

Audit Committee Meeting

Agenda for Monday 10 December 2012



**shire of
kalamunda**

NOTICE OF MEETING AUDIT COMMITTEE MEETING

Dear Councillors

Notice is hereby given that the next meeting of the Audit Committee will be held in the Council Chambers, Administration Centre, 2 Railway Road, Kalamunda on **Monday 10 December 2012 at 4.30pm**.

Audit Committee Meeting Procedure

1. Audit Committee is not open to the public.
2. Audit Committee has a membership of six Councillors.
3. Unless otherwise advised a Committee makes recommendations only to Full Council (held on the third Monday of each month at 6.30pm).
4. All other arrangements are in general accordance with Council's Audit Committee Terms of Reference October 2007.



Clayton Higham
Acting Chief Executive Officer
6 December 2012

Our Vision, Mission and Organisational Values

Vision

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

Mission

Working together to provide effective and efficient leadership and services our whole community.

Organisational Values

The organisational values of the Shire of Kalamunda assist in driving the behaviour of staff in implementing our strategic plan:

- **Customer Service Focus** – Deliver consistent excellent customer service through being timely and courteous.
- **Innovation** – Pursue excellence through innovative improvements.
- **Leadership** – Provide responsive leadership and excellent governance demonstrating high standards of ethical behaviour.
- **Mutual Respect** – Value each other's differences and demonstrate mutual respect.
- **Trust** – Communicate and collaborate openly and with integrity generating a strong culture of trust.



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AGENDA

1.0 OFFICIAL OPENING

2.0 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED

3.0 CONFIRMATION OF THE PREVIOUS MINUTES

- 3.1 That the Minutes of the Audit Committee Meeting held on 17 September 2012 are confirmed as a true and accurate record of the proceedings.

Moved:

Seconded:

Vote:

Statement by Presiding Member

"On the basis of the above Motion I now sign the Minutes as a true and accurate record of the meeting of 17 September 2012".

4.0 CONFIDENTIAL ITEMS

- 4.1 **10. Rates Debtor Write-Off 2012** Provided under separate cover.
Reason for Confidentiality – Local Government Act 1995: Section 5.23 (2) (a), "the personal affairs of any person".

5.0 DISCLOSURE OF INTERESTS

5.1 Disclosure of Financial and Proximity Interests

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

5.2 Disclosure of Interest Affecting Impartiality

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

6.0 REPORTS TO COUNCIL

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

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

9. Financial Statements for Year Ended 30 June 2012

Previous Items	Nil
Responsible Officer	Director Corporate & Community Services
Service Area	Finance
File Reference	
Applicant	N/A
Owner	N/A
Attachment 1	Financial Statements for the financial year ended 30 June 2012
Attachment 2	Auditor's Report for the financial year ended 30 June 2012.

PURPOSE

1. To receive and consider the Shire's auditor's report and the financial statements for the year ending 30 June 2012 that have been presented for Audit.

BACKGROUND

2. The financial statements have been prepared in accordance with the requirements of the *Local Government Act 1995 (Part 6 Financial Management)* and were presented to the Shire's Auditor, UHY Haines Norton Chartered Accountants, for Audit.

DETAILS

3. The Shire's Auditor inspected the accounts in August 2012 and aside from some minor queries outlined in the Management Report they have accepted the form and presentation of the Financial Statements for the year ended 30 June 2012 of the Shire of Kalamunda.

STATUTORY AND LEGAL IMPLICATIONS

4. The *Local Government Act 1995* Section 6.4 reads as follows:
 - 6.4. *Financial report*
 - (1) *A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.*
 - (2) *The financial report is to —*
 - (a) *be prepared and presented in the manner and form prescribed; and*
 - (b) *contain the prescribed information.*
 - (3) *By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor —*

- (a) the accounts of the local government, balanced up to the last day of the preceding financial year; and*
- (b) the annual financial report of the local government for the preceding financial year.*

The provisions of this Section have been complied with by the Shire.

5. The *Local Government Act 1995 – Local Government (Financial Management) Regulations 1996* – Regulation 51 reads as follows:

51. *Completion of financial report*

- (1) After the annual financial report has been audited in accordance with the Act the CEO is to sign and append to the report a declaration in the form of Form 1.*
- (2) A copy of the annual financial report of a local government is to be submitted to the Departmental CEO within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report.*

Following the receipt of the Audit Report for the year ended 30 June 2012 the requirements of this Regulation will be fulfilled.

POLICY IMPLICATIONS

6. Nil.

PUBLIC CONSULTATION/COMMUNICATION

7. Nil.

FINANCIAL IMPLICATIONS

8. Nil.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

Strategic Planning Implications

9. Council needs to ensure expenditure levels are in line with the adopted Budget and Revenue allocations are being met. This is done by the regular (quarterly) Budget Reviews and seeking explanation for over expenditure or revenue shortfalls. It is well to remember that over expenditure is not necessarily unauthorised expenditure, but unbudgeted expenditure is most certainly unauthorised.
10. Council can make unbudgeted expenditure provided the *Local Government Act 1995* Section 6.8 is complied with. This section reads as follows:
- 6.8. *Expenditure from municipal fund not included in annual budget*
- (1) A local government is not to incur expenditure from its municipal fund for an additional purpose except where the expenditure —*
 - (a) is incurred in a financial year before the adoption of the annual budget by the local government;*

- (b) *is authorised in advance by resolution**; or
- (c) *is authorised in advance by the mayor or president in an emergency.*

*** Absolute majority required.**

(1a) *In subsection (1) –*

additional purpose *means a purpose for which no expenditure estimate is included in the local government's annual budget.*

(2) *Where expenditure has been incurred by a local government –*

- (a) *pursuant to subsection (1)(a), it is to be included in the annual budget for that financial year; and*
- (b) *pursuant to subsection (1)(c), it is to be reported to the next ordinary meeting of the council.*

The above is not indicating that there is a current issue but to reinforce the requirements of the *Local Government Act 1995*.

Sustainability Implications

Social Implications

11. Nil.

Economic Implications

12. Nil

Environmental Implications

13. Nil.

OFFICER COMMENT

14. This report is focused on five Statements included in the Financial Statements for the year ended 30 June 2012, (Attachment 1):
- Statement of Comprehensive Income by Nature and Type (Page 3).
 - Statement of Comprehensive Income by Program (Page 4).
 - Statement of Financial Position (Page 5).
 - Rate Setting Statement (Page 8).
 - Note 12. Cash-Backed Reserves (Page 34).

Statement of Comprehensive Income by Nature and Type

15. The end of year figures show total operating revenue was over budget and increased in line with expenditure with an overall difference of \$253,082.
16. This shows that expenditure has been managed closely and has resulted in an extremely good end of year operating result.

17. The following budget variance analysis shows that revenues overall were up by \$1,667,448 and expenditure increased by \$1,414,366.

Revenue	2012 Actual	2012 Budget	Variance	%
Rates	24,006,309	23,856,865	149,444	1%
Operating Grants and Subsidies	6,325,930	4,942,219	1,383,711	28%
Contributions, Reimbursements and Donations	1,125,931	1,200,971	(75,040)	-6%
Fees and Charges	10,238,710	10,015,488	223,222	2%
Interest Earnings	818,406	724,826	93,580	13%
Other Revenue	41,878	149,348	(107,470)	-72%
Revenue Total	42,557,165	40,889,717	1,667,448	4%
Expenses				
Employee Costs	(19,608,031)	(18,022,019)	(1,586,012)	9%
Materials and Contracts	(14,780,585)	(16,303,146)	1,522,561	-9%
Utility Charges	(2,041,258)	(1,345,849)	(695,409)	52%
Depreciation on Non-Current Assets	(9,314,073)	(9,144,213)	(169,860)	2%
Interest Expenses	(500,486)	(449,667)	(50,819)	11%
Insurance Expenses	(488,355)	(369,590)	(118,765)	32%
Other Expenditure	(668,307)	(352,246)	(316,061)	90%
Expenses	(47,401,096)	(45,986,730)	(1,414,366)	3%
	(4,843,931)	(5,097,013)	253,082	-5%

18. The Shire is required to report upon variations of greater than 5%:-
19. Operating, Grants & Subsidies were over budget by 28% largely because of grants that were secured through the year such as the \$268,357 Healthy Communities grant and a prepayment of the Federal Assistance Grant for 2012/2013.
20. Interest Earnings were a surprisingly pleasing result showing a \$93,580 increase over budget forecast. This is largely because of restrained spending by the Shire, holding money in Reserves and also restraint by the Reserve Bank in keeping interest rates steady.
21. Other revenues did not perform to budget expectation due to a penalty charge which has not been recouped and is being handled by the Fines Enforcement Registry.
22. Employee Costs were over budget due to staff increases relating to grants received, as well as significant increase in costs such as FBT, workers compensation and redundancy payments as a result of the organisational review.
23. Materials and Contracts expenditure came under budget by 9% due to extremely tight budget monitoring and a regular regime of budget review reigning in as much discretionary spending as possible.
24. Utility Charges again this year were excessive. The Shire will need to look closely in the future at ways to reduce its power and water consumption.

25. Interest expense was over budgeted forecast by 11% amounting to \$50,819. This was principally due to additional loan drawn for the purchase of Depot Waste Trucks which had not been budgeted for, accounting for additional interest of \$32,373.
26. Other expenses ran significantly higher than expected by 90% this was due to:
- Builders rebates for six lots at average costs of \$24,433 a lot amounting to \$146,600. This amount had initially been recognised as Capital expenditure but was determined to be operating expenditure during the Audit.
 - \$51,974 relates to reimbursement of over-claimed Public Open Space funds which were reimbursed during the year back to the Trust accounts.
 - The rest of the variances were as a result of reclassifications between materials and contracts and other expenditure for project related expenditure.

Statement of Comprehensive Income by Program

27. A comparison of actual revenue and expenditure by program to the adopted budget provided a more reasonable reading of the document.

Revenue	Actual 2012	Budget 2012	Variance	%
Governance	10,157	0	10,157	0%
General Purpose Funding	25,576,620	26,811,941	(1,235,321)	-5%
Law, Order, Public Safety	319,677	306,898	12,779	4%
Health	97,487	71,465	26,022	36%
Education and Welfare	3,585,571	3,589,816	(4,245)	0%
Community Amenities	7,293,883	7,243,690	50,193	1%
Recreation and Culture	2,026,391	1,624,604	401,787	25%
Transport	152,956	73,783	79,173	107%
Economic Services	610,601	542,698	67,903	13%
Other Property and Services	2,883,821	624,822	2,258,999	362%
	<u>42,557,165</u>	<u>40,889,717</u>	<u>1,667,448</u>	<u>4%</u>
Expenses				
Governance	(2,587,961)	(2,531,043)	(56,918)	2%
General Purpose Funding	(747,875)	(597,046)	(150,829)	25%
Law, Order, Public Safety	(1,438,451)	(1,390,258)	(48,193)	3%
Health	(769,552)	(790,280)	20,728	-3%
Education and Welfare	(3,756,548)	(4,230,982)	474,434	-11%
Community Amenities	(11,164,605)	(10,174,468)	(990,137)	10%
Recreation and Culture	(17,361,783)	(17,012,640)	(349,143)	2%
Transport	(7,902,578)	(7,699,866)	(202,712)	3%
Economic Services	(582,984)	(553,041)	(29,943)	5%
Other Property and Services	(588,273)	(557,439)	(30,834)	6%
	<u>(46,900,610)</u>	<u>(45,537,063)</u>	<u>(1,363,547)</u>	<u>3%</u>

Revenue

- 28.
- Variance on Governance revenue is principally due to contributions received from Fire and Emergency Services Administration (“FESA”) for the costs incurred for having a dedicated officer at the Shire. This income had not been budgeted for.
 - General Purpose Funding and Other Property and Services need to be considered together with a net positive variance being \$1,023,678 which mainly related to receipt of increased Federal Assistance Grants in the month of June.
 - Health fees were higher with the introduction of provision of services to regional Shires.
 - Recreation and Culture had higher income due to higher fees earned worth \$89,941 and various new grants received in respect of the Healthy Communities \$268,357, Kids Sport programme worth \$58,000 and Strategic Crime Prevention Division for additional CCTV coverage worth \$21,536.
 - Transport variance is related to Main Roads WA direct grants worth \$166,507 less amounts refunded for speed cushions removed from Wittenoom Rd.
 - Economic services were higher mainly due to increased number of building applications and the introduction of provision of building technical services to regional Shires.

Expenditure

- 29.
- General Purpose Funding variance is emanating from Rates Debt Collection expenditure being higher by \$107,000 and increased valuation charges from Landgate worth \$14,517. The increased Debt Collection charge is offset by higher fees collected by the Rates section as this amount gets on-charged onto the ratepayer in most cases.
 - Education and welfare variance lies in the operation of HACC community care programme expenditure which came in at \$406,810 lower than budgeted. This was due to a lower demand for services.
 - Community Amenities was higher due to increased Waste charges worth \$285,519 with higher charges for tipping. The budget was lower due to waste tonnage being under-estimated. Additionally verge collection charges came in higher by \$184,965. The other area which showed an adverse variance was in property services whereby the budget was allocated in Capital expenditure. However, costs such as the rebates scheme given as an incentive to sell the Smoke bush Estate, on East Welshpool Rd were recorded as operating costs and amounted to \$445,000.
 - Economic Services variance relates to the creation of an Economic Development business unit from the restructure and expenditure incurred related to employment costs. The budget was in Other Property and Services programme and was re-aligned in the subsequent budget review held in January 2012.

- In Other Property and Services, the variance relates to higher insurance costs arising from increases in premiums and access claims.

Rate Setting Statement

30. The Rate Setting Statement reveals an end of year surplus of \$2,308,520 for the year ended 30 June 2012. The brought forward actual from 2011 was a significant deficit of (\$1,481,865) whereas the adopted 2011/2012 Annual Budget has brought forward a deficit of \$628,678.

The Shire has seen an amazing turnaround in the figures effectively starting with having the recoup a \$1.4million deficit and then ending with an end of year carry forward on \$2.3million. This highlights the commitment made by the Council and the Shire to rein in spending and increase revenues over the past twelve months.

Statement of Financial Position

31. The key factor in this Statement is the result of Current Assets minus Current Liabilities giving the Net Current Position ("NCA"). As at balance date there was a Net Current Asset of \$2,206,077 which is a positive turn-around from previous year of a negative NCA position. The Shire is changing its cash profile which is reflected in an increase in cash holding by 262% and shows that the various strategies placed by the Administration and Council are starting to pay off.

Note 12. Cash-Backed Reserves

32. The *Local Government (Financial Management) Regulations 1996* 8(1)(c) requires a bank account to be established for Reserve account. It reads as follows:

Bank Accounts

(1) *A local government is to maintain a separate account with a bank or other financial institution for each of the following purposes –*

(c) *money required to be in reserve accounts.*

33. The net reserves balance at the year-end was \$2,677,466 which shows a slight reduction from the previous year by \$50,833 or 1.8%.
34. Although, this does not reflect well, the movements during the year shows that the Shire was able to transfer more money into the reserves than originally budgeted and this is principally due to the successful sale of the majority of the lots developed at Smokebush Estate, East Welshpool Road.
35. On the other end the Shire had to rely on drawing higher amounts than budgeted to fund over-expenditures on key projects which included the Kalamunda Waterpark and various road infrastructure and building projects.

Valuations

36. Assets can be divided into three categories
 - a. Plant, Furniture, Equipment.
 - b. Land and Buildings.
 - c. Infrastructure.
37. Treatment in the accounts for the above three is generally at cost however, Australian Accounting Standards require that Categories 2 and 3 should be revalued regularly and the books of account updated by the revised values with the offset to an Asset Revaluation Reserve (Non Cashed-back).
38. Council has in the past revalued the Land and Buildings and established an Asset Revaluation Reserve which currently stands at \$129,665,629.
39. Prior to June 2004, Council revalued assets by \$7,983,794.66 (Road Infrastructure) and in June 2008 by \$121,879,462.92 (Building and Improvements) with the latter being based on a valuation report by AVP Valuers.
40. The Shire's Development & Infrastructure Services Directorate are currently working on "fair value" for the Shire's Infrastructure and it is proposed to incorporate the revaluation into the 2012/2013 Financial Accounts via the Asset Revaluation Reserve.

Financial Ratios

41. Comment needs to be made only on one of the prescribed Financial Ratios disclosed in Note 19 (page 40) of the Financial Report. The liquidity ratio provides information on the ability of the Shire to meet its short-term financial obligations out of the unrestricted current assets at 30 June 2012. The preferred ratio is greater than 1 meaning that for every dollar of current liability there is in excess of a dollar in unrestricted current asset.

Current Ratio

42. It is generally accepted that this ratio should be greater than 1:1. The Shire's position at 30 June 2012 was 0.89:1 which is a significant improvement on the previous year but still needs further work to bring it back up over 1.
43. It essentially means that at that point in time the Shire could not pay its liabilities if called to do so as it had only thirteen cents of liquid asset for every dollar of current liabilities at the 30 June 2012. However within this ratio is included a provision for employee annual leave of \$1,935,725 which would not be called upon at one point in time.
44. The recognition of the above and the trend since 2008/2009 (1.11:1) that was occurring needed to be addressed. The 2011/2012 result has turned the trend around but careful monitoring of Revenue and Expenditure is required.

45. All other ratios except for the liquidity ratio are within acceptable benchmarks as follows:-

Ratio	2012 Result	Accepted benchmarks
Current Ratio	0.889:1	>1:1
Untied Cash to Unpaid Trade		>1:1
Creditors Ratio	1.609:1	
Debt Ratio	0.052	<0.05
Debt Service Ratio	0.021	<0.10
Gross Debt to Revenue Ratio	0.211	<0.30
Gross Debt to Economically		<0.30
Realisable Assets Ratio	0.051	
Rate Coverage Ratio	0.462	>0.50
Outstanding Rates Ratio	0.033	<0.05

46. The Shire's Auditors UHY Haines Norton has provided their Management Report outlining matters they have identified where non-compliance with Statutory requirements exist and also areas where improvement can be made to reduce future risk exposure.
47. To meet the requirements of Section 12A (27) of the *Local Government Act 1995*, the Auditors will attend the Audit Committee Meeting.

Voting Requirement – Simple Majority

OFFICER RECOMMENDATION (AC 9/2011)

That Council:

1. Receive the Audited Financial Report for the year ended 30 June 2012 shown as (Attachment 1).
2. Receive the Independent Audit Report of the Shire of Kalamunda for the financial year ended 30 June 2012 as presented as (Attachment 2).

Moved:

Seconded:

Vote:

Attachment 1

**SHIRE OF KALAMUNDA
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

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SHIRE OF KALAMUNDA
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Kalamunda being the annual financial report and other information for the financial year ended 30th June 2012 are in my opinion properly drawn up to present fairly the financial position of the Shire of Kalamunda at 30th June 2012 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed on the day of 2012

Clayton Higham
Acting Chief Executive Officer

**SHIRE OF KALAMUNDA
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2012**

	NOTE	2012 \$	2012 Budget \$	2011 \$
Revenue				
Rates	23	24,006,309	23,856,865	21,762,492
Operating Grants and Subsidies	29	6,325,930	4,942,219	2,672,499
Contributions, Reimbursements and Donations		1,125,931	1,200,971	1,036,634
Fees and Charges	28	10,238,710	10,015,488	9,420,769
Interest Earnings	2(a)	818,406	724,826	793,367
Other Revenue		41,878	149,348	33,065
		<u>42,557,165</u>	<u>40,889,717</u>	<u>35,718,827</u>
Expenses				
Employee Costs		(19,608,031)	(18,022,019)	(18,679,302)
Materials and Contracts		(14,780,585)	(16,303,146)	(16,008,043)
Utility Charges		(2,041,258)	(1,345,849)	(1,704,292)
Depreciation on Non-Current Assets	2(a)	(9,314,073)	(9,144,213)	(9,038,202)
Interest Expenses	2(a)	(500,486)	(449,667)	(309,843)
Insurance Expenses		(488,355)	(369,590)	(501,441)
Other Expenditure		(668,307)	(352,246)	(430,141)
		<u>(47,401,096)</u>	<u>(45,986,730)</u>	<u>(46,671,263)</u>
		(4,843,931)	(5,097,013)	(10,952,436)
Non-Operating Grants, Subsidies and Contributions				
Contributions	29	5,981,718	5,643,435	6,706,830
Fair value adjustments to financial assets at fair value through profit or loss: Increase in Equity in EMRC	2(a)	2,485,321	0	1,699,545
Profit on Asset Disposals	21	4,042,722	3,125,750	107,441
Loss on Asset Disposal	21	(7,578)	0	(174,520)
		<u>7,658,252</u>	<u>3,672,172</u>	<u>(2,613,140)</u>
Net Result				
Other Comprehensive Income				
Change in Fair value in non-current asset		(210,000)	0	0
Total Other Comprehensive Income		<u>(210,000)</u>	<u>0</u>	<u>0</u>
Total Comprehensive Income		<u><u>7,448,252</u></u>	<u><u>3,672,172</u></u>	<u><u>(2,613,140)</u></u>

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

**SHIRE OF KALAMUNDA
 STATEMENT OF COMPREHENSIVE INCOME
 BY PROGRAM
 FOR THE YEAR ENDED 30TH JUNE 2012**

	NOTE	2012 \$	2012 Budget \$	2011 \$
Revenue				
Governance		10,157	0	24,764
General Purpose Funding		25,576,620	26,811,941	23,141,248
Law, Order, Public Safety		319,677	306,898	450,628
Health		97,487	71,465	72,943
Education and Welfare		3,585,571	3,589,816	964,932
Community Amenities		7,293,883	7,243,690	6,471,275
Recreation and Culture		2,026,391	1,624,604	1,395,113
Transport		152,956	73,783	532,507
Economic Services		610,601	542,698	557,508
Other Property and Services		2,883,821	624,822	2,107,908
	2(a)	<u>42,557,165</u>	<u>40,889,717</u>	<u>35,718,827</u>
Expenses				
Governance		(2,587,961)	(2,531,043)	(2,608,458)
General Purpose Funding		(747,875)	(597,046)	(518,141)
Law, Order, Public Safety		(1,438,451)	(1,390,258)	(1,467,362)
Health		(769,552)	(790,280)	(769,079)
Education and Welfare		(3,756,548)	(4,230,982)	(3,837,196)
Community Amenities		(11,164,605)	(10,174,468)	(10,124,134)
Recreation and Culture		(17,361,783)	(17,012,640)	(18,346,165)
Transport		(7,902,578)	(7,699,866)	(7,438,166)
Economic Services		(582,984)	(553,041)	(521,037)
Other Property and Services		(588,273)	(557,439)	(731,681)
	2(a)	<u>(46,900,610)</u>	<u>(45,537,063)</u>	<u>(46,361,420)</u>
Finance Costs				
Other Property and Services		(500,486)	(449,667)	(309,843)
	2(a)	<u>(500,486)</u>	<u>(449,667)</u>	<u>(309,843)</u>
Fair Value Adjustments to Financial Assets at Fair Value through Profit or Loss				
General Purpose Funding		2,485,321	0	1,699,545
Non-Operating Grants, Subsidies and Contributions				
Education and Welfare		37,986	0	2,320,107
Community Amenities		903,545	0	0
Recreation and Culture		569,377	438,968	2,849,831
Transport		4,470,810	5,204,467	1,536,892
		<u>5,981,718</u>	<u>5,643,435</u>	<u>6,706,830</u>
Profit/(Loss) on Disposal of Assets				
Education and Welfare		(770)	0	0
Community Amenities		4,042,722	3,125,750	0
Recreation and Culture		(5,971)	0	0
Transport		(837)	0	(67,079)
		<u>4,035,144</u>	<u>3,125,750</u>	<u>(67,079)</u>
Net Result		<u>7,658,252</u>	<u>3,672,172</u>	<u>(2,613,140)</u>
Other Comprehensive Income				
Change in Fair value in non-current asset		(210,000)	0	0
Total Other Comprehensive Income		<u>(210,000)</u>	<u>0</u>	<u>0</u>
Total Comprehensive Income		<u>7,448,252</u>	<u>3,672,172</u>	<u>(2,613,140)</u>

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

**SHIRE OF KALAMUNDA
 STATEMENT OF FINANCIAL POSITION
 AS AT 30TH JUNE 2012**

	NOTE	2012 \$	2011 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	8,179,373	3,111,690
Trade and Other Receivables	5	2,753,854	3,248,052
Inventories	6	826,971	99,288
TOTAL CURRENT ASSETS		<u>11,760,198</u>	<u>6,459,030</u>
NON-CURRENT ASSETS			
Other Receivables	5	1,026,201	1,058,640
Inventories	6	284,660	0
Investments	4	13,420,932	10,935,611
Property, Plant and Equipment	7	162,280,977	160,827,857
Infrastructure	8	156,343,419	153,946,544
TOTAL NON-CURRENT ASSETS		<u>333,356,189</u>	<u>326,768,651</u>
TOTAL ASSETS		<u>345,116,387</u>	<u>333,227,683</u>
CURRENT LIABILITIES			
Trade and Other Payables	9	6,088,978	5,156,694
Bank Overdraft	10a	969,975	235,409
Borrowings	10b	559,442	445,768
Provisions	11	1,935,725	1,878,461
TOTAL CURRENT LIABILITIES		<u>9,554,120</u>	<u>7,716,332</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	10c	8,110,051	5,710,977
Provisions	11	385,274	181,683
TOTAL NON-CURRENT LIABILITIES		<u>8,495,325</u>	<u>5,892,660</u>
TOTAL LIABILITIES		<u>18,049,445</u>	<u>13,608,992</u>
NET ASSETS		<u>327,066,942</u>	<u>319,618,690</u>
EQUITY			
Retained Surplus		194,723,847	187,014,762
Reserves - Cash/Investments Backed	12	2,677,466	2,728,299
Reserves - Asset Revaluation	13	129,665,629	129,875,629
TOTAL EQUITY		<u>327,066,942</u>	<u>319,618,690</u>

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

SHIRE OF KALAMUNDA
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30TH JUNE 2012

	RETAINED SURPLUS \$	RESERVES CASH/ INVESTMENT BACKED \$	ASSET REVALUATION RESERVE \$	TOTAL EQUITY \$
Balance as at 1 July 2010	179,199,194	13,157,007	129,875,629	322,231,830
Net Result	(2,613,140)	0	0	(2,613,140)
Total Other Comprehensive Income	0	0	0	0
Reserve Transfers	10,428,708	(10,428,708)	0	0
Balance as at 30 June 2011	187,014,762	2,728,299	129,875,629	319,618,690
Net Result	7,658,252	0	0	7,658,252
Total Other Comprehensive Income	0	0	(210,000)	(210,000)
Reserve Transfers	50,833	(50,833)	0	0
Balance as at 30 June 2012	194,723,847	2,677,466	129,665,629	327,066,942

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

**SHIRE OF KALAMUNDA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2012**

	NOTE	2012 \$	2012 Budget \$	2011 \$
Cash Flows From Operating Activities				
Receipts				
Rates		23,833,758	23,856,865	21,646,177
Operating Grants and Subsidies		3,840,609	4,176,019	2,672,499
Contributions, Reimbursements and Donations		4,098,525	1,019,395	1,036,636
Fees and Charges		10,238,710	9,712,160	9,640,697
Interest Earnings		818,407	709,826	793,367
Goods and Services Tax		3,069,754	0	2,534,852
Other Revenue		41,877	149,348	33,065
		<u>45,941,640</u>	<u>39,623,613</u>	<u>38,357,293</u>
Payments				
Employee Costs		(19,265,278)	(18,022,019)	(18,300,553)
Materials and Contracts		(13,887,634)	(16,303,146)	(15,045,469)
Utility Charges		(2,041,258)	(1,345,849)	(1,704,292)
Insurance Expenses		(488,355)	(369,590)	(501,441)
Interest expenses		(458,403)	(449,667)	(279,075)
Goods and Services Tax		(3,100,375)	0	(2,675,289)
Other Expenditure		(668,307)	(352,246)	(430,141)
		<u>(39,909,610)</u>	<u>(36,842,517)</u>	<u>(38,936,260)</u>
Net Cash Provided By (Used In) Operating Activities	14(b)	<u>6,032,030</u>	<u>2,781,096</u>	<u>(578,967)</u>
Cash Flows from Investing Activities				
Payments for Development of Land Held for Resale		(910,355)	(2,999,250)	(1,900,679)
Payments for Purchase of Property, Plant & Equipment		(8,003,113)	(5,080,782)	(11,159,963)
Payments for Construction of Infrastructure		(7,208,058)	(9,575,227)	(7,019,742)
Advances to Community Groups				
Non-Operating Grants, Subsidies and Contributions		5,082,718	5,643,435	6,706,830
Proceeds from Sale of Plant & Equipment		105,329	255,000	353,567
Proceeds from Advances				
Proceeds from Sale of Land		6,665,917	6,125,000	0
Net Cash Provided By (Used In) Investing Activities		<u>(4,267,562)</u>	<u>(5,631,824)</u>	<u>(13,019,987)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(487,253)	(478,506)	(356,920)
Repayment of Finance Leases				
Proceeds from Self Supporting Loans		55,901	478,506	52,488
Advances to Community Groups		0	(19,680)	0
Proceeds from New Debentures		3,000,000	3,019,680	2,735,000
Net Cash Provided By (Used In) Financing Activities		<u>2,568,648</u>	<u>3,000,000</u>	<u>2,430,568</u>
Net Increase (Decrease) in Cash Held		4,333,116	149,272	(11,168,386)
Cash at Beginning of Year		2,876,282	1,329,377	14,044,668
Cash and Cash Equivalents at the End of the Year	14(a)	<u>7,209,398</u>	<u>1,478,649</u>	<u>2,876,282</u>

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

**SHIRE OF KALAMUNDA
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2012**

	NOTE	2012 Actual \$	2012 Budget \$	2011 Actual \$
Revenue				
Governance		10,157	0	24,764
General Purpose Funding		1,570,311	2,955,076	1,378,755
Law, Order, Public Safety		319,677	306,898	450,628
Health		97,487	71,465	72,943
Education and Welfare		3,623,557	3,589,816	3,285,039
Community Amenities		14,725,471	7,243,810	8,170,820
Recreation and Culture		2,595,768	2,063,572	4,244,944
Transport		4,623,766	5,278,250	2,176,840
Economic Services		610,601	542,698	557,508
Other Property and Services		2,883,821	824,822	2,107,908
		<u>31,060,616</u>	<u>22,676,207</u>	<u>22,470,149</u>
Expenses				
Governance		(2,587,961)	(597,046)	(2,608,458)
General Purpose Funding		(747,875)	(2,531,043)	(518,141)
Law, Order, Public Safety		(1,438,451)	(1,390,258)	(1,467,362)
Health		(769,552)	(790,280)	(769,079)
Education and Welfare		(3,757,318)	(4,236,982)	(3,837,196)
Community Amenities		(11,164,605)	(10,180,388)	(10,124,134)
Recreation and Culture		(17,367,754)	(17,006,640)	(18,346,165)
Transport		(7,903,415)	(7,699,866)	(7,612,686)
Economic Services		(582,984)	(553,041)	(521,037)
Other Property and Services		(1,088,759)	(1,001,106)	(1,041,524)
		<u>(47,408,674)</u>	<u>(45,986,650)</u>	<u>(46,845,782)</u>
Net Result Excluding Rates		(16,348,058)	(23,310,443)	(24,375,633)
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure and Revenue				
(Profit)/Loss on Land Disposals	21	(4,042,722)	0	67,079
(Profit)/Loss on Asset Disposals	21	7,578	0	
Movement in Deferred Pensioner Rates (Non-Current)		(27,098)	0	(25,972)
Movement in Employee Benefit Provisions		260,858	0	256,461
EMRC Contribution (Non-Cash)		(2,485,321)	0	(1,699,545)
Depreciation and Amortisation on Assets	2(a)	9,314,073	9,144,213	9,038,202
Capital Contribution - Dome		(899,000)	0	0
Capital Expenditure and Revenue				
Purchase of Land Held for Resale		(910,355)	0	0
Land Development Costs		(1,692,326)	(2,105,920)	(1,900,679)
Purchase Land and Buildings		(5,868,156)	(6,157,032)	(8,919,124)
Purchase Infrastructure Assets - Roads		(4,967,031)	(7,244,131)	(5,471,317)
Purchase Infrastructure Assets - Drainage		(1,078,184)	(819,500)	0
Purchase Infrastructure Assets - Parks and Ovals		(521,799)	(830,421)	(1,548,425)
Purchase Infrastructure Assets - Footpaths		(278,140)	(414,116)	0
Purchase Infrastructure Assets - Carparks		(362,904)	(267,059)	0
Purchase Plant and Equipment		(262,052)	(1,818,000)	(2,136,302)
Purchase Furniture and Equipment		(180,578)	(105,000)	(104,537)
Proceeds from Disposal of Assets	21	105,329	255,000	353,566
Proceeds from Disposal of Land	21	6,665,917	6,125,000	0
Capitalised Land Costs		0	360,000	0
Repayment of Debentures	22(a)	(487,253)	(478,506)	(251,994)
Proceeds from New Debentures	22	3,000,000	3,019,660	2,735,000
Self-Supporting Loan Principal Income		55,901	55,901	52,487
Overdraft Funds Utilised		734,565	1,264,591	235,409
Advances to Clubs		0	(19,680)	0
Transfers to Reserves (Restricted Assets)	12	(4,364,565)	(3,743,438)	(3,552,656)
Transfers from Reserves (Restricted Assets)	12	4,415,397	3,860,676	13,981,365
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	23(b)	(1,481,865)	(628,678)	22,258
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	23(b)	2,308,520	0	(1,481,865)
Amount Required to be Raised from Rates	23(a)	(24,006,309)	(23,856,865)	(21,762,492)

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

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

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

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

Critical Accounting Estimates

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

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

(b) The Local Government Reporting Entity

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

In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between Funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements, but a separate statement of those monies appears at Note 20 to these financial statements.

(c) Goods and Services Tax

Revenues, expenses and assets capitalised are stated net of any GST recoverable.

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

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

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Cash and Cash Equivalents

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

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

(e) Trade and Other Receivables

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

(f) Inventories

General

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

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

Land Held for Resale

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

Revenue arising from the sale of property is recognised in the statement of comprehensive income as at the time of signing an unconditional contract of sale.

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

(g) Fixed Assets

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

Initial Recognition

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

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

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Revaluation

Certain asset classes may be revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

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

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

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

Land under Roads

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

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB1051 - Land Under Roads and the fact Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

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

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

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

Depreciation of Non-Current Assets

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

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

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Depreciation of Non-Current Assets (Continued)

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

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

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

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

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

Capitalisation Threshold

Expenditure on items of equipment under \$500 is not capitalised. Rather, it is recorded on an asset inventory listing.

(h) Financial Instruments

Initial Recognition and Measurement

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

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

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement

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

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

Amortised cost is calculated as:

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

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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.

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

Derecognition

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

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

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment

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

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

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

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

(j) Trade and Other Payables

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

(k) Employee Benefits

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

(l) Borrowing Costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset.

(m) Provisions

Provisions are recognised when:

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

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

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Leases

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

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

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

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

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

(o) Joint Venture

The Council's interest in a joint venture has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the appropriate line items of the financial statement. Information about the joint venture is set out in Note 17.

The Council's interest in joint venture entities are recorded using the equity method of accounting in the financial report.

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

(p) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

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

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Superannuation

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

(r) Current and Non-Current Classification

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

(s) Rounding Off Figures

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

(t) Comparative Figures

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

(u) Budget Comparative Figures

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

**SHIRE OF KALAMUNDA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Council for the annual reporting period ending 30 June 2012.

Council's assessment of these new and amended standards and interpretations is set out below:

Title and Topic	Issued	Applicable (*)	Impact
(i) AASB 9 – Financial Instruments	December 2009	01 January 2013	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii) AASB 1053 - Application of Tiers of Australian Accounting Standards	June 2010	01 July 2013	Nil - Due to its nature and statutory requirements the Council will be deemed a Tier 1 entity and will continue to prepare general purpose financial statements.
(iii) AASB 2009– 11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12)	December 2009	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	Title and Topic	Issued	Applicable (*)	Impact
(iv)	AASB 2010 - 2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050, & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052]	June 2010	01 July 2013	Nil - None of these amendments will have any effect on the financial report as the standard does not apply in the case of general purpose financial statements.
(v)	AASB 2010 – 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	December 2010	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(vi)	AASB 2010 - 8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 112]	December 2010	01 January 2012	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.

**SHIRE OF KALAMUNDA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(vii) AASB 2010 - 10 Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time Adopters [AASB 2009 - 11 & 2010 - 7]	December 2010	01 January 2013	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2011 - 2 Amendments to Australian Accounting Standards - Arising from the Trans-Tasman Consequence Project - Reduced Disclosure Requirements. [AASB 101 & 1054]	May 2011	01 July 2013	
AASB 2011 - 3 Amendments to Australian Accounting Standards - Orderly Adoption of Changes to ABS GFS manual and related Amendments. [AASB 1049]	May 2011	01 July 2012	
AASB 2011 - 6 Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements [AASB 127, 128 & 131]	July 2011	01 July 2013	

**SHIRE OF KALAMUNDA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(viii) AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests in Other Entities, AASB 127 - Separate Financial Statements, AASB 128 - Investments in Associates and Joint Ventures, AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	August 2011	01 January 2013	Nil - None of these, except for AASB 128, are expected to have significant application to the operations of the Council. With respect to AASB 128, where the Council has an interest in a Joint Venture, the requirements of AASB 128 supercede those of the current Joint Venture Standard AASB 131. The new standard more clearly defines the accounting treatment and disclosure in relation to it. Due to the nature of the Joint Venture, it is not expected to have a significant impact on the Council.

**SHIRE OF KALAMUNDA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(ix) AASB 13 - Fair Value Measurement, AASB 2011 - 8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	September 2011	01 January 2013	AASB 13 defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. AASB 13 requires inputs to all fair value measurements to be categorised in accordance with fair value hierarchy. AASB 13 also requires enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value. AASB 13 will have particular relevance to the process of the Council adopting fair value methodology in relation to its fixed assets as mandated from 1 July 2012. Apart from the changes in value in relation to assets to be revalued (which are mandated by legislation and not changes to the standard) it is not expected to significantly impact the Council as the framework embodied in AASB 13 does not differ significantly from that which is present in existing standards. The amendments to the legislation requires the phasing in of fair value in relation to fixed assets over the three years from 1 July 2012. It is not possible to estimate the likely amount of any revaluations.
(x) AASB 2011 - 9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	September 2011	01 July 2013	The main change embodied in this standard is the requirement to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. It effects presentation only and is not expected to significantly impact the Council.

**SHIRE OF KALAMUNDA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(xi) AASB 119 - Employee Benefits, AASB 2011 - 10 Amendments to Australian Accounting Standards arising from AASB 119 [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Interpretation 14]	September 2011	01 January 2013	The changes in relation to defined benefit plans contained in this standard are not expected to significantly impact the Council nor are the changes to AASBs in relation to termination benefits.
(xii) AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	September 2011	01 July 2013	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2011 – 12 Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]	November 2011	01 January 2013	
AASB 2011 – 13 Amendments to Australian Accounting Standards – Improvements to AASB 1049	December 2011	01 July 2012	

Notes:

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

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Adoption of New and Revised Accounting Standards

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

These new and revised standards were:

- AASB 124
- AASB 1054
- AASB 2009 - 12
- AASB 2009 - 14
- AASB 2010 - 4
- AASB 2010 - 5
- AASB 2010 - 6
- AASB 2010 - 9
- AASB 2011 - 1

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

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

2. REVENUE AND EXPENSES	2012	2011
	\$	\$
(a) Net Result		
The Net Result includes:		
(i) Charging as an Expense:		
Auditors Remuneration	<u>46,452</u>	<u>15,740</u>
Current Auditor		
Audit fees	28,312	0
Other Services	<u>0</u>	<u>0</u>
	<u>28,312</u>	<u>0</u>
Previous Auditor		
Audit fees	6,640	11,300
Other Services	<u>11,500</u>	<u>4,440</u>
	<u>18,140</u>	<u>15,740</u>
Depreciation		
Buildings	3,328,115	3,147,486
Furniture and Equipment	377,264	435,804
Plant and Equipment	797,511	798,415
Roads	2,711,128	2,639,664
Footpaths	244,902	237,589
Drainage	372,926	360,114
Parks and Reserves	1,307,872	1,273,293
Other Infrastructure	<u>174,355</u>	<u>145,837</u>
	<u>9,314,073</u>	<u>9,038,202</u>
Interest Expenses (Finance Costs)		
Interest Other	42,543	312
Debentures (refer Note 22(a))	<u>457,943</u>	<u>309,531</u>
	<u>500,486</u>	<u>309,843</u>
(ii) Crediting as Revenue:		
	2012	2012
	\$	Budget
		\$
Interest Earnings		
Investments		
- Reserve Funds	136,359	99,017
- Other Funds	187,783	385,070
Non-Investments	330,859	166,739
Other Interest Revenue (refer note 27)	<u>163,405</u>	<u>74,000</u>
	<u>818,406</u>	<u>793,367</u>
Other Significant Revenue	2012	2011
Increase in Equity Value - EMRC	<u>2,485,321</u>	<u>1,699,545</u>

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

GOVERNANCE

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

GENERAL PURPOSE FUNDING

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

LAW, ORDER, PUBLIC SAFETY

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

HEALTH

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

EDUCATION AND WELFARE

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

COMMUNITY AMENITIES

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

RECREATION AND CULTURE

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

TRANSPORT

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

ECONOMIC SERVICES

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

OTHER PROPERTY AND SERVICES

Private works operations, plant repairs and general operations costs.

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Function/ Activity	Opening Balance (*) 1-Jul-10 \$	Received (+) 2010/11 \$	Expended (#) 2010/11 \$	Closing Balance (*) 30-Jun-11 \$	Received (+) 2011/12 \$	Expended (#) 2011/12 \$	Closing Balance 30-Jun-12 \$
RLCIP - Upgrade Various Parks	Transport	120,500	0	0	120,500	0	(120,500)	0
P Cinnani - Ashford Rd	Transport	13,700	0	0	13,700	0	(11,623)	2,077
DC Tyler - Berkshire / Apricot Rds	Transport	72,200	0	0	72,200	0	(72,200)	0
Healthy Communities Initiative	Recreation and Culture	0	0	0	0	140,011	(140,011)	0
Hartfield Park Offset Proposal Funding	Community Amenities	220,000	0	(23,809)	196,191	0	(32,234)	163,957
DSR - Kids Sport Program	Recreation and Culture	0	0	0	0	58,000	(39,437)	18,563
Abernethy Road	Transport	0	0	0	0	373,333	(13,025)	360,308
Mundaring Weir Road	Transport	0	0	0	0	110,400	(5,490)	104,910
Woodlupine Nature Playspace	Community Amenities	0	0	0	0	5,000	-	5,000
Youth Urban Art Project	Education and Welfare	0	0	0	0	8,268	(7,413)	855
Total		426,400	0	(23,809)	402,591	695,012	(441,933)	655,670

Notes:

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

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

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

**SHIRE OF KALAMUNDA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2012**

	2012 \$	2011 \$
3. CASH AND CASH EQUIVALENTS		
Cash on Hand - Unrestricted	7,010	6,560
Cash at Bank - Municipal	5,494,897	376,831
Cash at Bank - Restricted Reserves	<u>2,677,466</u>	<u>2,728,299</u>
	<u>8,179,373</u>	<u>3,111,690</u>
Cash at Bank - Municipal Represented by:		
Cash at Bank - Unrestricted	4,839,227	(2,545,387)
Cash at Bank - Restricted	<u>655,670</u>	<u>2,922,218</u>
	<u>5,494,897</u>	<u>376,831</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Reserves - Restricted		
Land and Property Reserve	1,653,467	471,752
Waste Management Reserve	151,513	26,144
EDP Reserve	11,977	67,908
Local Government Election Reserve	28,725	25,766
Long Service Leave Reserve	70,744	140,833
Plant and Equipment Reserve	27,432	25,824
Stirk Park Reserve	23,926	22,506
HACC Reserve	129,951	123,532
Forrestfield Industrial Area Reserve	157,853	283,926
Insurance Contingency Reserve	159,382	150,067
Light Plant Reserve	32,361	49,967
Revaluation Reserve	132,001	155,280
Nominated Employee Leave Provisions Reserve	23,551	22,185
Unexpended Capital Works and Specific Purpose Grants Reserve	0	1,162,609
Environment Reserve	<u>74,583</u>	<u>0</u>
	<u>2,677,466</u>	<u>2,728,299</u>
Municipal Cash - Restricted		
Bonds	0	1,746,248
Unspent Loans	0	773,379
Conditional Unspent Grants and Contributions	<u>655,670</u>	<u>402,591</u>
	<u>655,670</u>	<u>2,922,218</u>
Total Restricted	<u>3,333,136</u>	<u>5,650,517</u>
4. INVESTMENTS		
Financial assets at fair value through profit or loss	<u>13,420,932</u>	<u>10,935,611</u>
Financial assets at fair value through profit or loss		
At beginning of the year	10,935,611	9,236,066
Revaluation to Income Statement	<u>2,485,321</u>	<u>1,699,545</u>
At end of the year	<u>13,420,932</u>	<u>10,935,611</u>
The Shire held investments in the Eastern Metropolitan Regional Council as at 30 June 2012. (for details refer Note 17)		

**SHIRE OF KALAMUNDA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2012**

	2012 \$	2011 \$
5. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	814,280	668,827
Sundry Debtors	1,461,073	1,862,147
Prepayments	122,231	208,430
GST Receivable	296,733	452,747
Loans - Clubs/Institutions	59,537	55,901
	<u>2,753,854</u>	<u>3,248,052</u>
Non-Current		
Rates Outstanding - Pensioners	420,386	393,288
Loans - Clubs/Institutions	605,815	665,352
	<u>1,026,201</u>	<u>1,058,640</u>
6. INVENTORIES		
Current		
Fuel and Materials	201,276	99,288
Land Held for Resale - Cost		
Cost of Acquisition	240,690	0
Development Costs	385,005	0
	<u>626,971</u>	<u>99,288</u>
Non-Current		
Land Held for Resale - Cost		
Cost of Acquisition	250,000	0
Development Costs	34,660	0
	<u>284,660</u>	<u>0</u>
7. PROPERTY, PLANT AND EQUIPMENT		
Land - Cost	7,999,209	8,946,879
Less Accumulated Depreciation	0	0
	<u>7,999,209</u>	<u>8,946,879</u>
Buildings - at valuation	166,193,943	159,636,787
Less Accumulated Depreciation	(17,960,615)	(14,649,300)
	<u>148,233,328</u>	<u>144,987,487</u>
Furniture and Equipment - Cost	4,474,453	4,293,875
Less Accumulated Depreciation	(3,155,191)	(2,777,927)
	<u>1,319,262</u>	<u>1,515,948</u>
Plant and Equipment - Cost	10,221,617	10,176,444
Less Accumulated Depreciation	(5,492,439)	(4,798,901)
	<u>4,729,178</u>	<u>5,377,543</u>
	<u>162,280,977</u>	<u>160,827,857</u>

**SHIRE OF KALAMUNDA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2012**

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

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

	Land	Buildings	Furniture & Equipment	Plant & Equipment	Total
	\$	\$	\$	\$	\$
Balance as at the beginning of the year	8,946,879	144,987,487	1,515,948	5,377,543	160,827,857
Additions	1,692,326	6,767,156	180,578	262,052	8,902,113
(Disposals)	(2,639,996)	16,800	0	(112,907)	(2,736,103)
Impairment - (Losses) - Reversals	0	(210,000)	0	0	(210,000)
Depreciation (Expense)	0	(3,328,115)	(377,264)	(797,511)	(4,502,890)
Carrying amount at the end of year	<u>7,999,209</u>	<u>148,233,328</u>	<u>1,319,262</u>	<u>4,729,178</u>	<u>162,280,977</u>

**SHIRE OF KALAMUNDA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2012**

	2012 \$	2011 \$
8. INFRASTRUCTURE		
Roads - Cost	138,620,667	133,653,636
Less Accumulated Depreciation	<u>(27,548,433)</u>	<u>(24,837,305)</u>
	<u>111,072,234</u>	<u>108,816,331</u>
Footpaths - Cost	12,522,438	12,244,298
Less Accumulated Depreciation	<u>(2,452,448)</u>	<u>(2,207,546)</u>
	<u>10,069,990</u>	<u>10,036,752</u>
Drainage - Cost	30,654,767	29,576,583
Less Accumulated Depreciation	<u>(4,913,340)</u>	<u>(4,540,414)</u>
	<u>25,741,427</u>	<u>25,036,169</u>
Parks & Ovals - Cost	16,153,603	15,631,804
Less Accumulated Depreciation	<u>(8,838,027)</u>	<u>(7,530,155)</u>
	<u>7,315,576</u>	<u>8,101,649</u>
Car Parks - Cost	2,742,128	2,379,224
Less Accumulated Depreciation	<u>(597,936)</u>	<u>(423,581)</u>
	<u>2,144,192</u>	<u>1,955,643</u>
	<u>156,343,419</u>	<u>153,946,544</u>

**SHIRE OF KALAMUNDA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2012**

8. INFRASTRUCTURE (Continued)

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.

	<u>Roads</u> \$	<u>Footpaths</u> \$	<u>Drainage</u> \$	<u>Parks and Ovals</u> \$	<u>Car Parks</u>	<u>Total</u> \$
Balance at the beginning of the year	108,816,331	10,036,752	25,036,169	8,101,649	1,955,643	153,946,544
Additions	4,967,031	278,140	1,078,184	521,799	362,904	7,208,058
(Disposals)	0	0	0	0	0	0
Depreciation (Expense)	(2,711,128)	(244,902)	(372,926)	(1,307,872)	(174,355)	(4,811,183)
Carrying amount at the end of year	<u>111,072,234</u>	<u>10,069,990</u>	<u>25,741,427</u>	<u>7,315,576</u>	<u>2,144,192</u>	<u>156,343,419</u>

**SHIRE OF KALAMUNDA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2012**

	2012 \$	2011 \$
9. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	3,011,685	1,655,148
Bonds and Deposits	2,299,902	1,746,248
GST Payable	0	186,635
Accrued Expenses	228,312	1,143,587
Accrued Interest on Debentures	168,728	126,644
Accrued Salaries and Wages	380,351	298,452
	<u>6,088,978</u>	<u>5,156,694</u>
10. LONG-TERM BORROWINGS		
(a) Current		
Bank Overdraft	969,975	235,409
	<u>969,975</u>	<u>235,409</u>
(b) Current		
Secured by Floating Charge Debentures	559,442	445,768
	<u>559,442</u>	<u>445,768</u>
(c) Non-Current		
Secured by Floating Charge Debentures	8,110,051	5,710,977
	<u>8,110,051</u>	<u>5,710,977</u>
Additional detail on borrowings is provided in Note 22.		
11. PROVISIONS		
Current		
Provision for Annual Leave	1,448,437	978,558
Provision for Long Service Leave	487,288	899,903
	<u>1,935,725</u>	<u>1,878,461</u>
Non-Current		
Provision for Long Service Leave	385,274	181,683
	<u>385,274</u>	<u>181,683</u>

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

	2012 \$	2012 Budget \$	2011 \$
12. RESERVES - CASH BACKED			
(a) Building Construction			
Opening Balance	471,752	471,752	1,857,052
Interest Earned	69,502	12,044	100,000
Amount Set Aside / Transfer to Reserve	3,788,296	2,641,841	1,750,000
Amount Used / Transfer from Reserve	<u>(2,676,083)</u>	<u>(1,916,285)</u>	<u>(3,235,300)</u>
	<u>1,653,467</u>	<u>1,209,352</u>	<u>471,752</u>
(b) Waste Management			
Opening Balance	26,144	26,144	1,893,431
Interest Earned	5,369	13,274	12,800
Amount Set Aside / Transfer to Reserve	120,000	120,000	0
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>(1,880,087)</u>
	<u>151,513</u>	<u>159,418</u>	<u>26,144</u>
(c) EDP - IT Equipment			
Opening Balance	67,908	67,908	544,708
Interest Earned	4,089	4,074	8,300
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	<u>(60,000)</u>	<u>(60,000)</u>	<u>(485,100)</u>
	<u>11,977</u>	<u>11,982</u>	<u>67,908</u>
(d) Local Government Elections			
Opening Balance	25,766	25,766	41,766
Interest Earned	2,959	1,546	4,000
Amount Set Aside / Transfer to Reserve	44,719	100,000	0
Amount Used / Transfer from Reserve	<u>(44,719)</u>	<u>(100,000)</u>	<u>(20,000)</u>
	<u>28,725</u>	<u>27,312</u>	<u>25,766</u>
(e) Long Service Leave			
Opening Balance	140,833	140,833	160,038
Interest Earned	6,911	18,885	6,600
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	<u>(77,000)</u>	<u>(30,000)</u>	<u>(25,805)</u>
	<u>70,744</u>	<u>129,718</u>	<u>140,833</u>
(f) Plant and Equipment			
Opening Balance	25,824	25,824	676,124
Interest Earned	1,608	1,549	9,700
Amount Set Aside / Transfer to Reserve	0	300,000	0
Amount Used / Transfer from Reserve	<u>0</u>	<u>(230,000)</u>	<u>(680,000)</u>
	<u>27,432</u>	<u>97,373</u>	<u>25,824</u>

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

	2012 \$	2012 Budget \$	2011 \$
12. RESERVES - CASH BACKED (Continued)			
(g) Stirk Park Reserve			
Opening Balance	22,506	22,506	20,906
Interest Earned	1,420	1,350	1,600
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>23,926</u>	<u>23,856</u>	<u>22,506</u>
(h) HACC			
Opening Balance	123,532	123,532	569,277
Interest Earned	6,419	8,792	2,800
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	0	(448,545)
	<u>129,951</u>	<u>132,324</u>	<u>123,532</u>
(i) Forrestfield Industrial Area			
Opening Balance	283,926	283,926	274,626
Interest Earned	14,711	17,036	9,300
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	(140,784)	(140,784)	0
	<u>157,853</u>	<u>160,178</u>	<u>283,926</u>
(j) Insurance Contingency			
Opening Balance	150,067	150,067	158,655
Interest Earned	9,315	6,820	8,100
Amount Set Aside / Transfer to Reserve	0	0	231,397
Amount Used / Transfer from Reserve	0	0	(248,085)
	<u>159,382</u>	<u>156,887</u>	<u>150,067</u>
(k) Light Plant			
Opening Balance	49,967	49,967	284,717
Interest Earned	4,151	2,998	9,000
Amount Set Aside / Transfer to Reserve	150,046	300,000	201,250
Amount Used / Transfer from Reserve	(171,803)	(200,000)	(445,000)
	<u>32,361</u>	<u>152,965</u>	<u>49,967</u>
(l) Revaluation			
Opening Balance	155,280	155,280	120,080
Interest Earned	8,122	9,317	5,200
Amount Set Aside / Transfer to Reserve	30,000	30,000	30,000
Amount Used / Transfer from Reserve	(61,401)	0	0
	<u>132,001</u>	<u>194,597</u>	<u>155,280</u>

**SHIRE OF KALAMUNDA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2012**

	2012 \$	2012 Budget \$	2011 \$
12. RESERVES - CASH BACKED (Continued)			
(m) Nominated Employee Leave Provisions			
Opening Balance	22,185	22,185	22,185
Interest Earned	1,366	1,331	0
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>23,551</u>	<u>23,516</u>	<u>22,185</u>
(n) Unexpended Capital Works and Specific Purpose Grants			
Opening Balance	1,162,609	1,162,609	6,533,443
Interest Earned	0	0	0
Amount Set Aside / Transfer to Reserve	0	0	1,162,609
Amount Used / Transfer from Reserve	(1,162,609)	(1,162,609)	(6,533,443)
	<u>0</u>	<u>0</u>	<u>1,162,609</u>
(o) Environment Reserve			
Opening Balance	0	0	0
Interest Earned	437	0	0
Amount Set Aside / Transfer to Reserve	95,144	153,125	0
Amount Used / Transfer from Reserve	(20,998)	(20,998)	0
	<u>74,583</u>	<u>132,127</u>	<u>0</u>
TOTAL CASH BACKED RESERVES	<u>2,677,466</u>	<u>2,611,605</u>	<u>2,728,299</u>
SUMMARY			
	2012 \$	2012 Budget \$	2011 \$
Opening Balance	2,728,299	2,728,299	13,157,007
Transfer from Accumulated Surplus - Interest	136,359	99,016	177,400
Transfer from Accumulated Surplus	4,228,205	3,644,966	3,375,257
Transfer to Accumulated Surplus	(4,415,397)	(3,860,676)	(13,981,365)
Closing Balance	<u>2,677,466</u>	<u>2,611,605</u>	<u>2,728,299</u>

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

**SHIRE OF KALAMUNDA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2012**

12. RESERVES - CASH BACKED (Continued)

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

- Building Construction Reserve
 - to be used to provide for new buildings and the refurbishment of existing Shire owned buildings.
- Waste Management Reserve
 - to be used to fund financing operations for the development of Council's sanitation service.
- EDP - IT Equipment Reserve
 - to be used for the upgrade / replacement of the Shire's computer hardware and software requirements.
- Local Government Elections Reserve
 - to be used to fund the cost of future elections.
- Long Service Leave Reserve
 - to be used to provide cash-backing for all annual and long service leave entitlements.
 Transfers to this Reserve are based on the leave liability at the end of each year.
- Plant and Equipment Reserve
 - to be used to fund future replacement of Council's plant and associated equipment.
- Stirk Park Reserve
 - to be used to fund improvements to Stirk Park.
- HACC Reserve
 - to be used to fund future HACC Service programmes and asset replacement.
- Forrestfield Industrial Area Reserve
 - to be used to fund infrastructure requirements for the Forrestfield area.
- Insurance Contingency Reserve
 - to be used to fund insurance premium variations and potential call backs.
- Light Plant Reserve
 - to be used to fund future replacement of Council's plant and associated equipment.
- Revaluation Reserve
 - to be used to fund triannual rating revaluations.
- Nominated Employee Leave Provisions Reserve
 - to be used to fund future nominated staff leave entitlements.
- Unspent Capital Works and Specific Purpose Grants Reserve
 - to be used to carry forward available funding for uncompleted projects and specific purpose grants, that will be completed and expended in ensuing financial years.

13. RESERVES - ASSET REVALUATION

	2012	2011
	\$	\$

Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:

(a) Land and Buildings		
Opening balance	129,875,629	129,875,629
Revaluation Write Off	(210,000)	0
	<u>129,665,629</u>	<u>129,875,629</u>
TOTAL ASSET REVALUATION RESERVES	<u>129,665,629</u>	<u>129,875,629</u>

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2012 \$	2012 Budget \$	2011 \$
Cash and Cash Equivalents	<u>7,209,398</u>	<u>1,478,649</u>	<u>2,876,282</u>

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

Net Result	7,658,252	3,672,172	(2,613,140)
Depreciation	9,314,073	9,144,213	9,038,202
(Profit)/Loss on Sale of Asset	(4,035,142)	(3,125,750)	67,089
(Increase)/Decrease in Receivables	284,100	117,248	103,613
(Increase)/Decrease in Inventories	(101,988)	(2,332,201)	(17,761)
Increase/(Decrease) in Payables	1,118,919	64,448	1,133,405
Increase/(Decrease) in GST	0	621,339	(140,437)
Increase/(Decrease) in Employee Provisions	260,855	263,062	256,448
Non Cash Contribution (EMRC)	(2,485,321)	0	(1,699,546)
Grants/Contributions for the Development of Assets	<u>(5,981,718)</u>	<u>(5,643,435)</u>	<u>(6,706,830)</u>
Net Cash from Operating Activities	<u>#REF!</u>	<u>2,781,096</u>	<u>#REF!</u>

**(c) Undrawn Borrowing Facilities
Credit Standby Arrangements**

Bank Overdraft limit	1,500,000	1,500,000	1,500,000
Bank Overdraft at Balance Date	(969,975)	(1,264,591)	(235,409)
Credit Card limit	75,000	75,000	75,000
Credit Card Balance at Balance Date	(855)	(2,000)	(14,176)
Total Amount of Credit Unused	<u>604,170</u>	<u>308,409</u>	<u>1,325,415</u>

Loan Facilities

Loan Facilities - Current	1,529,417	1,539,032	681,178
Loan Facilities - Non-Current	<u>8,110,051</u>	<u>8,110,051</u>	<u>5,710,977</u>
Total Facilities in Use at Balance Date	<u>9,639,468</u>	<u>9,649,083</u>	<u>6,392,155</u>

Unused Loan Facilities at Balance Date	<u>0</u>	<u>0</u>	<u>0</u>
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**SHIRE OF KALAMUNDA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2012**

15. CONTINGENT LIABILITIES

The Shire of Kalamunda has no contingent liabilities that require disclosure or adjustments in the Financial Report as at 30 June 2012.

16. CAPITAL AND LEASING COMMITMENTS	2012	2011
	\$	\$

(a) Finance Lease Commitments

The Shire of Kalamunda has no finance lease commitments.

(b) Operating Lease Commitments

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

Payable:		
- not later than one year	499,386	366,168
- later than one year but not later than five years	720,348	715,550
- later than five years	<u>0</u>	<u>0</u>
	<u>1,219,734</u>	<u>1,081,718</u>

(c) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects		
Swimming Pool renovations	0	2,500,000
Various Land Development Projects	<u>0</u>	<u>2,999,250</u>
	<u>0</u>	<u>5,499,250</u>

Payable:		
- not later than one year	<u>0</u>	<u>5,499,250</u>

The capital expenditure project outstanding at the end of the current reporting period represents

**SHIRE OF KALAMUNDA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2012**

17. JOINT VENTURE

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

The accounting share applicable to the Shire of Kalamunda as at 30 June 2012 as disclosed in the Financial Statements of the Eastern Metropolitan Regional Council as \$13,420,932.

This represents the Shire's 17.40% share of the Total Equity of the Eastern Metropolitan Regional Council.

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

	2012 \$	2011 \$
Interest in the Joint Venture	<u>13,420,932</u>	<u>10,935,611</u>
Current Assets	8,845,234	6,985,981
Non-Current Assets	5,810,440	5,265,481
Total Assets	<u>14,655,674</u>	<u>12,251,462</u>
Current Liabilities	946,852	1,051,076
Non-Current Liabilities	287,890	264,775
Total Liabilities	<u>1,234,742</u>	<u>1,315,851</u>
Net Assets	<u>13,420,932</u>	<u>10,935,611</u>

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Governance	8,639,509	8,636,550
General Purpose Income	4,987,641	0
Law, Order, Public Safety	1,051,043	1,130,980
Health	172,812	51,836
Education and Welfare	1,414,271	1,500,922
Community Amenities	5,005,080	1,496,375
Recreation and Culture	155,217,934	153,937,008
Transport	168,446,275	164,359,611
Economic Services	2,426	2,231
Other Property and Services	179,396	2,112,169
	<u>345,116,387</u>	<u>333,227,682</u>

**SHIRE OF KALAMUNDA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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19. FINANCIAL RATIOS	2012	2011	2010
Current Ratio	0.889 : 1	0.060 : 1	0.590 : 1
Untied Cash to Unpaid Trade Creditors Ratio	1.609 : 1	0.000 : 1	0.000 : 1
Debt Ratio	0.052	0.040	0.029
Debt Service Ratio	0.021	0.016	0.003
Gross Debt to Revenue Ratio	0.211	0.179	0.103
Gross Debt to Economically Realisable Assets Ratio	0.051	0.036	0.020
Rate Coverage Ratio	0.462	0.516	0.495
Outstanding Rates Ratio	0.033	0.031	0.040

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Untied Cash to Unpaid Trade Creditors Ratio	$\frac{\text{untied cash}}{\text{unpaid trade creditors}}$
Debt Ratio	$\frac{\text{total liabilities}}{\text{total assets}}$
Debt Service Ratio	$\frac{\text{debt service cost}}{\text{available operating revenue}}$
Gross Debt to Revenue Ratio	$\frac{\text{gross debt}}{\text{total revenue}}$
Gross Debt to Economically Realisable Assets Ratio	$\frac{\text{gross debt}}{\text{economically realisable assets}}$
Rate Coverage Ratio	$\frac{\text{net rate revenue}}{\text{operating revenue}}$
Outstanding Rates Ratio	$\frac{\text{rates outstanding}}{\text{rates collectable}}$

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

20. TRUST FUNDS

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

	Balance 1-Jul-11 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-12 \$
Unclaimed Monies	10,555	11,011	(8,997)	12,569
Wattlegrove - Cell 9	6,277,389	4,263,778	(2,212,120)	8,329,047
BCITF Levies	26,714	218,272	(232,424)	12,562
B.R.B Levies	6,116	50,503	(56,536)	83
Cash in Lieu - POS	1,560,651	703,302	(56,037)	2,207,916
	<u>7,881,425</u>			<u>10,562,177</u>

21. DISPOSALS OF ASSETS - 2011/12 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Impairment		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
By Program								
Education and Welfare	8,668	0	7,898	0	0	0	(770)	0
Community Amenities	2,623,195	2,999,250	6,665,917	6,125,000	(210,000)	0	4,042,722	3,125,750
Recreation and Culture	38,146	0	32,175	0	0	0	(5,971)	0
Transport	66,093	255,000	65,256	255,000	0	0	(837)	0
	<u>2,736,102</u>	<u>3,254,250</u>	<u>6,771,246</u>	<u>6,380,000</u>	<u>(210,000)</u>	<u>0</u>	<u>4,035,144</u>	<u>3,125,750</u>

	Net Book Value		Sale Price		Impairment		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
By Class								
Plant and Equipment	112,907	255,000	105,329	255,000	0	0	(7,578)	0
Buildings		0	0	0	(210,000)	0	0	0
Land Held for Resale	2,623,195	2,999,250	6,665,917	6,125,000	0	0	4,042,722	3,125,750
	<u>2,736,102</u>	<u>3,254,250</u>	<u>6,771,246</u>	<u>6,380,000</u>	<u>(210,000)</u>	<u>0</u>	<u>4,035,144</u>	<u>3,125,750</u>

Buildings - An impairment review resulted in one of the Community Halls being written off as it is un-safe and termite infested. The building has been adjusted against the revaluation reserve directly.

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Loan #	Loan Provider	Principal 1-Jul-11 \$	New Loans \$	Principal Repayments		Principal 30-Jun-12		Interest Repayments	
					Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
*Forrestfield Bowling Club	199	WATC	36,294		2,866	2,866	33,428	33,428	2,908	2,908
*Kalamunda Cricket Club	207	WATC	12,581		1,465	1,465	11,116	11,116	811	811
*Kalamunda & District Basketball	208	WATC	125,586		14,642	14,642	110,945	110,945	8,051	8,051
*Forrestfield Utd Soccer Club	214	WATC	129,210		4,729	4,729	124,481	124,481	7,119	7,119
*Lesmurdie Tennis Club	215	WATC	30,772		3,316	3,316	27,456	27,456	1,908	1,908
*Foothills Netball Assoc	216	WATC	93,635		3,007	3,007	90,629	90,629	6,010	6,010
*Maida Vale Tennis Club	217	WATC	47,046		2,354	2,354	44,692	44,692	2,801	2,801
*Kalamunda United Soccer Club	218	WATC	6,910		1,583	1,583	5,327	5,327	413	413
*Kalamunda Club	219	WATC	230,799		20,429	20,429	210,370	210,370	13,646	13,646
*Forrestfield Junior Football Club	220	WATC	17,580		1,510	1,510	16,070	16,070	1,070	1,070
Shire Depot	221	WATC	2,048,126		55,446	55,446	1,992,681	1,992,681	137,735	137,735
Wet'n'Wild	222	WATC	462,626		39,734	39,734	422,892	422,892	28,167	28,167
Sweeper Trucks	223	WATC	246,767		56,420	56,420	190,347	190,347	13,739	13,739
Land Acquisition Kalamunda Rd	224	WATC	1,442,974		118,870	118,870	1,324,104	1,324,104	78,883	78,883
Plant and Equipment Purchase	225	WATC	585,000		69,503	69,198	515,497	515,802	34,073	34,873
Newburn Rd Extension	226	WATC	650,000		49,895	49,895	600,105	600,105	36,158	36,158
Kalamunda Swimming Pool	227	WATC		1,850,000	25,582	33,043	1,824,418	1,816,957	52,078	75,375
Depot Waste Trucks	228	WATC		1,150,000	15,902	0	1,134,098	1,150,000	32,373	0
			6,165,906	3,000,000	487,253	478,507	8,678,655	8,687,402	457,943	449,667

(*) Self supporting loan financed by payments from third parties.
All other loan repayments were financed by general purpose revenue.

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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(b) New Debentures - 2011/12

Particulars/Purpose	Loan #	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used		Balance Unspent \$
		Actual \$	Budget \$						Actual \$	Budget \$	
Kalamunda Swimming Pool	227	1,850,000	1,850,000	WATC	Fixed	20	1,278,699	5.63%	1,850,000	1,850,000	0
Depot Waste Trucks	228	1,150,000	1,150,000	WATC	Fixed	20	794,867	5.63%	1,150,000	1,150,000	0
*Lesmurdie Tennis Club	229	0	19,680	WATC	Fixed	20	14,330	5.89%	0	19,680	0
		3,000,000	3,019,680				2,087,896		3,000,000	3,019,680	0

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

22. INFORMATION ON BORROWINGS (Continued)

(c) Overdraft

Council established an overdraft facility of \$1,500,000 in 2011 to assist with short term liquidity requirements. The balance of the bank overdraft at 1 July 2011 was \$235,409 and 30 June 2012 was \$969,975.

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

23. RATING INFORMATION - 2011/12 FINANCIAL YEAR

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Prepaid Rates \$	Waived Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Total Revenue \$
Differential General Rate											
GRV - General	0.0507	18,281	343,786,215	17,438,658	22,077	303,695	0	17,764,430	17,417,929	203,670	17,621,599
GRV - Industrial	0.0567	194	46,787,946	2,678,223	0	0	0	2,678,223	2,654,935	0	2,654,935
GRV - Commercial	0.0532	248	25,894,441	1,385,287	0	0	0	1,385,287	1,377,532	0	1,377,532
UV - General	0.0024	239	170,400,000	410,834	0	0	0	410,834	410,834	0	410,834
UV - Commercial	0.0025	67	42,665,000	108,028	0	0	0	108,028	108,028	0	108,028
Sub-Totals		19,029	629,533,602	22,021,030	22,077	303,695	0	22,346,802	21,969,258	203,670	22,172,928
Minimum Rates											
	Minimum \$										
GRV - General	648	2,336	23,099,695	1,502,712	0	0	0	1,502,712	1,513,728	0	1,513,728
GRV - Industrial	727	21	184,016	15,267	0	0	0	15,267	15,267	0	15,267
GRV - Commercial	680	37	336,224	23,800	0	0	0	23,800	25,160	0	25,160
UV - General	648	1	0	648	0	0	0	0	648	0	648
UV - Commercial	680	1	260,000	680	0	0	0	680	680	0	680
UV - Industrial	727	2	31,249	1,454	0	0	(1,454)	0	1,454	0	1,454
Sub-Totals		2,398	23,911,184	1,544,561	0	0	(1,454)	1,542,459	1,556,937	0	1,556,937
Total Rates Levied								23,889,261			23,729,865
Ex-Gratia Rates								117,048			127,000
Discounts (refer note 26)								0			0
Totals								24,006,309			23,856,865

	Budget Rate Revenue \$	Total Revenue 2011/12 \$
EX-GRATIA RATES		
Dampier Pipeline Contribution	87,000	71,444
Cooperative Bulk Handling	40,000	45,604
	127,000	117,048

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

23. RATING INFORMATION - 2011/12 FINANCIAL Y	2012 (30 June 2012 Carried Forward) \$	2012 (1 July 2011 Brought Forward) \$	2011 (30 June 2011 Carried Forward) \$
(b) Information on Surplus/(Deficit) Brought Forward			
Surplus/(Deficit) Brought Forward	<u>2,308,520</u>	<u>(1,481,865)</u>	<u>(1,481,865)</u>
Comprises:			
Cash - Unrestricted	7,010	6,560	6,560
Cash - Restricted - Grants	5,494,897	376,831	376,831
Cash - Restricted - Reserves	2,677,466	2,728,299	2,728,299
Rates - Current	814,280	668,827	668,827
Sundry Debtors	1,461,073	1,862,147	1,862,147
GST Receivable	296,733	286,112	452,747
Prepayments	122,231	208,430	208,430
Inventories			
- Fuel and Materials	201,276	99,288	99,288
Less:			
Reserves - Restricted Cash	(2,677,466)	(2,728,299)	(2,728,299)
Sundry Creditors	(3,011,685)	(1,655,149)	(1,655,149)
Bonds and Deposits	(2,299,902)	(1,746,248)	(1,746,248)
GST Payable	0	0	(186,636)
Accrued Expenses	(228,312)	(1,143,567)	(1,143,566)
Accrued Interest on Debentures	(168,728)	(126,644)	(126,644)
Accrued Salaries and Wages	(380,351)	(298,452)	(298,452)
Current Employee Benefits Provision	(1,935,725)	(1,878,461)	(1,878,461)
Add back			
Current Employee Benefits Provision	1,935,725	1,878,461	1,878,461
Surplus/(Deficit)	<u>2,308,520</u>	<u>(1,481,865)</u>	<u>(1,481,865)</u>

There was no difference between the Surplus/(Deficit) 1 July 2011 Brought Forward position used in the 2012 audited financial report and the 30 June 2011 Surplus/(Deficit) Carried Forward position as disclosed in the 2011 audited financial report.

**SHIRE OF KALAMUNDA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2012**

24. SPECIFIED AREA RATE - 2011/12 FINANCIAL YEAR

The Shire of Kalamunda raised no specified rates for the financial year 2011/12.

25. SERVICE CHARGES - 2011/12 FINANCIAL YEAR

The Shire of Kalamunda raised no service charges for the financial year 2011/12.

**26. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
 - 2011/12 FINANCIAL YEAR**

Incentives

An incentive for an early payment of rates was offered as follows:

- Six prizes of \$1,000 and 28 prizes of \$500 funded by the Shire of Kalamunda
- One prize of \$1,000 from the Commonwealth Bank
- One prize of \$500 from the Bendigo Bank
- 2 x Double passes to the West Australian Symphony Orchestra (WASO)

27. INTEREST CHARGES AND INSTALMENTS - 2011/12 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	6.00%	0	163,405	74,000
Interest on Instalments Plan	0.00%	0	0	0
Charges on Instalment Plan	0.00%	5	112,654	139,628
			276,059	213,628

Ratepayers had the option of paying rates in four equal instalments, due on 22nd September 2011, 24th November 2011, 2nd February 2012 and 5th April 2012. Administration charges and interest applied for the final three instalments.

28. FEES & CHARGES	2012 \$	2011 \$
General Purpose Funding	264,017	160,845
Law, Order, Public Safety	163,562	162,920
Health	87,287	67,419
Education and Welfare	526,435	512,825
Community Amenities	7,158,927	6,420,431
Recreation and Culture	1,320,603	1,090,809
Transport	13,428	341,998
Economic Services	605,517	557,508
Other Property and Services	98,934	106,013
	10,238,710	9,420,789

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

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

29. GRANT REVENUE

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

	2012	2011
	\$	\$
By Nature and Type:		
Operating Grants, Subsidies and Contributions	6,325,930	2,672,499
Non-Operating Grants, Subsidies and Contributions	5,981,718	6,706,830
	<u>12,307,648</u>	<u>9,379,329</u>
By Program:		
Governance	2,751,598	2,062,651
Law, Order, Public Safety	143,280	172,261
Health	0	274
Education and Welfare	2,775,672	2,403,524
Community Amenities	1,023,800	46,017
Recreation and Culture	988,691	2,873,623
Transport	4,609,925	1,815,979
Other Property and Services	14,682	5,000
	<u>12,307,648</u>	<u>9,379,329</u>

30. ELECTED MEMBERS REMUNERATION

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

	2012	2012	2011
	\$	Budget	\$
		\$	
Meeting Fees	91,000	91,000	90,327
President's Allowance	14,000	14,000	14,000
Deputy President's Allowance	2,844	2,900	2,900
IT Allowance	11,288	12,000	11,904
Telecommunications Allowance	30,495	28,800	28,569
	<u>149,627</u>	<u>148,700</u>	<u>147,700</u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

	2012	2011
	<u>252</u>	<u>291</u>

**SHIRE OF KALAMUNDA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2012**

32. MAJOR LAND TRANSACTIONS

Lot 5 Welshpool Road East, WATTLEGROVE (Smokebush)

(a) Details

This land was acquired in 1965 in fee simple. Additional costs are to be incurred by Council in developing the 29 Residential lots. This is to include the provision of services such as sewerage, power and transport infrastructure.

(b) Current year transactions	2012 \$	2012 Budget \$	2011 \$
Operating Revenue			
- Profit on sale	3,846,926	3,125,750	0
Capital Revenue			
- Sale Proceeds	6,665,917	6,125,000	0
Capital Expenditure			
- Purchase of Land	360,000	360,000	0
- Development Costs	2,639,250	2,639,250	352,542
	<u>2,999,250</u>	<u>2,999,250</u>	<u>352,542</u>

The above capital expenditure is included in land held for resale as disclosed elsewhere in this financial report.

There are no liabilities in relation to this land transaction as at 30 June 2012.

(c) Expected Future Cash Flows

	2013 \$	2014 \$	2015 \$	2016 \$	2017 \$	Total \$
Cash Outflows						
- Development Costs	0	0	0	0	0	0
- Loan Repayments	0	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Inflows						
- Loan Proceeds	0	0	0	0	0	0
- Sale Proceeds	893,634	0	0	0	0	893,634
	<u>893,634</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>893,634</u>
Net Cash Flows	<u>893,634</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>893,634</u>

**SHIRE OF KALAMUNDA
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 FOR THE YEAR ENDED 30TH JUNE 2012**

Cygnets Court/Edney Road

(a) Details

The Shire holds 21 Edney Court as a freehold property and 1 Cygnets Court as an untitled reserve under its control. Both properties are zoned as residential and are planned for subdivision covering a total of 6,675m². The project involves purchase of the Public Open Space at 1 Cygnets Court, construction of a wall and related amenities.

(b) Expected Future Cash Flows

	2013	2014	2015	2016	2017	Total
	\$	\$	\$	\$	\$	\$
Cash Outflows						
- Development Costs	1,513,000	0	0	0	0	1,513,000
- Loan Repayments	0	1,200,000	0	0	0	1,200,000
	<u>1,513,000</u>	<u>1,200,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,713,000</u>
Cash Inflows						
- Loan Proceeds	1,200,000	0	0	0	0	1,200,000
- Sale Proceeds	0	4,313,000	0	0	0	4,313,000
	<u>1,200,000</u>	<u>4,313,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,513,000</u>
Net Cash Flows	<u>(313,000)</u>	<u>3,113,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,800,000</u>

33. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2011/12 financial year.

**SHIRE OF KALAMUNDA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2012**

34. FINANCIAL RISK MANAGEMENT

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

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

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2012 \$	2011 \$	2012 \$	2011 \$
Financial Assets				
Cash and cash equivalents	8,179,373	3,111,691	8,179,373	3,111,691
Receivables	3,780,055	4,306,692	3,886,867	4,306,692
Investments				
	<u>11,959,429</u>	<u>7,418,383</u>	<u>12,066,240</u>	<u>7,418,383</u>
Financial Liabilities				
Payables	6,088,978	5,156,694	6,088,978	5,156,694
Borrowings	9,639,468	5,946,386	9,186,525	6,235,961
	<u>15,728,446</u>	<u>11,103,080</u>	<u>15,275,503</u>	<u>11,392,655</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Investments – based on quoted market prices at the reporting date or at independent valuation.
- Borrowings – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

**SHIRE OF KALAMUNDA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2012**

34. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

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

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

	2012	2011
	\$	\$
Impact of a 10% (*) movement in interest rates on cash and investments:		
- Equity	1,342,093	1,093,561
- Statement of Comprehensive Income	1,342,093	1,093,561

Notes:

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

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

Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	81,793	31,117
- Statement of Comprehensive Income	81,793	31,117

**SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

34. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2012	2011
Percentage of Rates and Annual Charges		
- Current	49.43%	42.69%
- Overdue	50.57%	57.31%
Percentage of Other Receivables		
- Current	96.37%	93.82%
- Overdue	3.63%	6.18%

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2012</u>					
Payables	6,088,978	0	0	6,088,978	6,088,978
Borrowings	1,071,094	4,234,004	7,715,957	13,021,055	9,639,468
	<u>7,160,072</u>	<u>4,234,004</u>	<u>7,715,957</u>	<u>19,110,033</u>	<u>15,728,446</u>
<u>2011</u>					
Payables	5,156,694	0	0	5,156,694	5,156,694
Borrowings	817,229	3,198,758	5,014,631	9,030,618	5,946,386
	<u>5,973,923</u>	<u>3,198,758</u>	<u>5,014,631</u>	<u>14,187,312</u>	<u>11,103,080</u>

SHIRE OF KALAMUNDA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
Borrowings (Continued)

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

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

	<u><1 year</u>	<u>>1<2 years</u>	<u>>2<3 years</u>	<u>>3<4 years</u>	<u>>4<5 years</u>	<u>>5 years</u>	<u>Total</u>	<u>Weighted</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>Average</u>
								<u>Effective</u>
								<u>Interest Rate</u>
								<u>%</u>
<u>Year Ended 30 June 2012</u>								
Payables								
Borrowings								
Fixed Rate								
Debentures	0	0	195,675	0	0	8,473,819	8,669,494	6.00%
Weighted Average Effective Interest Rate	0.00%	0.00%	5.90%	0.00%	0.00%	6.00%		
<u>Year Ended 30 June 2011</u>								
Payables								
Borrowings								
Fixed Rate								
Debentures	0	0	0	246,767	0	5,919,614	6,166,381	6.18%
Weighted Average Effective Interest Rate	0.00%	0.00%	0.00%	5.90%	0.00%	6.19%		

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

10. Confidential Report - Rates Debtor Write-Off 2012

Reason for Confidentiality – *Local Government Act 1995*: Section 5.23 (2) (a), “the personal affairs of any person”.

Previous Items	N/A
Responsible Officer	Manager Financial Services
Service Area	Finance
File Reference	
Applicant	N/A
Owner	N/A
Attachment 1	Rates Debtors Write Off December 2012
Attachment 2	Services, Legal Fees and Penalty Write Off December 2012

7.0 CLOSURE