in under the control of Council | 60,628,646                 | 0                                | 0                                  | 0   | 60,628,646                 | 59,097,346                 | 1,531,300                        | 0                                  | 1,531,300                                   | 60,628,646                 |
| Revaluation surplus -Buildings - specialised         | 64,688,776                 | 0                                | 0                                  | 0   | 64,688,776                 | 69,248,449                 | 0                                | (4,559,673)                        | (4,559,673)                                 | 64,688,776                 |
| Revaluation surplus - Infrastructure                 | 2,878,475                  | 198,262,269                      | 0                                  | 198,262,269                                 | 201,140,744                | 2,586,075                  | 292,400                          | 0                                  | 292,400                                     | 2,878,475                  |
| Revaluation surplus - EMRC asset revaluation         | 1,027,715                  | 0                                | (94,686)                           | (94,686)                                    | 933,029                    | 788,568                    | 239,147                          | 0                                  | 239,147                                     | 1,027,715                  |
|  | <u>129,223,612</u>         | <u>198,262,269</u>               | <u>(94,686)</u>                    | <u>198,167,583</u>                          | <u>327,391,195</u>         | <u>131,720,438</u>         | <u>2,062,847</u>                 | <u>(4,559,673)</u>                 | <u>(2,496,826)</u>                          | <u>129,223,612</u>         |

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

**CITY OF KALAMUNDA****NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018****11. TRADE AND OTHER PAYABLES****Current**

|  | <b>2018</b>      | <b>2017</b>      |
|--|------------------|------------------|
|  | \$               | \$               |
| Sundry creditors                         | 3,053,014        | 3,685,988        |
| Accrued interest on long term borrowings | 104,863          | 117,618          |
| Accrued salaries and wages               | 65,755           | 77,836           |
| Accrued Expenses                         | 207,836          | 67,680           |
| Bonds and Deposits                       | 2,913,682        | 2,628,842        |
| Income in Advance                        | 35,983           | 27,391           |
|  | <b>6,381,133</b> | <b>6,605,355</b> |

**SIGNIFICANT ACCOUNTING POLICIES****Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the City prior to the end of the financial year that are unpaid and arise when the City becomes obliged to make future payments in respect

**Trade and other payables (Continued)**

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

**12. INFORMATION ON BORROWINGS**

**(a) Repayments - Borrowings**

| Particulars                         | Principal   | New Loans |           | Principal Repayments |         | Principal 30 June 2018 |           | Interest Repayments |         |
|-------------------------------------|-------------|-----------|-----------|----------------------|---------|------------------------|-----------|---------------------|---------|
|                                     | 1 July 2017 | Actual    | Budget    | Actual               | Budget  | Actual                 | Budget    | Actual              | Budget  |
|                                     | \$          | \$        | \$        | \$                   | \$      | \$                     | \$        | \$                  | \$      |
| <b>Community amenities</b>          |             |           |           |                      |         |                        |           |                     |         |
| Land Acquisition Kalamunda Road     | 620,932     | 0         | 0         | 165,380              | 165,380 | 455,552                | 455,552   | 29,553              | 32,373  |
| Depot Waste Trucks                  | 948,252     | 0         | 0         | 43,771               | 43,771  | 904,481                | 904,481   | 52,043              | 52,779  |
| Waste Compactor                     | 206,510     | 0         | 0         | 39,307               | 39,307  | 167,203                | 167,203   | 4,648               | 4,840   |
| Forrestfield North Project - Loan 1 | 500,000     | 0         | 0         | 43,550               | 43,550  | 456,450                | 456,450   | 14,420              | 14,725  |
| Forrestfield North Project - Loan 2 | 0           | 0         | 450,000   | 0                    | 0       | 0                      | 450,000   |                     |         |
|                                     |             |           |           |                      |         |                        |           | 0                   | 0       |
| <b>Recreation and culture</b>       |             |           |           |                      |         |                        |           |                     |         |
| Foothills Netball Association       | 72,357      | 0         | 0         | 4,406                | 4,406   | 67,951                 | 67,951    | 4,499               | 4,540   |
| Wet'n'Wild                          | 183,248     | 0         | 0         | 57,382               | 57,382  | 125,866                | 125,866   | 8,918               | 10,519  |
| Kalamunda Swimming Pool             | 1,525,450   | 0         | 0         | 70,414               | 70,414  | 1,455,036              | 1,455,036 | 83,722              | 84,905  |
|                                     |             |           |           |                      |         | 0                      | 0         |                     |         |
| <b>Transport</b>                    |             |           |           |                      |         |                        |           |                     |         |
| City Depot                          | 1,652,659   | 0         | 0         | 82,672               | 82,672  | 1,569,987              | 1,569,987 | 108,255             | 110,509 |
| Plant & Equipment Purchase          | 99,095      | 0         | 0         | 99,095               | 99,095  | 0                      | 0         | 2,592               | 4,481   |
| Newburn Road Extension              | 304,146     | 0         | 0         | 69,783               | 69,783  | 234,363                | 234,363   | 16,226              | 16,270  |
|                                     |             |           |           |                      |         |                        |           | 0                   | 0       |
| <b>Other property and services</b>  |             |           |           |                      |         |                        |           |                     |         |
| Plant and Equipment                 | 0           | 0         | 1,500,000 |                      |         | 0                      | 1,500,000 |                     |         |
|                                     | 6,112,650   | 0         | 1,950,000 | 675,758              | 675,760 | 5,436,891              | 7,386,889 | 324,876             | 335,941 |

| Particulars                          | Principal   | New Loans |           | Principal Repayments |         | Principal 30 June 2018 |           | Interest Repayments |         |
|--------------------------------------|-------------|-----------|-----------|----------------------|---------|------------------------|-----------|---------------------|---------|
|                                      | 1 July 2017 | Actual    | Budget    | Actual               | Budget  | Actual                 | Budget    | Actual              | Budget  |
|                                      | \$          | \$        | \$        | \$                   | \$      | \$                     | \$        | \$                  | \$      |
| <b>Self Supporting Loans</b>         |             |           |           |                      |         |                        |           |                     |         |
| <b>Recreation and culture</b>        |             |           |           |                      |         |                        |           |                     |         |
| Forrestfield Bowling Club            | 15,091      | 0         | 0         | 15,091               | 4,634   | 0                      | 10,458    | 998                 | 1,126   |
| Kalamunda Cricket Club               | 2,168       | 0         | 0         | 2,168                | 2,168   | 0                      | 0         | 60                  | 107     |
| Kalamunda & District Basketball Club | 21,617      | 0         | 0         | 21,617               | 21,617  | 0                      | 0         | 712                 | 1,060   |
| Forrestfield United Soccer Club      | 96,524      | 0         | 0         | 6,571                | 6,571   | 89,953                 | 89,954    | 5,150               | 5,182   |
| Lesmurdie Tennis Club                | 7,363       | 0         | 0         | 7,363                | 4,831   | (0)                    | 2,532     | 279                 | 387     |
| Maida Vale Tennis Club               | 30,609      | 0         | 0         | 3,347                | 3,347   | 27,262                 | 27,262    | 1,736               | 1,772   |
| Kalamunda Club                       | 77,695      | 0         | 0         | 29,640               | 29,640  | 48,055                 | 48,055    | 3,729               | 4,435   |
| Forrestfield Junior Football Club    | 6,962       | 0         | 0         | 2,181                | 2,181   | 4,781                  | 4,783     | 339                 | 400     |
|                                      | 258,029     | 0         | 0         | 87,977               | 74,989  | 170,052                | 183,044   | 13,002              | 14,469  |
|                                      | 6,370,679   | 0         | 1,950,000 | 763,735              | 750,749 | 5,606,943              | 7,569,933 | 337,878             | 350,410 |

Self supporting loans are financed by payments from third parties.  
 All other loan repayments were financed by general purpose revenue.

**Borrowings**

|             | 2018      | 2017      |
|-------------|-----------|-----------|
|             | \$        | \$        |
| Current     | 652,798   | 750,747   |
| Non-current | 4,954,145 | 5,619,932 |
|             | 5,606,943 | 6,370,679 |

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

**(b) New Borrowings - 2017/18**

The City did not take up any new debentures during the year ended 30 June 2018.

**(b) Unspent Borrowings**

| <b>Particulars</b>                               | <b>Date Borrowed</b> | <b>Unspent Balance 1 July 17</b> | <b>Borrowed During Year</b> | <b>Expended During Year</b> | <b>Unspent Balance 30 June 18</b> |
|--|----------------------|----------------------------------|-----------------------------|-----------------------------|-----------------------------------|
|  |                      | \$                               | \$                          | \$                          | \$                                |
| Technical studies in the Forrestfield North Area | April 2017           | 400,000                          | 0                           | (400,000)                   | 0                                 |
|  |                      | <u>400,000</u>                   | <u>0</u>                    | <u>(400,000)</u>            | <u>0</u>                          |

**(c) Undrawn Borrowing Facilities**

**Credit Standby Arrangements**

Bank overdraft limit

Credit card limit

Credit card balance at balance date

**Total amount of credit unused**

**Loan facilities**

Loan facilities - current

Loan facilities - non-current

**Total facilities in use at balance date**

**Unused loan facilities at balance date**

|  | <b>2018</b>      | <b>2017</b>      |
|--|------------------|------------------|
|  | \$               | \$               |
| Bank overdraft limit                           | 1,500,000        | 1,500,000        |
| Credit card limit                              | 75,000           | 75,000           |
| Credit card balance at balance date            | (11,432)         | (4,367)          |
| <b>Total amount of credit unused</b>           | <u>1,563,568</u> | <u>1,570,633</u> |
| <b>Loan facilities</b>                         |                  |                  |
| Loan facilities - current                      | 652,798          | 750,747          |
| Loan facilities - non-current                  | 4,954,145        | 5,619,932        |
| <b>Total facilities in use at balance date</b> | <u>5,606,943</u> | <u>6,370,679</u> |
| <b>Unused loan facilities at balance date</b>  | NIL              | NIL              |

**SIGNIFICANT ACCOUNTING POLICIES**

**Financial liabilities**

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

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

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

**Borrowing costs**

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

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

**13. PROVISIONS**

**Opening balance at 1 July 2017**

Current provisions  
 Non-current provisions

Additional provision  
 Amounts used  
 Increase in the discounted amount arising  
 because of time and the effect of any  
 change in the discounted rate

**Balance at 30 June 2018**

**Comprises**

Current  
 Non-current

|  | Provision for<br>Annual<br>Leave | Provision for<br>Long Service<br>Leave | Total       |
|--|----------------------------------|--|-------------|
|  | \$                               | \$                                     | \$          |
|  | 1,704,902                        | 1,576,997                              | 3,281,899   |
|  | 0                                | 594,724                                | 594,724     |
|  | 1,704,902                        | 2,171,721                              | 3,876,623   |
|  | 1,671,067                        | 344,818                                | 2,015,885   |
|  | (1,808,401)                      | (395,249)                              | (2,203,650) |
|  | 9,374                            | 56,487                                 | 65,861      |
|  | 1,558,194                        | 2,177,778                              | 3,754,719   |
|  | 1,558,194                        | 1,624,002                              | 3,182,196   |
|  | 0                                | 553,776                                | 553,776     |
|  | 1,558,194                        | 2,177,778                              | 3,735,972   |

**SIGNIFICANT ACCOUNTING POLICIES**

**Employee benefits**

**Short-term employee benefits**

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

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

**Other long-term employee benefits**

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

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at

**Other long-term employee benefits (Continued)**

rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

**Provisions**

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

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

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

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

**Reconciliation of Cash**

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

|  | <b>2018</b>      | <b>2018</b>      | <b>2017</b>      |
|--|------------------|------------------|------------------|
|  | <b>Actual</b>    | <b>Budget</b>    | <b>Actual</b>    |
|  | <b>\$</b>        | <b>\$</b>        | <b>\$</b>        |
| Cash and cash equivalents  | 24,923,499       | 14,739,216       | 28,486,237       |
| <b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b> |                  |                  |                  |
| Net result   | 5,512,077        | 5,734,510        | 3,421,134        |
| Non-cash flows in Net result:  |                  |                  |                  |
| Depreciation   | 10,237,301       | 6,047,128        | 10,130,153       |
| (Profit)/loss on sale of asset   | 227,329          | 50,000           | 363,653          |
| Change in Equity - Joint Venture   | (1,679,116)      | (3,082,862)      | (1,019,189)      |
| Interest on deferred loans   | (333)            | 0                | (325)            |
| Changes in assets and liabilities:   |                  |                  |                  |
| (Increase)/decrease in receivables   | (1,891,888)      | (340,630)        | (372,852)        |
| (Increase)/decrease in inventories   | 20,545           | (85,973)         | 18,354           |
| Increase/(decrease) in payables  | (224,221)        | 318,226          | 180,972          |
| Increase/(decrease) in provisions  | (140,651)        | 1,217,765        | 195,318          |
| Capital (Developer) Contributions  | (1,339,873)      | 0                | (2,977,902)      |
| Asset transfer - exchange valuation  | 0                | 0                | 46,500           |
| Grants contributions for<br>the development of assets                            | (3,390,580)      | (4,988,985)      | (3,111,106)      |
| Net cash from operating activities   | <u>7,330,590</u> | <u>4,869,179</u> | <u>6,874,710</u> |

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

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

|                             | <b>2018</b>        | <b>2017</b>        |
|-----------------------------|--------------------|--------------------|
|                             | <b>\$</b>          | <b>\$</b>          |
| Governance                  | 8,765,300          | 8,782,757          |
| General purpose funding     | 10,873,809         | 12,793,859         |
| Law, order, public safety   | 1,488,826          | 1,066,952          |
| Health                      | 2,705,967          | 1,476,778          |
| Education and welfare       | 2,805,874          | 3,371,094          |
| Community amenities         | 72,971,210         | 72,389,721         |
| Recreation and culture      | 95,345,272         | 94,349,762         |
| Transport                   | 373,672,497        | 173,286,337        |
| Economic services           | 2,425              | 2,425              |
| Other property and services | 10,598,239         | 9,158,683          |
|                             | <b>579,229,419</b> | <b>376,678,368</b> |

**16. CONTINGENT LIABILITIES**

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

Details of those site are:

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

The City is in the process of conducting investigations to determine the presence and scope of contamination, assess the risk, and agree with the Department of Environmental Regulation on the need and criteria of remediation of a risk based approach, the City is unable to estimate the potential costs associated with remediation of these sites. This approach is consistent with the Department of Environment Regulation Guidelines.



**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

**17. CAPITAL AND LEASING COMMITMENTS**

**(a) Capital Expenditure Commitments**

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

|  | <b>2018</b>    | <b>2017</b>    |
|--|----------------|----------------|
|  | \$             | \$             |
|  | 168,725        | 240,039        |
|  | 112,581        | 166,080        |
|  | <b>281,306</b> | <b>406,119</b> |

**(b) Operating Lease Commitments**

Non-cancellable operating leases contracted for but Payable:

- not later than one year
- later than one year but not later than five years

**SIGNIFICANT ACCOUNTING POLICIES**

**Leases**

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

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

**Leases (Continued)**

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

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

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

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

## 18. JOINT VENTURE ARRANGEMENTS

The City 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 City of Kalamunda as at 30 June 2018 as disclosed in the Financial Statements of the Eastern Metropolitan Regional Council is \$30,331,642. This represents the City's 16.30% share of the Total Equity in the Eastern Metropolitan Regional Council.

The Principal place of business :

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

The City's interest in the Assets and Liabilities to the EMRC are as follows:

|                               | <b>2018</b> | <b>2017</b> |
|-------------------------------|-------------|-------------|
|                               | <b>\$</b>   | <b>\$</b>   |
| Interest in the Joint Venture | 30,331,642  | 28,747,212  |
| Current Assets                | 16,438,822  | 15,539,052  |
| Non-Current Assets            | 15,314,195  | 15,321,807  |
|                               | 31,753,016  | 30,860,859  |
| Current Liabilities           | 838,828     | 868,312     |
| Non-Current Liabilities       | 582,547     | 1,245,336   |
|                               | 1,421,374   | 2,113,648   |
|                               | 30,331,642  | 28,747,212  |

### SIGNIFICANT ACCOUNTING POLICIES

#### Interests in joint arrangements

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

Separate joint arrangements providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method.

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

**19. RELATED PARTY TRANSACTIONS**

**Elected Members Remuneration**

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

|                              | <b>2018<br/>Actual</b> | <b>2018<br/>Budget</b> | <b>2017<br/>Actual</b> |
|------------------------------|------------------------|------------------------|------------------------|
|                              | \$                     | \$                     | \$                     |
| Meeting Fees                 | 277,285                | 283,841                | 278,091                |
| Mayor's allowance            | 62,827                 | 62,727                 | 62,727                 |
| Deputy Mayor's allowance     | 15,707                 | 15,682                 | 15,682                 |
| Travelling expenses          | 586                    | 600                    | 588                    |
| Telecommunications allowance | 41,001                 | 42,000                 | 41,125                 |
|                              | <b>397,406</b>         | <b>404,850</b>         | <b>398,213</b>         |

**Key Management Personnel (KMP) Compensation Disclosure**

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

|                              | <b>2018</b>      | <b>2017</b>      |
|------------------------------|------------------|------------------|
|                              | \$               | \$               |
| Short-term employee benefits | 3,058,668        | 2,823,020        |
| Post-employment benefits     | 281,396          | 328,027          |
| Other long-term benefits     | 278,334          | 253,607          |
|                              | <b>3,618,399</b> | <b>3,404,654</b> |

*Short-term employee benefits*

These amounts include all salary, paid leave, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found above.

*Post-employment benefits*

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

*Other long-term benefits*

These amounts represent long service benefits accruing during the year.

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

**19. RELATED PARTY TRANSACTIONS (Continued)**

**Transactions with related parties**

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

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

The following transactions occurred with related parties:

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
|  | <b>\$</b>   | <b>\$</b>   |
| <b>Joint venture entities:</b>               |             |             |
| Increase in Equity in Joint Venture Entities | 1,584,430   | 1,258,336   |
| Purchase of Services                         | 4,260,082   | 3,893,931   |
| <b>Amounts payable to related parties:</b>   |             |             |
| Trade and other payables                     | 408,070     | 308,770     |

**The City's main related parties are as follows:**

i. Key management personnel

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

ii. Entities subject to significant influence by the City

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

iii. Joint venture entities -

The City has 16.30% interest in Eastern Metropolitan Regional Council.  
 For details of interests held in joint venture entities, refer to Note 18.

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

## 20. MAJOR LAND TRANSACTIONS

The City did not participate in any major land transactions during 2017/2018 Financial Year

### Land held for resale per Note 6

#### Non-Current

Land held for resale - cost

Cost of acquisition

Development costs

|  | 2018           | 2017           |
|--|----------------|----------------|
|  | \$             | \$             |
|  | 370,021        | 370,021        |
|  | 16,046         | 16,046         |
|  | <u>386,067</u> | <u>386,067</u> |

## 21. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The City did not participate in any trading undertakings or major trading undertakings during the 2017/2018 Financial Year.

## 22. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

|  |            |            |
|--|------------|------------|
|  | <u>224</u> | <u>251</u> |
|--|------------|------------|

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

**23. CONDITIONS OVER GRANTS/CONTRIBUTIONS**

| Grant/Contribution  | Opening Balance <sup>(1)</sup> | Received <sup>(2)</sup> | Expended / Allocated to Unexpended Capital Works & Specific Purpose Grants Reserve <sup>(3)</sup> | Closing Balance <sup>(1)</sup> | Received <sup>(2)</sup> | Expended / Allocated to Unexpended Capital Works & Specific Purpose Grants Reserve <sup>(3)</sup> | Closing Balance <sup>(1)</sup> |
|---|--------------------------------|-------------------------|---|--------------------------------|-------------------------|---|--------------------------------|
|   | 1/07/16                        | 2016/17                 | 2016/17   | 30/06/17                       | 2017/18                 | 2017/18   | 30/06/18                       |
|   | \$                             | \$                      | \$  | \$                             | \$                      | \$  | \$                             |
| <b>Law, order, public safety</b>                                    |                                |                         |   |                                |                         |   |                                |
| State Emergency Services  | 14,039                         | 129,582                 | (110,181)   | 33,440                         | 127,596                 | (127,404)   | 33,632                         |
| Bush Fire Brigade   | 31,932                         | 59,412                  | (76,350)  | 14,994                         | 57,582                  | (57,956)  | 14,620                         |
| <b>Community amenities</b>  |                                |                         |   |                                |                         |   |                                |
| Mobile Graffiti removal implementation project                      | 18,842                         | 0                       | (18,842)  | 0                              | 0                       | 0   | 0                              |
| <b>Recreation and culture</b>                                       |                                |                         |   |                                |                         |   |                                |
| Hartfield Park Master plan  | 4,242,470                      | 0                       | (3,112,192)   | 1,130,278                      | 0                       | (1,130,278)   | 0                              |
| Installation of Synthetic Bowling Green - Forrestfield Bowling club | 0                              | 54,546                  | 0   | 54,546                         | 0                       | (54,546)  | 0                              |
| Hartfield Park Offset Proposal Funding                              | 18,640                         | 0                       | (18,640)  | 0                              | 0                       | 0   | 0                              |
| Kids Sport Program  | 0                              | 121,670                 | (121,670)   | 0                              | 102,424                 | (102,424)   | 0                              |
| <b>Transport</b>  |                                |                         |   |                                |                         |   |                                |
| Financial Assistance Grant - Bridges                                | 200,000                        | 0                       | 0   | 200,000                        | 0                       | (200,000)   | 0                              |
| <b>Total</b>  | <b>4,525,923</b>               | <b>365,210</b>          | <b>(3,457,875)</b>  | <b>1,433,258</b>               | <b>287,602</b>          | <b>(1,672,608)</b>  | <b>48,252</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 or funds are allocated to Unexpended Capital Works & Specific Purpose Grants Reserve and treated as restricted funds under reserves

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

**24. RATING INFORMATION**

**(a) Rates**

| RATE TYPE                                       | Rate in<br>\$ | Number<br>of<br>Properties | Value<br>\$ | Rate<br>Revenue<br>\$ | Interim<br>Rates<br>\$ | Total<br>Revenue<br>\$ | Budget<br>Rate<br>Revenue<br>\$ | Budget<br>Interim<br>Rate<br>\$ | Budget<br>Total<br>Revenue<br>\$ |
|---|---------------|----------------------------|-------------|-----------------------|------------------------|------------------------|---------------------------------|---------------------------------|----------------------------------|
| <b>Differential general rate / general rate</b> |               |                            |             |                       |                        |                        |                                 |                                 |                                  |
| <b>Gross rental valuations</b>                  |               |                            |             |                       |                        |                        |                                 |                                 |                                  |
| General GRV                                     | 0.0580        | 20,212                     | 438,961,016 | 25,235,147            | 116,401                | 25,351,548             | 24,664,224                      | 193,600                         | 24,857,824                       |
| Industrial / Commercial GRV                     | 0.0654        | 555                        | 125,869,017 | 7,841,618             | 0                      | 7,841,618              | 8,198,028                       | 96,800                          | 8,294,828                        |
| Vacant GRV                                      | 0.0799        | 399                        | 11,488,162  | 786,353               | 0                      | 786,353                | 831,291                         | 44,550                          | 875,841                          |
| <b>Unimproved valuations</b>                    |               |                            |             |                       |                        |                        |                                 |                                 |                                  |
| General UV                                      | 0.0032        | 238                        | 167,580,000 | 539,608               | 0                      | 539,608                | 539,631                         | 0                               | 539,631                          |
| Commercial UV                                   | 0.0039        | 63                         | 41,191,249  | 160,280               | 0                      | 160,280                | 162,458                         | 0                               | 162,458                          |
| <b>Sub-Total</b>                                |               | 21,467                     | 785,089,444 | 34,563,006            | 116,401                | 34,679,407             | 34,395,632                      | 334,950                         | 34,730,582                       |
| <b>Minimum payment</b>                          |               |                            |             |                       |                        |                        |                                 |                                 |                                  |
| <b>Gross rental valuations</b>                  |               |                            |             |                       |                        |                        |                                 |                                 |                                  |
| General GRV                                     | 865           | 1,060                      |             | 923,930               | 0                      | 923,930                | 916,900                         | 0                               | 916,900                          |
| Industrial / Commercial GRV                     | 1,080         | 50                         |             | 85,320                | 0                      | 85,320                 | 54,000                          | 0                               | 54,000                           |
| Vacant GRV                                      | 730           | 150                        |             | 105,255               | 0                      | 105,255                | 109,500                         | 0                               | 109,500                          |
| <b>Unimproved valuations</b>                    |               |                            |             |                       |                        |                        |                                 |                                 |                                  |
| General UV                                      | 865           | 0                          |             | 0                     | 0                      | 0                      | 0                               | 0                               | 0                                |
| Commercial UV                                   | 1,080         | 1                          |             | 3,240                 | 0                      | 3,240                  | 1,080                           | 0                               | 1,080                            |
| <b>Sub-Total</b>                                |               | 1,261                      | 0           | 1,117,745             | 0                      | 1,117,745              | 1,081,480                       | 0                               | 1,081,480                        |
| <b>Total amount raised from general rate</b>    |               |                            |             |                       |                        | 35,797,152             | 35,477,112                      | 334,950                         | 35,812,062                       |
| Ex-gratia rates                                 |               |                            |             |                       |                        | 194,980                |                                 |                                 | 189,077                          |
| <b>Totals</b>                                   |               |                            |             |                       |                        | <b>35,992,132</b>      |                                 |                                 | <b>36,001,139</b>                |

**SIGNIFICANT ACCOUNTING POLICIES**

**Rates**

City of Kalamunda acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

**CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

**24. RATING INFORMATION (Continued)**

**(b) Specified Area Rate**

No Specified area rates were imposed by the City during the year ended 30 June 2018.

**(c) Service Charges**

No service charges were imposed by the City during the year ended 30 June 2018.

**(d) Payment discounts, waivers, concessions and rates incentives**

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

- 1 cash prize of \$5,000 donated by the City of Kalamunda.

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

- 3 prizes of \$1,000 donated by the City of Kalamunda towards the winners of outstanding rates and charges amounts due
- 2 double passes to a concert performed and donated by the Western Australian Symphony Orchestra.

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

- 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 Samsung Galaxy TabA 8" 16GB Wi-Fi Tablets
- 3 Lenovo Yoga Tab3 16GB 8" Wi-Fi Tablets
- 5 Garmin Vivo smart HR Activity Trackers

**(e) Interest Charges & Instalments**

| Instalment Options          | Date Due  | Instalment Plan    | Instalment Plan | Unpaid Rates  |
|-----------------------------|-----------|--------------------|-----------------|---------------|
|                             |           | Admin Charge       | Interest Rate   | Interest Rate |
|                             |           | \$                 | %               | %             |
| <b>Option One</b>           |           |                    |                 |               |
| Single full payment         | 16-Aug-17 | 0                  | 0.00%           | 11%           |
| <b>Option Two</b>           |           |                    |                 |               |
| First instalment            | 16-Aug-17 | 0                  | 0.00%           | 11%           |
| Second instalment           | 15-Dec-17 | 7                  | 5.50%           | 11%           |
| <b>Option Three</b>         |           |                    |                 |               |
| First instalment            | 16-Aug-17 | 0                  | 0.00%           | 11%           |
| Second instalment           | 16-Oct-17 | 7                  | 5.50%           | 11%           |
| Third instalment            | 15-Dec-17 | 7                  | 5.50%           | 11%           |
| Fourth instalment           | 16-Feb-18 | 7                  | 5.50%           | 11%           |
|                             |           | <b>2018 Budget</b> |                 |               |
|                             |           | <b>2018</b>        |                 |               |
|                             |           | \$                 | \$              |               |
| Interest on unpaid rates    |           | 295,130            | 259,873         |               |
| Interest on instalment plan |           | 161,838            | 190,652         |               |
| Charges on instalment plan  |           | 131,096            | 120,000         |               |
|                             |           | <b>588,064</b>     | <b>570,525</b>  |               |



**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

**25. NET CURRENT ASSETS**

Composition of net current assets for  
the purposes of the Rate Setting Statement

|  | <b>2018</b><br><b>(30 June 2018</b><br><b>Carried</b><br><b>Forward)</b> | <b>2018</b><br><b>(1 July 2017</b><br><b>Brought</b><br><b>Forward)</b> | <b>2017</b><br><b>(30 June 2017</b><br><b>Carried</b><br><b>Forward)</b> |
|--|--|---|--|
|  | \$   | \$  | \$   |
| <b>Surplus/(Deficit) 1 July 2017 brought forward</b>   | 4,090,347  | 5,749,092   | 5,749,092  |
| <b>CURRENT ASSETS</b>                                  |  |   |  |
| Cash and cash equivalents                              |  |   |  |
| Cash on Hand - Unrestricted                            | 5,690  | 5,790   | 5,790  |
| Cash at Bank - Municipal                               | 6,696,640  | 9,713,150   | 9,713,150  |
| Cash at Bank - Restricted Reserves                     | 18,221,169   | 18,767,297  | 18,767,297   |
| Receivables  |  |   |  |
| Rates outstanding                                      | 2,367,157  | 1,531,087   | 1,531,087  |
| Sundry debtors   | 514,938  | 358,058   | 358,058  |
| GST receivable   | 507,517  | 448,869   | 448,869  |
| Prepayments  | 279,524  | 176,934   | 176,934  |
| Inventories  |  |   |  |
| Fuel and Materials                                     | 100,015  | 120,560   | 120,560  |
| <b>LESS: CURRENT LIABILITIES</b>                       |  |   |  |
| Trade and other payables                               |  |   |  |
| Sundry creditors                                       | (3,053,014)  | (3,685,988)   | (3,685,988)  |
| Accrued interest on long term borrowings               | (104,863)  | (117,618)   | (117,618)  |
| Accrued salaries and wages                             | (65,755)   | (77,837)  | (77,837)   |
| Accrued Expenses                                       | (207,836)  | (67,680)  | (67,680)   |
| Bonds and Deposits                                     | (2,913,682)  | (2,628,842)   | (2,628,842)  |
| Income in Advance                                      | (35,983)   | (27,391)  | (27,391)   |
| Current portion of long term borrowings                | (652,798)  | (750,747)   | (750,747)  |
| Provisions   |  |   |  |
| Provision for annual leave                             | (1,558,194)  | (1,704,902)   | (1,704,902)  |
| Provision for long service leave                       | (1,624,002)  | (1,576,997)   | (1,576,997)  |
| <b>Unadjusted net current assets</b>                   | <b>18,476,523</b>  | <b>20,483,743</b>   | <b>20,483,743</b>  |
| <b>Adjustments</b>                                     |  |   |  |
| Less: Reserves - restricted cash                       | (18,221,169)   | (18,767,297)  | (18,767,297)   |
| Less: Land held for resale - cost                      |  |   |  |
| Add: Current portion of long term borrowings           | 652,798  | 750,747   | 750,747  |
| Add: Provision for Annual Leave                        | 1,558,194  | 1,704,902   | 1,704,902  |
| Add: Provision for Lon Service Leave                   | 1,624,002  | 1,576,997   | 1,576,997  |
| <b>Adjusted net current assets - surplus/(deficit)</b> | <b>4,090,347</b>   | <b>5,749,092</b>  | <b>5,749,092</b>   |

**Difference**

There was no difference between the surplus/(deficit) 1 July 2017 brought forward position used in the 2018 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2017 audited financial report.

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

**26. FINANCIAL RISK MANAGEMENT**

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

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

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

The City held the following financial instruments at balance date:

|                              | Carrying Value    |                   | Fair Value        |                   |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
|                              | 2018              | 2017              | 2018              | 2017              |
|                              | \$                | \$                | \$                | \$                |
| <b>Financial assets</b>      |                   |                   |                   |                   |
| Cash and cash equivalents    | 24,923,499        | 28,486,237        | 24,923,499        | 28,486,237        |
| Receivables                  | 5,355,998         | 3,551,754         | 5,355,998         | 3,551,754         |
|                              | <u>30,279,497</u> | <u>32,037,991</u> | <u>30,279,497</u> | <u>32,037,991</u> |
| <b>Financial liabilities</b> |                   |                   |                   |                   |
| Payables                     | 6,381,133         | 6,605,355         | 6,381,133         | 6,605,355         |
| Borrowings                   | 5,606,943         | 6,370,679         | 5,606,943         | 6,370,679         |
|                              | <u>11,988,076</u> | <u>12,976,034</u> | <u>11,988,076</u> | <u>12,976,034</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.

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

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

**(a) Cash and Cash Equivalents**

Financial assets at fair value through profit and loss  
 Available-for-sale financial assets  
 Held-to-maturity investments

The City's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash portfolio. Council has an Investment Policy and the Policy is subject to review by Council.

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 is subject to interest rate risk - the risk that movements in interest rates could affect returns.

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

The City manages these risks by diversifying its portfolio and only investing in investments authorised by Local Government (Financial Management) Regulation 19C.

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
|  | <b>\$</b>   | <b>\$</b>   |
| Impact of a 1% <sup>(1)</sup> movement in interest rates on cash |             |             |
| - Equity   | 249,235     | 284,862     |
| - Statement of Comprehensive Income                              | 249,235     | 284,862     |

**Notes:**

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

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

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

**(b) Receivables**

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

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

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

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

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

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

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
|  | %           | %           |
| Percentage of rates and annual charges |             |             |
| - Current                              | 78%         | 73%         |
| - Overdue                              | 22%         | 27%         |
| Percentage of other receivables        |             |             |
| - Current                              | 94%         | 96%         |
| - Overdue                              | 6%          | 4%          |

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

**(c) Payables and borrowings**

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

The contractual undiscounted cash flows of the City's Payables and Borrowings are set out in the Liquidity 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>2018</b> | <b>\$</b>                | <b>\$</b>                          | <b>\$</b>                | <b>\$</b>                           | <b>\$</b>              |
| Payables    | 6,381,133                |                                    |                          | 6,381,133                           | 6,381,133              |
| Borrowings  | 652,798                  | 1,890,507                          | 3,063,638                | 5,606,943                           | 5,606,943              |
|             | <u>7,033,931</u>         | <u>1,890,507</u>                   | <u>3,063,638</u>         | <u>11,988,076</u>                   | <u>11,988,076</u>      |
| <b>2017</b> |                          |                                    |                          |                                     |                        |
| Payables    | 6,605,355                | 0                                  | 0                        | 6,605,355                           | 6,605,355              |
| Borrowings  | 750,747                  | 2,220,493                          | 3,399,440                | 6,370,680                           | 6,370,679              |
|             | <u>7,356,102</u>         | <u>2,220,493</u>                   | <u>3,399,440</u>         | <u>12,976,035</u>                   | <u>12,976,034</u>      |

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

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

| <b>Year ended 30 June 2018</b>           | <b>&lt;1 year</b> | <b>&gt;1&lt;2 years</b> | <b>&gt;2&lt;3 years</b> | <b>&gt;3&lt;4 years</b> | <b>&gt;4&lt;5 years</b> | <b>&gt;5 years</b> | <b>Total</b> | <b>Weighted Average Effective Interest Rate</b> |
|--|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------|--------------|---|
|  | <b>\$</b>         | <b>\$</b>               | <b>\$</b>               | <b>\$</b>               | <b>\$</b>               | <b>\$</b>          | <b>\$</b>    | <b>%</b>  |
| <b>Borrowings</b>                        |                   |                         |                         |                         |                         |                    |              |   |
| <b>Fixed rate</b>                        |                   |                         |                         |                         |                         |                    |              |   |
| Long term borrowings                     | 652,798           | 672,155                 | 521,550                 | 361,001                 | 335,802                 | 3,063,638          | 5,606,943    | 5.67%   |
| Weighted average Effective interest rate | 5.50%             | 5.49%                   | 5.36%                   | 5.25%                   | 5.64%                   | 5.85%              |              |   |
| <b>Year ended 30 June 2017</b>           |                   |                         |                         |                         |                         |                    |              |   |
| <b>Borrowings</b>                        |                   |                         |                         |                         |                         |                    |              |   |
| <b>Fixed rate</b>                        |                   |                         |                         |                         |                         |                    |              |   |
| Long term borrowings                     | 750,747           | 660,349                 | 677,593                 | 521,550                 | 361,001                 | 3,399,440          | 6,370,680    | 5.67%   |
| Weighted average Effective interest rate | 5.61%             | 5.52%                   | 5.51%                   | 5.36%                   | 5.25%                   | 5.83%              |              |   |

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

**27. TRUST FUNDS**

Funds held at balance date over which the City has no control included in the financial statements are as follows:

|                                   | <b>1 July 2017</b> | <b>Amounts Received</b> | <b>Amounts Paid</b> | <b>30 June 2018</b> |
|-----------------------------------|--------------------|-------------------------|---------------------|---------------------|
|                                   | <b>\$</b>          | <b>\$</b>               | <b>\$</b>           | <b>\$</b>           |
| Unclaimed Monies                  | 22,828             | 4,979                   | (3,409)             | 24,398              |
| Wattle grove - Cell 9             | 11,537,358         | 991,465                 | (2,009,173)         | 10,519,651          |
| B.C.I.T.F Levies                  | 0                  | 259,817                 | (130,047)           | 129,770             |
| B.S.L Levies                      | 25,364             | 245,668                 | (159,238)           | 111,794             |
| Cash in lieu of Public Open Space | 2,443,374          | 135,545                 | (177,759)           | 2,401,160           |
|                                   | <b>14,028,924</b>  | <b>1,637,474</b>        | <b>(2,479,625)</b>  | <b>13,186,772</b>   |

**28. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS**

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

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

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

Notes:

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

**28. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS (Continued)**

|      | <b>Title</b>                                | <b>Issued / Compiled</b> | <b>Applicable (1)</b> | <b>Impact</b>  |
|------|---|--------------------------|-----------------------|--|
| (iv) | AASB 1058 Income of Not-for-Profit Entities | December 2016            | 1 January 2019        | <p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> <li>- Assets received below fair value;</li> <li>- Transfers received to acquire or construct non-financial assets;</li> <li>- Grants received;</li> <li>- Prepaid rates;</li> <li>- Leases entered into at below market rates; and</li> <li>- Volunteer services.</li> </ul> <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the City's operations.</p> |

Notes:

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

**Adoption of New and Revised Accounting Standards**

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

Whilst many reflected consequential changes associate with the amendment of existing standards, the only new standard with material application is as follows:

- |      |   |                |
|------|---|----------------|
| (i)  | AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities | 1 January 2017 |
| (ii) | AASB 2016-7 Amendments to Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities  | 1 January 2017 |



## 29. OTHER SIGNIFICANT ACCOUNTING POLICIES

### a) Goods and services tax (GST)

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

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

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

### b) Current and non-current classification

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the City's operational cycle. In the case of liabilities where the City does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current or non-current based on the City's intentions to release for sale.

### c) Rounding off figures

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

### d) Comparative figures

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

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

### e) Budget comparative figures

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

### f) Superannuation

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

### g) Fair value of assets and liabilities

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

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

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

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

### h) Fair value hierarchy

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

#### Level 1

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

#### Level 2

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

#### Level 3

Measurements based on unobservable inputs for the asset or liability.

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

### Valuation techniques

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

#### Market approach

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

#### Income approach

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

#### Cost approach

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

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

### i) Impairment of assets

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

#### 29. OTHER SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

For non-cash generating specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no

annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.

**30. ACTIVITIES/PROGRAMS**

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

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

**31. FINANCIAL RATIOS**

|                                   | 2018  | 2017   | 2016 |
|-----------------------------------|-------|--------|------|
| Current ratio                     | 1.71  | 1.79   | 0.83 |
| Asset consumption ratio           | 0.99  | 0.95   | 0.97 |
| Asset renewal funding ratio       | 0.83  | 1.00   | 1.00 |
| Asset sustainability ratio        | 0.51  | 0.54   | 1.50 |
| Debt service cover ratio          | 11.53 | 9.06   | 8.35 |
| Operating surplus ratio           | 0.04  | (0.03) | 0.04 |
| Own source revenue coverage ratio | 0.94  | 0.84   | 0.91 |

The above ratios are calculated as follows:

|                                   |  |
|-----------------------------------|--|
| Current ratio                     | $\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$ |
| Asset consumption ratio           | $\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$             |
| Asset renewal funding ratio       | $\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$                 |
| Asset sustainability ratio        | $\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expenses}}$  |
| 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 | $\frac{\text{own source operating revenue}}{\text{operating expenses}}$  |

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

**31. FINANCIAL RATIOS (Continued)**

**Notes:**

Three of the ratios disclosed above were distorted by the early receipt of Financial Assistance Grants.

|  | <b>2017/18</b> | <b>2016/17</b> | <b>2015/16</b> |
|--|----------------|----------------|----------------|
|  | <b>\$</b>      | <b>\$</b>      | <b>\$</b>      |
| Amount of Financial Assistance Grant received during the year relating to the subsequent year. | 1,238,343      | 1,226,992      | 0              |
| Amount of Financial Assistance Grant received in prior year relating to current year.          | 1,226,992      | 0              | 1,206,203      |

If the events detailed above did not occur, the impacted ratios in the 2018, 2017 and 2016 columns above would be as follows:

|                          | <b>2018</b> | <b>2017</b> | <b>2016</b> |
|--------------------------|-------------|-------------|-------------|
| Current ratio            | 1.71        | 2.05        | 0.60        |
| Debt service cover ratio | 11.52       | 7.82        | 9.57        |
| Operating surplus ratio  | 0.04        | (0.05)      | 0.06        |




---

**Grant Thornton Audit Pty Ltd**  
 Central Park  
 Level 43  
 152 - 158 St Georges Terrace  
 Perth WA 6000  
 T +61 8 9480 2000  
 F +61 8 9322 7787

## Independent Auditor's Report to the Rate Payers of City of Kalamunda

### Auditor's Opinion

We have audited the financial report of the City of Kalamunda, which comprises the statement of financial position as at 30 June 2018, and the statement of comprehensive income by nature and type, statement of comprehensive income by program, statement of changes in equity and statement of cash flows and rate setting statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the statement by the Chief Executive Officer.

In our opinion, the annual financial report of the City of Kalamunda:

- a is based on proper accurate accounts and records; and
- b fairly represents, in all material respects, the results of the operations of the City of Kalamunda for the year ended 30 June 2018 and its financial position at the end of that period in accordance with the Local Government Act 1995 (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

### Basis for Auditor's Opinion

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

### Statutory compliance

I did not, during the course of my audit, become aware of any 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 apply to financial statements.

### Emphasis of Matter – Basis of Accounting

I draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the City of Kalamunda's financial reporting

ACN-130 913 594

---

Grant Thornton Audit Pty Ltd ACN 130 913 594 a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127 556 389 'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Limited is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. Liability limited by a scheme approved under Professional Standards Legislation.

---

[www.grantthornton.com.au](http://www.grantthornton.com.au)

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

#### **Responsibility of the Chief Executive Officer and Council for the Financial Report**

The Chief Executive Officer (CEO) of the City of Kalamunda is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for assessing the City of Kalamunda's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of the City of Kalamunda.

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

#### **Matters Relating to the Electronic Publication of the Audited Financial Report**

This auditor's report relates to the annual financial report of the City of Kalamunda for the year ended 30 June 2018 included on the City of Kalamunda's website. The City of Kalamunda's management is responsible for the integrity of the City of Kalamunda's website. This audit does not provide assurance on the integrity of the City of Kalamunda's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

#### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_files/ar3.pdf](http://www.auasb.gov.au/auditors_files/ar3.pdf).

This description forms part of our auditor's report.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M J Hillgrove  
Partner - Audit & Assurance

Perth, 12 October 2018