

**CITY OF KALAMUNDA  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020**

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**COMMUNITY VISION**

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

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

**CITY OF KALAMUNDA  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020**

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the City of Kalamunda for the financial year ended 30 June 2020 is based on proper accounts and records to present fairly the financial position of the City of Kalamunda at 30 June 2020 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 24 day of November 2020



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Chief Executive Officer

Rhonda Hardy

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Name of Chief Executive Officer

**CITY OF KALAMUNDA**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30TH JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue</b>				
Rates	26(a)	37,864,554	37,581,411	37,436,125
Operating grants and subsidies	2(a)	2,621,875	1,597,951	2,854,853
Contributions, Reimbursements and Donations	2(a)	4,944,018	779,575	621,232
Fees and charges	2(a)	15,401,091	15,832,725	15,459,212
Interest earnings	2(a)	800,329	1,096,640	1,021,116
Other revenue	2(a)	36,145	55,625	39,940
		<b>61,668,012</b>	<b>56,943,926</b>	<b>57,432,478</b>
<b>Expenses</b>				
Employee costs		(25,144,391)	(25,595,958)	(25,253,690)
Materials and contracts		(22,443,971)	(21,993,985)	(20,391,297)
Utility charges		(1,920,612)	(1,939,051)	(1,893,592)
Depreciation on non-current assets	11(b)	(11,316,721)	(12,549,653)	(10,986,630)
Interest expenses	2(b)	(265,469)	(272,482)	(298,308)
Insurance expenses		(591,118)	(602,949)	(606,001)
Other expenditure		(1,567,604)	(456,654)	(377,878)
		<b>(63,249,886)</b>	<b>(63,410,732)</b>	<b>(59,807,396)</b>
		<b>(1,581,874)</b>	<b>(6,466,806)</b>	<b>(2,374,918)</b>
Non-operating grants, subsidies and contributions	2(a)	7,354,821	8,571,844	5,567,739
Profit on asset disposals	11(a)	14,771	0	71,935
(Loss) on asset disposals	11(a)	(2,566,892)	0	(960,029)
Dividends Received	23(a)	803,210	0	0
Share of net profit/(loss) of associate accounted for using the equity method	23(a)	(2,290,314)	1,679,116	998,408
Reversal of prior year loss on revaluation of plant and equipment	9(a)	0	0	91,366
		<b>3,315,596</b>	<b>10,250,960</b>	<b>5,769,419</b>
		<b>1,733,722</b>	<b>3,784,155</b>	<b>3,394,500</b>
<b>Net result for the period</b>				
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	9(a)	(31,575,993)	0	570,669
Increase in fair value of other equity investments	13	2,305		127,766
Share of comprehensive income of associates and joint ventures accounted for using the equity method	23(a)	140,216	0	(107,738)
		<b>(31,433,472)</b>	<b>0</b>	<b>590,697</b>
		<b>(29,699,750)</b>	<b>3,784,155</b>	<b>3,985,197</b>

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

**CITY OF KALAMUNDA  
STATEMENT OF COMPREHENSIVE INCOME  
BY PROGRAM  
FOR THE YEAR ENDED 30TH JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue</b>				
	2(a)			
Governance		27,753	21,837	7,214
General purpose funding		41,356,817	40,355,500	41,289,905
Law, order, public safety		442,233	425,700	492,183
Health		878,374	880,105	885,305
Education and welfare		64,508	62,530	62,448
Community amenities		12,539,229	12,711,869	12,276,496
Recreation and culture		2,070,476	1,802,717	1,696,838
Transport		41,498	30,000	39,664
Economic services		250,127	238,089	252,964
Other property and services		3,996,997	415,579	429,461
		<b>61,668,012</b>	<b>56,943,926</b>	<b>57,432,478</b>
<b>Expenses</b>				
	2(b)			
Governance		(3,960,937)	(3,703,748)	(4,049,625)
General purpose funding		(616,834)	(796,643)	(745,878)
Law, order, public safety		(2,089,052)	(2,174,665)	(1,952,166)
Health		(1,652,827)	(1,579,971)	(1,593,391)
Education and welfare		(382,309)	(501,922)	(453,167)
Community amenities		(15,445,082)	(16,660,312)	(14,408,586)
Recreation and culture		(18,065,399)	(21,302,408)	(19,080,431)
Transport		(12,603,438)	(14,105,377)	(13,176,803)
Economic services		(1,227,207)	(1,436,508)	(1,092,070)
Other property and services		(6,941,332)	(876,694)	(2,956,971)
		<b>(62,984,417)</b>	<b>(63,138,250)</b>	<b>(59,509,088)</b>
<b>Finance Costs</b>				
	2(b)			
Other property and services		(265,469)	(272,482)	(298,308)
		<b>(265,469)</b>	<b>(272,482)</b>	<b>(298,308)</b>
		<b>(1,581,874)</b>	<b>(6,466,806)</b>	<b>(2,374,918)</b>
Non-operating grants, subsidies and contributions	2(a)	7,354,821	8,571,844	5,567,739
Profit on disposal of assets	11(a)	14,771	0	71,935
(Loss) on disposal of assets	11(a)	(2,566,892)	0	(960,029)
Dividends Received		803,210	0	0
Share of net profit/(loss) of associate accounted for using the equity method	23(a)	(2,290,314)	1,679,116	998,408
Reversal of prior year loss on revaluation of plant and equipment	9(a)	0	0	91,366
		<b>3,315,596</b>	<b>10,250,960</b>	<b>5,769,419</b>
<b>Net result for the period</b>		<b>1,733,722</b>	<b>3,784,155</b>	<b>3,394,500</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	9(a)	(31,575,993)	0	570,669
Increase in fair value of other equity investments	13	2,305	0	127,766
Share of comprehensive income of associates and joint ventures accounted for using the equity method	23	140,216	0	(107,738)
<b>Total other comprehensive income for the period</b>		<b>(31,433,472)</b>	<b>0</b>	<b>590,697</b>
<b>Total comprehensive income for the period</b>		<b>(29,699,750)</b>	<b>3,784,155</b>	<b>3,985,197</b>

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

**CITY OF KALAMUNDA  
STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2020**

	NOTE	2020 \$	2019 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	24,196,351	20,737,597
Trade and other receivables	6	3,795,352	3,102,521
Other financial assets	5(a)	3,394,524	3,346,005
Inventories	7	123,249	116,822
Other assets	8	303,636	281,015
<b>TOTAL CURRENT ASSETS</b>		<b>31,813,112</b>	<b>27,583,960</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	6	866,115	767,306
Other financial assets	5(b)	226,335	243,540
Other Assets	8	158,663	0
Inventories	7	386,067	386,067
Investment in associate	23(a)	29,257,611	31,407,709
Property, plant and equipment	9	120,811,550	152,178,462
Infrastructure	10	371,529,361	369,040,188
Intangible assets	12	865,958	663,064
<b>TOTAL NON-CURRENT ASSETS</b>		<b>524,101,661</b>	<b>554,686,335</b>
<b>TOTAL ASSETS</b>		<b>555,914,773</b>	<b>582,270,295</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	8,435,334	6,301,587
Capital Grant Liabilities	15	2,214,705	0
Borrowings	16(b)	1,027,692	672,155
Employee related provisions	17	4,196,505	3,723,149
<b>TOTAL CURRENT LIABILITIES</b>		<b>15,874,236</b>	<b>10,696,891</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	16(b)	6,961,299	4,281,990
Employee related provisions	17	362,263	455,316
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>7,323,562</b>	<b>4,737,306</b>
<b>TOTAL LIABILITIES</b>		<b>23,197,798</b>	<b>15,434,197</b>
<b>NET ASSETS</b>		<b>532,716,975</b>	<b>566,836,098</b>
<b>EQUITY</b>			
Retained surplus		222,322,634	221,680,150
Reserves - cash/financial asset backed	4	14,531,763	17,223,164
Revaluation surplus	13	295,862,578	327,932,784
<b>TOTAL EQUITY</b>		<b>532,716,975</b>	<b>566,836,098</b>

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

**CITY OF KALAMUNDA  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2020**

		RESERVES CASH/FINANCIAL			
	NOTE	RETAINED SURPLUS	ASSET BACKED	REVALUATION SURPLUS	
		\$	\$	\$	
		\$		TOTAL EQUITY	
		\$		\$	
<b>Balance as at 1 July 2018</b>		<b>217,287,645</b>	<b>18,221,169</b>	<b>327,342,087</b>	<b>562,850,901</b>
Comprehensive income					
Net result for the period		3,394,500	0	0	3,394,500
Other comprehensive income	13	0	0	590,697	590,697
Total comprehensive income		3,394,500	0	590,697	3,985,197
Transfers from reserves	4	7,328,550	(7,328,550)	0	0
Transfers to reserves	4	(6,330,542)	6,330,542	0	0
<b>Balance as at 30 June 2019</b>		<b>221,680,150</b>	<b>17,223,164</b>	<b>327,932,784</b>	<b>566,836,098</b>
Initial Application of AASB 15 & AASB 1058	29(d)	(3,782,639)	0	0	(3,782,639)
<b>Restated total equity at 1 July 2019</b>		<b>217,897,511</b>	<b>17,223,164</b>	<b>327,932,784</b>	<b>563,053,459</b>
Comprehensive income					
Net result for the period		1,733,722	0	0	1,733,722
Other comprehensive income	13	0	0	(31,433,472)	(31,433,472)
Total comprehensive income		1,733,722	0	(31,433,472)	(29,699,750)
Transfer of previously recognised increment in fair value due to asset disposals / write off	11(a)	0	0	(636,734)	(636,734)
Transfers from reserves	4	4,803,533	(4,803,533)	0	0
Transfers to reserves	4	(2,112,132)	2,112,132	0	0
<b>Balance as at 30 June 2020</b>		<b>222,322,634</b>	<b>14,531,763</b>	<b>295,862,578</b>	<b>532,716,975</b>

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

**CITY OF KALAMUNDA  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2020**

NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Rates	37,416,593	37,706,303	37,291,278
Operating grants and subsidies	2,600,588	2,377,526	2,854,853
Contributions, Reimbursements and Donations	4,944,018	0	621,232
Fees and charges	11,399,584	15,551,917	12,516,684
Interest received	800,329	1,096,639	1,021,116
Goods and services tax received	4,001,507	280,808	3,582,968
Other revenue	36,148	55,625	39,940
	<b>61,198,767</b>	<b>57,068,818</b>	<b>57,928,071</b>
<b>Payments</b>			
Employee costs	(24,734,713)	(25,595,958)	(24,811,743)
Materials and contracts	(21,958,896)	(19,001,492)	(20,472,639)
Utility charges	(1,920,612)	(1,939,051)	(1,893,592)
Interest expenses	(265,469)	(272,482)	(308,866)
Insurance paid	(591,118)	(602,949)	(606,001)
Goods and services tax paid	(594,316)	(2,862,409)	(329,524)
Other expenditure	(1,567,604)	(456,654)	(377,879)
	<b>(51,632,728)</b>	<b>(50,730,995)</b>	<b>(48,800,244)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>18 9,566,039</b>	<b>6,337,823</b>	<b>9,127,827</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for financial assets at amortised cost	0	0	(84,220)
Movement in Capital Grant Liabilities	134,538	0	0
Payments for purchase of property, plant & equipment	9(a) (4,124,781)	(13,139,511)	(4,467,761)
Payments for construction of infrastructure	10(a) (13,273,035)	(16,881,671)	(10,503,612)
Payments for intangible assets	(273,427)	0	(267,375)
Non-operating grants, subsidies and contributions	2(a) 7,354,821	8,571,844	5,567,739
Dividends Received	23(a) 803,210	0	0
Proceeds from financial assets at amortised cost - self supporting loans	30,077	34,492	44,346
Proceeds from sale of property, plant & equipment	11(a) 206,465	0	264,174
<b>Net cash provided by (used in) investment activities</b>	<b>(9,142,132)</b>	<b>(21,414,846)</b>	<b>(9,446,708)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings	16(a) (672,153)	(672,155)	(652,798)
Proceeds from new borrowings	16(a) 3,707,000	4,307,000	0
<b>Net cash provided by (used in) financing activities</b>	<b>3,034,847</b>	<b>3,634,845</b>	<b>(652,798)</b>
<b>Net increase (decrease) in cash held</b>	<b>3,458,754</b>	<b>(10,372,908)</b>	<b>(971,679)</b>
Cash at beginning of year	20,737,597	23,124,754	21,709,276
<b>Cash and cash equivalents at the end of the year</b>	<b>18 24,196,351</b>	<b>12,751,846</b>	<b>20,737,597</b>

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

**CITY OF KALAMUNDA  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>OPERATING ACTIVITIES</b>				
Net current assets at start of financial year - surplus/(deficit)	27 (b)	246,491	2,968,871	4,090,347
		246,491	2,968,871	4,090,347
<b>Revenue from operating activities (excluding rates)</b>				
Governance		27,753	21,837	7,214
General purpose funding		3,698,050	4,580,576	4,355,437
Law, order, public safety		444,421	425,700	492,183
Health		878,374	880,105	885,305
Education and welfare		64,508	62,530	62,448
Community amenities		12,539,229	12,711,871	12,276,496
Recreation and culture		2,071,774	1,802,717	1,696,838
Transport		41,498	30,000	39,664
Economic services		250,127	238,089	252,964
Other property and services		4,008,282	415,578	1,499,804
		24,024,016	21,169,003	21,568,353
<b>Expenditure from operating activities</b>				
Governance		(3,960,937)	(3,703,747)	(4,049,625)
General purpose funding		(616,834)	(796,643)	(745,878)
Law, order, public safety		(2,094,144)	(2,174,667)	(1,952,166)
Health		(1,652,827)	(1,579,971)	(1,593,391)
Education and welfare		(382,309)	(501,922)	(453,167)
Community amenities		(15,456,757)	(16,660,312)	(14,408,586)
Recreation and culture		(19,688,078)	(21,302,408)	(19,697,024)
Transport		(13,492,965)	(14,105,377)	(13,420,070)
Economic services		(1,227,207)	(1,436,508)	(1,092,070)
Other property and services		(9,535,033)	(1,149,177)	(3,264,083)
		(68,107,091)	(63,410,732)	(60,676,060)
Non-cash amounts excluded from operating activities	27(a)	16,347,813	12,581,910	11,129,304
<b>Amount attributable to operating activities</b>		(27,488,771)	(26,690,948)	(23,888,056)
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions	2(a)	7,354,821	8,571,844	5,567,739
Proceeds from disposal of assets	11(a)	206,465	0	264,174
Proceeds from financial assets at amortised cost - self supporting loans		30,077	34,492	44,346
Purchase of property, plant and equipment	9(a)	(4,124,781)	(13,139,511)	(4,467,761)
Purchase and construction of infrastructure	10(a)	(13,273,035)	(16,881,671)	(10,503,612)
Dividends Received	23(a)	803,210	0	0
Payments for intangible assets		(273,427)	0	(267,375)
<b>Amount attributable to investing activities</b>		(9,276,670)	(21,414,846)	(9,362,491)
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	16(a)	(672,153)	(672,155)	(652,798)
Proceeds from borrowings	16(a)	3,707,000	4,307,000	0
Transfers to reserves (restricted assets)	4	(2,112,132)	(1,447,481)	(6,330,542)
Transfers from reserves (restricted assets)	4	4,803,533	10,077,663	7,328,550
<b>Amount attributable to financing activities</b>		5,726,248	12,265,028	345,210
<b>Surplus/(deficit) before imposition of general rates</b>		(31,039,196)	(35,840,767)	(32,905,337)
<b>Total amount raised from general rates</b>	26(a)	37,658,767	37,454,039	36,934,468
<b>Surplus/(deficit) after imposition of general rates</b>	27(b)	<b>6,619,571</b>	<b>1,613,272</b>	<b>4,029,131</b>

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



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**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2020**

**1. BASIS OF PREPARATION**

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

**Amendments to Local Government (Financial Management) Regulations 1996**  
 The *Local Government (Financial Management) Regulations 1996* (FM regs) take precedence over Australian Accounting Standards. Prior to 1 July 2019, Regulation (reg) 16 arbitrarily prohibited a local government from recognising as assets Crown land that is a public thoroughfare, land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets pertaining to vested land, including land under roads acquired on or after 1 July 2008, were not recognised in previous financial reports of the City. This is not in accordance with the requirements of AASB 1051 *Land Under Roads* paragraph 15 and AASB 116 *Property, Plant and Equipment* paragraph 7.

From 1 July 2019, the City has applied AASB 16 *Leases* which requires leases to be included by lessees in the balance sheet. Also, the FM regs have been amended to specify that vested land is a right of use (ROU) asset to be measured at cost. All ROU assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the balance sheet) rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, building or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the City to measure any vested improvements at zero cost.

The City has accounted for the removal of the vested land values associated with the golf course by removing land value and associated revaluation reserve as at 1 July 2019. The comparative year amounts have been retained as AASB 16 does not require comparatives to be restated in the year of transition.

Therefore, the departure from AASB 1051 and AASB 16 in respect of the comparatives for the year ended 30 June 2019 remains.

**NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS**  
 On 1 July 2020 the following new accounting standards are to be adopted:

- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 2018-7 *Amendments to Australian Accounting Standards - Materiality*

AASB 1059 *Service Concession Arrangements: Grantors* is not expected to impact the financial report.

Specific impacts of AASB 2018-7 *Amendments to Australian Accounting Standards - Materiality*, have not been identified.

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

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

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 31 to these financial statements.

**CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020**

**2. REVENUE AND EXPENSES**

**REVENUE RECOGNITION POLICY**

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates	General Rates	Over time	Payment dates adopted by Council during the year	None	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Service charges	Charge for specific service	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price if terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled
Licences/ Registrations/ Approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment and issue of the licence, registration or approval
Pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle

**CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020**

**2. REVENUE AND EXPENSES**

**REVENUE RECOGNITION POLICY (Continued)**

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Other inspections	Regulatory Food, Health and Safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by council annually	Apportioned equally across the collection period	Not applicable	Output method based on regular weekly and fortnightly period as proportionate to collection service
Waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	Adopted by council annually	Based on timing of entry to facility	Not applicable	On entry to facility
Property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled.	Adopted by council annually	Based on timing of entry to facility	Returns limited to repayment of transaction price	On entry or at conclusion of hire
Memberships	Gym and pool membership	Over time	Payment in full in advance	Refund for unused portion on application	Adopted by council annually	Apportioned equally across the access period	Returns limited to repayment of transaction price	Output method over 12 months matched to access right
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Sale of stock	Kiosk and visitor centre stock	Single point in time	In full in advance	Refund for faulty goods	Adopted by council annually, set by mutual agreement	Applied fully based on timing of provision	Returns limited to repayment of transaction price	Output method based on goods
Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed

**CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020**

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

**(a) Grant revenue**

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
<b>Operating grants and subsidies</b>			
General purpose funding	2,442,960	1,340,898	2,598,458
Law, order, public safety	131,520	190,023	155,493
Education and welfare	9,061	7,530	9,252
Community amenities	3,805	0	0
Recreation and culture	6,440	27,000	58,349
Transport	28,089	30,000	30,801
Other property and services	0	2,500	2,500
	<b>2,621,875</b>	<b>1,597,951</b>	<b>2,854,853</b>
<b>Contributions, Reimbursements and Donations</b>			
Governance	27,753	1,836	7,204
General purpose funding	38,180	38,280	38,280
Law, order, public safety	14,892	20,889	3,774
Community amenities	44,751	34,883	2,458
Recreation and culture	1,009,076	459,902	331,857
Transport	13,410	0	8,350
Other property and services*	3,795,954	223,784	229,310
	<b>4,944,018</b>	<b>779,575</b>	<b>621,232</b>

\* The City has received a \$2.1 million contribution from Eastern Metropolitan Regional Council for Food Organics and Green Organics project and \$1.3 million for reimbursement of expenses incurred on behalf of the CELL 9 trust account.

**Non-operating grants, subsidies and contributions**

Law, order, public safety	28,284	0	0
Health	0	0	144,687
Recreation and culture	2,093,987	4,736,000	898,086
Transport	3,619,778	3,106,451	3,178,163
Other property and services	1,612,772	729,393	1,346,803
	<b>7,354,821</b>	<b>8,571,844</b>	<b>5,567,739</b>

**Total grants, subsidies and contributions**

	<b>14,920,714</b>	<b>10,949,370</b>	<b>9,043,824</b>
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**Fees and charges**

Governance	0	20,000	10
General purpose funding	218,897	304,697	205,405
Law, order, public safety	261,120	177,538	300,737
Health	885,558	675,005	884,955
Education and welfare	55,447	55,000	53,196
Community amenities	12,490,673	12,676,715	12,274,038
Recreation and culture	1,056,258	1,315,816	1,306,631
Transport	0	0	514
Economic services	250,127	327,710	247,424
Other property and services	183,011	280,244	186,302
	<b>15,401,091</b>	<b>15,832,725</b>	<b>15,459,212</b>



**CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020**

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

**(a) Revenue (Continued)**

**Revenue from statutory requirements**

Revenue from statutory requirements was recognised during the year for the following nature or types of goods or services:

	2020 Actual \$	2020 Budget \$	2019 Actual \$
General rates	37,658,767	37,454,039	36,934,468
Statutory permits and licences	810,712	741,624	862,415
Fines	51,803	80,000	59,177
Developer contributions	1,612,772	729,393	1,346,803
	<u>40,134,054</u>	<u>39,005,056</u>	<u>39,202,863</u>

**Other revenue**

Other	36,145	55,625	39,940
	<u>36,145</u>	<u>55,625</u>	<u>39,940</u>

**Interest earnings**

Financial assets at amortised cost - self supporting loans	8,102	6,426	9,479
Interest on reserve funds	104,883	104,000	122,445
Rates instalment and penalty interest	506,406	526,998	472,737
Other interest earnings	180,938	459,216	416,455
	<u>800,329</u>	<u>1,096,640</u>	<u>1,021,116</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**Interest earnings**

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

**Interest earnings (continued)**

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

**(b) Expenses**

**Auditors remuneration**

Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
- Audit of the Annual Financial Report	40,000	43,000	40,000
- Other services	73,940	109,000	96,925
	<u>113,940</u>	<u>152,000</u>	<u>136,925</u>

**Interest expenses (finance costs)**

Borrowings	265,469	272,482	298,308
	<u>265,469</u>	<u>272,482</u>	<u>298,308</u>

**Other expenditure**

Sundry expenses	1,567,604	456,654	377,878
	<u>1,567,604</u>	<u>456,654</u>	<u>377,878</u>

**CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020**

**3. CASH AND CASH EQUIVALENTS**

NOTE	2020 \$	2019 \$
Cash on Hand - Unrestricted	5,690	5,690
Cash at Bank	24,190,661	20,731,907
<b>Total cash and cash equivalents</b>	<b>24,196,351</b>	<b>20,737,597</b>
<b>Comprises:</b>		
- Unrestricted cash and cash equivalents	8,306,627	6,579,857
- Restricted cash and cash equivalents	15,889,724	14,157,740
	<b>24,196,351</b>	<b>20,737,597</b>
<b>Restrictions</b>		
The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:		
- Cash and cash equivalents	15,889,724	14,157,740
- Financial assets at amortised cost	3,363,744	3,298,444
	<b>19,253,468</b>	<b>17,456,184</b>

The restricted assets are a result of the following specific purposes to which the assets may be used:

Reserves - cash/financial asset backed	4	14,531,763	17,223,164
Capital Grant Liabilities & Contract liabilities from transfers for recognisable non financial assets	15	2,214,705	0
Unspent loans	16(c )	2,507,000	0
Unspent grants/contributions		0	233,020
<b>Total restricted assets</b>		<b>19,253,468</b>	<b>17,456,184</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Cash and cash equivalents**

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

**Restricted assets**

Restricted asset balances are not available for general use by the local government due to externally imposed restrictions. Externally imposed restrictions are specified in an agreement, contract or legislation. This applies to reserves, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement.



CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020

4. RESERVES - CASH/FINANCIAL ASSET BACKED	2020	2020	2020	2020	2020	2020	2020	2020	2019	2019	2019	2019
	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance	Budget Opening Balance	Budget Transfer to	Budget Transfer (from)	Budget Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Long Service Leave Reserve	975,756	6,345	0	982,101	972,788	5,806	0	978,594	967,820	7,936	0	975,756
(b) Land and Property Enhancement and Maintenance Reserve	1,637,323	10,785	(213,985)	1,434,122	1,657,266	9,892	(215,000)	1,452,158	1,648,799	13,524	(25,000)	1,637,323
(c) Waste Management Reserve	1,882,061	1,239,494	0	3,121,555	1,876,337	11,200	(200,000)	1,687,537	1,866,753	15,308	0	1,882,061
(d) EDP IT Equipment Reserve	945,039	6,149	(73,142)	878,047	942,166	605,624	(671,760)	876,030	937,352	7,687	0	945,039
(e) Local Government Elections Reserve	130,196	845	(130,000)	1,040	129,800	100,772	(143,000)	87,572	129,134	1,063	0	130,196
(f) HACC Reserve	19,113	0	(19,113)	0	20,004	122	(20,126)	0	20,003	0	(891)	19,113
(g) Forrestfield Industrial Area Reserve	123,338	803	0	124,141	122,965	734	0	123,699	122,341	997	0	123,338
(h) Insurance Contingency Reserve	282,240	1,833	0	284,073	281,381	1,680	0	283,061	279,944	2,296	0	282,240
(i) Revaluation Reserve	257,367	46,298	0	303,665	256,582	1,532	(85,000)	173,114	255,268	2,099	0	257,367
(j) Nominated Employee Leave Provisions Reserve	1,928,479	59,728	0	1,988,207	1,922,613	11,476	0	1,934,089	1,912,791	15,689	0	1,928,479
(k) Forrestfield Industrial Scheme Stage 1 Reserve	1,382,439	601,839	(1,582,872)	401,406	1,631,779	9,740	(1,520,200)	121,319	2,210,731	499,366	(1,327,658)	1,382,439
(l) Asset Enhancement Reserve	1,259,273	96,399	(255,288)	1,100,384	1,253,843	164,965	(1,075,500)	343,308	1,769,752	14,521	(525,000)	1,259,273
(m) Unexpended Capital Works and Specific Purpose Grants Reserve	5,726,181	37,236	(2,348,254)	3,415,163	5,683,903	33,926	(5,683,903)	33,926	5,431,620	5,744,561	(5,450,000)	5,726,181
(n) Waste Avoidance and Resource Recovery Reserve	605,510	3,935	(180,880)	428,565	603,666	203,603	(260,000)	547,269	600,578	4,932	0	605,510
(o) Environmental Reserve	68,849	443	0	69,292	68,633	150,410	(117,500)	101,543	68,285	564	0	68,849
(p) Public Art Reserve	0	0	0	0	0	50,000	0	50,000	0	0	0	0
(q) Strategic Sport and Recreation Reserve	0	0	0	0	0	86,000	(85,674)	326	0	0	0	0
	17,223,164	2,112,132	(4,803,533)	14,531,763	17,423,726	1,447,481	(10,077,663)	8,793,544	18,221,169	6,330,542	(7,328,550)	17,223,164

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserves - cash/financial assets backed.

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2020**

**4. RESERVES - CASH/FINANCIAL ASSET BACKED (Continued)**

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

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

\* A Capital Grant Liability has been recognised under note 15 for this balance on 1 July 2019 due to the initial application of AASB 1058.

**CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020**

**5. OTHER FINANCIAL ASSETS**

**(a) Current assets**

Financial assets at amortised cost

	2020	2019
	\$	\$
Financial assets at amortised cost	3,394,524	3,346,005
	<u>3,394,524</u>	<u>3,346,005</u>

**Other financial assets at amortised cost**

Term deposits

Self supporting loans (i)

Term deposits	3,363,744	3,298,444
Self supporting loans (i)	30,780	47,561
	<u>3,394,524</u>	<u>3,346,005</u>

**(b) Non-current assets**

Financial assets at amortised cost

Financial assets at fair values through other comprehensive income

Financial assets at amortised cost	83,893	103,403
Financial assets at fair values through other comprehensive income	142,442	140,137
	<u>226,335</u>	<u>243,540</u>

**Financial assets at amortised cost**

- Self supporting loans (i)

- Self supporting loans (i)	83,893	103,403
	<u>83,893</u>	<u>103,403</u>

**Financial assets at fair values through other comprehensive income**

- Investments in Unit Trusts (ii)

- Investments in Unit Trusts (ii)	142,442	140,137
	<u>142,442</u>	<u>140,137</u>

**(i) Self supporting loans**

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

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 16(a) as self supporting loans.

**(ii) Investments In Unit Trusts**

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

**SIGNIFICANT ACCOUNTING POLICIES**

**Other financial assets at amortised cost**

The City classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

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

The City classifies the following financial assets at fair value through profit and loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the City has not elected to recognise fair value gains and losses through other comprehensive income.

**Impairment and risk**

Information regarding impairment and exposure to risk can be found at Note 28.

**CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020**

**6. TRADE AND OTHER RECEIVABLES**

**Current**

Rates receivable	
Trade and other receivables	
GST receivable	
Other receivables	

**Non-current**

Pensioner's rates and ESL deferred	
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	2020	2019
	\$	\$
Rates receivable	3,069,013	2,408,052
Trade and other receivables	305,767	282,822
GST receivable	420,572	409,989
Other receivables	0	1,658
	<u>3,795,352</u>	<u>3,102,521</u>
Pensioner's rates and ESL deferred	866,115	767,306
	<u>866,115</u>	<u>767,306</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**Trade and other receivables**

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

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

**Impairment and risk exposure**

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 28.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Classification and subsequent measurement**

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

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

**CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020**

**7. INVENTORIES**

**Current**

Fuel and materials

**Non-current**

Land held for resale - cost

Cost of acquisition

Development costs

The following movements in inventories occurred during the year:

**Carrying amount at beginning of period**

Net Movement in inventories

**Carrying amount at end of period**

	2020	2019
	\$	\$
Fuel and materials	123,249	116,822
	<u>123,249</u>	<u>116,822</u>
Land held for resale - cost		
Cost of acquisition	370,021	370,021
Development costs	16,046	16,046
	<u>386,067</u>	<u>386,067</u>
<b>Carrying amount at beginning of period</b>	502,889	486,082
Net Movement in inventories	6,427	16,807
<b>Carrying amount at end of period</b>	<u>509,316</u>	<u>502,889</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**General**

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

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

**Land held for resale**

Land held for development and resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development.

**Land held for resale (Continued)**

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

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

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

**8. OTHER ASSETS**

**Other assets - current**

Prepayments

Accrued income

**Other assets - Non current**

Prepayments

	2020	2019
	\$	\$
Prepayments	295,342	265,088
Accrued income	8,294	15,927
	<u>303,636</u>	<u>281,015</u>
Prepayments	158,663	0
	<u>158,663</u>	<u>0</u>

CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020

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

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

	Land - freehold land	Improvements to Land - vested in and under the control of Council	Total land	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Public Art Works	Work in Progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	62,876,000	2,883,100	65,759,100	79,444,637	79,444,637	145,203,737	1,058,512	4,151,100	0	0	150,413,348
Additions	0	0	0	3,138,535	3,138,535	3,138,535	79,791	851,879	0	397,556	4,467,761
(Disposals)	0	0	0	(170,099)	(170,099)	(170,099)	(45,136)	(247,272)	0	0	(462,507)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	0	0	0	0	570,669	0	0	570,669
Revaluation (loss) / reversals transferred to profit or loss	0	0	0	0	0	0	0	91,366	0	0	91,366
Depreciation (expense)	0	0	0	(1,640,905)	(1,640,905)	(1,640,905)	(285,113)	(580,470)	0	0	(2,506,488)
Transfers - Gross Value	0	0	0	0	0	0	(974,235)	0	0	0	(974,235)
Transfers Depreciation	0	0	0	0	0	0	578,545	0	0	0	578,545
<b>Carrying amount at 30 June 2019</b>	<b>62,876,000</b>	<b>2,883,100</b>	<b>65,759,100</b>	<b>80,772,167</b>	<b>80,772,168</b>	<b>146,531,268</b>	<b>412,364</b>	<b>4,837,274</b>	<b>0</b>	<b>397,556</b>	<b>152,178,462</b>
<b>Comprises:</b>											
Gross carrying amount at 30 June 2019	62,876,000	2,883,100	65,759,100	83,985,050	83,985,050	149,744,150	4,657,304	4,837,274	0	397,556	159,636,284
Accumulated depreciation at 30 June 2019	0	0	0	(3,212,882)	(3,212,882)	(3,212,882)	(4,244,940)	0	0	0	(7,457,822)
<b>Carrying amount at 30 June 2019</b>	<b>62,876,000</b>	<b>2,883,100</b>	<b>65,759,100</b>	<b>80,772,168</b>	<b>80,772,168</b>	<b>146,531,268</b>	<b>412,364</b>	<b>4,837,274</b>	<b>0</b>	<b>397,556</b>	<b>152,178,462</b>
Additions	0	0	0	1,019,704	1,019,704	1,019,704	48,632	1,378,800	0	1,677,645	4,124,781
Transfers from Work in Progress	0	0	0	32,327	32,327	32,327	0	0	0	(32,327)	0
(Disposals)	0	0	0	(2,175,881)	(2,175,881)	(2,175,881)	4,167	(252,985)	0	0	(2,424,698)
Revaluation increments / (decrements) transferred to revaluation surplus	(29,858,999)	1,285,251	(28,573,748)	(4,155,145)	(4,155,145)	(32,728,893)	0	0	1,152,900	0	(31,575,993)
Depreciation (expense)	0	0	0	(1,681,203)	(1,681,203)	(1,681,203)	(72,181)	(589,616)	0	0	(2,343,000)
Transfers	0	852,000	852,000	0	0	852,000	0	0	0	0	852,000
<b>Carrying amount at 30 June 2020</b>	<b>33,017,000</b>	<b>5,020,351</b>	<b>38,037,351</b>	<b>73,811,969</b>	<b>73,811,969</b>	<b>111,849,320</b>	<b>392,982</b>	<b>5,373,474</b>	<b>1,152,900</b>	<b>2,042,874</b>	<b>120,811,550</b>
<b>Comprises:</b>											
Gross carrying amount at 30 June 2020	33,017,000	5,020,351	38,037,351	73,811,969	73,811,969	111,849,320	2,731,500	5,949,074	1,152,900	2,042,874	123,725,668
Accumulated depreciation at 30 June 2020	0	0	0	0	0	0	(2,338,518)	(575,600)	0	0	(2,914,118)
<b>Carrying amount at 30 June 2020</b>	<b>33,017,000</b>	<b>5,020,351</b>	<b>38,037,351</b>	<b>73,811,969</b>	<b>73,811,969</b>	<b>111,849,320</b>	<b>392,982</b>	<b>5,373,474</b>	<b>1,152,900</b>	<b>2,042,874</b>	<b>120,811,550</b>

**CITY OF KALAMUNDA  
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**9. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**(b) Fair Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of Valuation</b>	<b>Date of Last Valuation</b>	<b>Inputs Used</b>
<b>Land and buildings</b>					
Land - freehold land	2	Market approach using recent observable market data for similar assets	Independent registered valuer	June 2020	Average price for square meter / sales process of comparable properties
Improvements to Land - vested in and under the control of Council	3	Improvements to land valued using cost approach using current replacement cost	Independent registered valuer	June 2020	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Buildings - specialised	3	Improvements to building valued using cost approach using current replacement cost	Independent registered valuer	June 2020	Improvements to building using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Furniture and equipment</b>	3	Cost approach using current replacement cost	Management Valuation	June 2019	Purchase cost and current condition, residual values and remaining useful life assessments inputs
<b>Plant and equipment</b>	3	Cost approach using current replacement cost	Management Valuation	June 2019	Purchase cost and current condition, residual values and remaining useful life assessments inputs

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

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

**CITY OF KALAMUNDA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**10. INFRASTRUCTURE**

**(a) Movements in Carrying Amounts**

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

	Infrastructure - Roads \$	Infrastructure - Footpaths \$	Infrastructure - Drains \$	Infrastructure - Parks and Ovals \$	Infrastructure - Other \$	Work in Progress \$	Total Infrastructure \$
<b>Balance at 1 July 2018</b>	181,719,311	27,311,282	126,380,083	11,943,211	16,690,724	3,661,867	367,706,478
Additions - Projects in 2018/2019	3,009,259	927,067	864,763	1,314,784	1,069,253	3,318,486	10,503,612
(Disposals)	(101,427)	(39,473)	(47,672)	(446,494)	(54,695)	0	(689,761)
Transfers from Work in Progress	1,172,232	85,748	0	0	144,333	(1,402,313)	0
Depreciation (expense)	(4,302,572)	(936,368)	(1,548,354)	(860,867)	(831,979)	0	(8,480,141)
<b>Carrying amount at 30 June 2019</b>	<b>181,496,802</b>	<b>27,348,256</b>	<b>125,648,820</b>	<b>11,950,634</b>	<b>17,017,636</b>	<b>5,578,040</b>	<b>369,040,188</b>
<b>Comprises:</b>							
Gross carrying amount at 30 June 2019	185,776,437	28,259,838	127,122,177	12,624,869	17,767,527	5,578,039	377,128,888
Accumulated depreciation at 30 June 2019	(4,279,635)	(911,582)	(1,473,357)	(674,235)	(749,891)	0	(8,088,700)
<b>Carrying amount at 30 June 2019</b>	<b>181,496,802</b>	<b>27,348,256</b>	<b>125,648,820</b>	<b>11,950,634</b>	<b>17,017,636</b>	<b>5,578,040</b>	<b>369,040,188</b>
Additions - Projects in 2019/2020	8,358,263	729,743	432,635	1,206,061	528,829	2,017,504	13,273,035
Transfers from Work in Progress	2,793,913	8,594	21,883	12,166	0	(2,836,556)	0
(Disposals)	(179,558)	(37,656)	(276,929)	(131,549)	(344,929)	0	(970,622)
Depreciation (expense)	(4,460,163)	(967,141)	(1,568,990)	(1,028,349)	(878,546)	0	(8,903,189)
Transfers	0	0	0	0	(852,000)	(58,052)	(910,052)
<b>Carrying amount at 30 June 2020</b>	<b>188,009,258</b>	<b>27,081,795</b>	<b>124,257,419</b>	<b>12,008,962</b>	<b>15,470,989</b>	<b>4,700,937</b>	<b>371,529,361</b>
<b>Comprises:</b>							
Gross carrying amount at 30 June 2020	196,705,096	28,939,840	127,086,741	13,579,738	16,847,647	4,700,937	387,860,000
Accumulated depreciation at 30 June 2020	(8,695,838)	(1,858,045)	(2,829,322)	(1,570,776)	(1,376,658)	0	(16,330,639)
<b>Carrying amount at 30 June 2020</b>	<b>188,009,258</b>	<b>27,081,795</b>	<b>124,257,419</b>	<b>12,008,962</b>	<b>15,470,989</b>	<b>4,700,937</b>	<b>371,529,361</b>



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**10. INFRASTRUCTURE (Continued)**

**(b) Fair Value Measurements**

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

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

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

**CITY OF KALAMUNDA  
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**11. FIXED ASSETS**

**SIGNIFICANT ACCOUNTING POLICIES**

**Fixed assets**

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

**Recognition and measurement**

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with *Financial Management Regulation 17A (5)*. These assets are expensed immediately

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at zero cost or otherwise significantly less than fair value consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the City includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

**Revaluation**

The fair value of land, buildings and infrastructure assets are determined at least once in every five years in accordance with the regulatory framework, or when Council is of the opinion that the fair value of an asset is materially different from its carrying amount. This includes buildings and Infrastructure items which were pre-existing improvements (i.e vested improvements) on vested land acquired by the City. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires land, buildings, infrastructure assets and vested improvements to be shown at fair value.

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

**AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY**

**Land under control prior to 1 July 2019**

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

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

**Vested Improvements Valuation**

Vested improvements on concessionary land leases such as roads, buildings or other infrastructure reported at fair value.

**Land under roads**

**Prior to 1 July 2019**

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

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

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

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

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

**Land under roads from 1 July 2019**

As a result of amendment to the *Local Government (Financial Management) Regulations 1996*, effective from 1 July 2019, vested land, including land under roads is treated as a ROU asset and measured at zero cost. Therefore, the previous inconsistency with AASB 1051 in respect on non-recognition of land under roads acquired on or after 1 July 2008 has been removed, even though measurement at zero cost means that land under roads is still not included in the balance sheet.

**CITY OF KALAMUNDA  
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**11. FIXED ASSETS**

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Vested land from 1 July 2019**

The City has accounted for the removal of the vested land values associated with Hartfield Park golf course by removing the land value and associated reserve as at 1 July 2019. The comparatives have not been restated.

**Vested Improvements from 1 July 2019**

The measurement of vested improvements at fair value in accordance with *Local Government (Financial Management) Regulation 17A(2)(iv)* is a departure from AASB 16 which would have required the City to measure the vested improvements as part of the related ROU assets at zero cost.

**CITY OF KALAMUNDA  
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**11. FIXED ASSETS (Continued)**

**(a) Disposals of Assets**

	2020 Actual Net Book Value	2020 Actual Sale Proceeds / Revaluation Surplus*	2020 Actual Profit	2020 Actual Loss	2020 Budget Net Book Value	2020 Budget Sale Proceeds	2020 Budget Profit	2020 Budget Loss	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Buildings - specialised	2,175,881	636,734	0	(1,539,147)	0	0	0	0	170,099	0	0	(170,099)
Furniture and equipment	(4,167)	0	0	4,167	0	0	0	0	45,136	0	0	(45,136)
Plant and equipment	151,937	90,646	0	(61,291)	0	0	0	0	92,447	37,414	0	(55,033)
Plant and equipment - Other	101,047	115,819	14,771	0	0	0	0	0	154,825	226,760	71,935	0
Infrastructure - Roads	179,558	0	0	(179,558)	0	0	0	0	101,427	0	0	(101,427)
Infrastructure - Footpaths	37,656	0	0	(37,656)	0	0	0	0	39,473	0	0	(39,473)
Infrastructure - Drains	276,929	0	0	(276,929)	0	0	0	0	47,672	0	0	(47,672)
Infrastructure - Parks and Ovals	131,549	0	0	(131,549)	0	0	0	0	446,494	0	0	(446,494)
Infrastructure - Other	344,929	0	0	(344,929)	0	0	0	0	54,695	0	0	(54,695)
	<u>3,395,320</u>	<u>843,199</u>	<u>14,771</u>	<u>(2,566,892)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,152,268</u>	<u>264,174</u>	<u>71,935</u>	<u>(960,029)</u>

\* Total cash proceeds received from the disposal of fixed assets during 2019/20 - \$206,465

The following assets were disposed of during the year.

	2020 Actual Net Book Value	2020 Actual Sale Proceeds / Revaluation Surplus	2020 Actual Profit	2020 Actual Loss
	\$	\$	\$	\$
<b>Plant and Equipment</b>				
Law, order, public safety	27,089	24,185	2,188	(5,092)
Community amenities	48,074	36,399	0	(11,675)
Recreation and culture	25,203	19,895	1,298	(6,606)
Plant and Equipment	17,735	11,130	0	(6,606)
Other property and services	152,619	125,986	11,285	(37,918)
	<u>252,985</u>	<u>206,465</u>	<u>14,771</u>	<u>(61,291)</u>
<b>Other Asset class Program</b>				
Recreation and culture	2,252,808	636,734	0	(1,616,074)
Transport	889,527	0	0	(889,527)
	<u>3,142,335</u>	<u>636,734</u>	<u>0</u>	<u>(2,505,601)</u>
	<u>3,395,320</u>	<u>843,199</u>	<u>14,771</u>	<u>(2,566,892)</u>

**CITY OF KALAMUNDA  
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**11. FIXED ASSETS (Continued)**

**(b) Depreciation**

	<b>2020 Actual</b>	<b>2020 Budget</b>	<b>2019 Actual</b>
	\$	\$	\$
Buildings - specialised	1,681,203	2,299,152	1,640,905
Furniture and equipment	72,181	479,275	285,113
Plant and equipment	589,616	454,296	580,470
Infrastructure - Roads	4,460,163	4,274,708	4,302,572
Infrastructure - Footpaths	967,141	917,803	936,368
Infrastructure - Drains	1,568,990	1,542,009	1,548,354
Infrastructure - Parks and Ovals	1,028,349	1,750,711	860,867
Infrastructure - Other	878,546	831,699	831,979
Intangible asset - Computer Software	70,533	0	0
	<b>11,316,721</b>	<b>12,549,653</b>	<b>10,986,630</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Depreciation**

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

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

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

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

**Depreciation on revaluation**

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

- (a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- (b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

**CITY OF KALAMUNDA  
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**11. FIXED ASSETS (Continued)**

**(b) Depreciation (Continued)**

**Depreciation rates**

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

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

**Amortisation**

All intangible assets with a finite useful life, are amortised on a straight-line basis over the individual asset's useful life from the time the asset is held for use.

The residual value of intangible assets is considered to be zero and the useful life and amortisation method are reviewed at the end of each financial year.

Amortisation is included within Depreciation on non-current assets in the Statement of Comprehensive Income and in the note above.

**Infrastructure**

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

**CITY OF KALAMUNDA  
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**12. INTANGIBLE ASSETS**

	2020 Actual \$	2019 Actual \$
<b>Computer Software</b>		
<b>Non-current</b>		
Intangible asset - Computer Software	793,537	688,100
Less: Accumulated amortisation	(456,479)	(578,545)
	337,058	109,555
Intangible Assets Work In Progress	528,900	553,509
Movements in carrying amounts of computer software during the financial year are shown as follows:		
<b>Carrying amount at beginning of period</b>	109,555	0
Recognition of Intangible asset - Computer Software	105,437	688,100
Movement in accumulated amortization expense due to assets write off	192,599	0
Amortisation expense	(70,533)	(578,545)
<b>Carrying amount at end of period</b>	337,058	109,555
Intangible Assets WIP	528,900	553,509
<b>TOTAL INTANGIBLE ASSETS</b>	865,958	663,064

**SIGNIFICANT ACCOUNTING POLICIES**

**Computer software**

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the the City are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;

**Computer software (continued)**

- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

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 FOR THE YEAR ENDED 30TH JUNE 2020

13. REVALUATION SURPLUS

	2020 Opening Balance	2020 Revaluation Increment	2020 Revaluation (Decrement)	2020 Revaluation Transfers / Reallocations	Total Movement on Revaluation	2020 Closing Balance	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Movement on Revaluation	2019 Closing Balance
	\$	\$	\$		\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land & Improvements to Land - vested in and under the control of Council	60,628,646	1,285,251	(29,858,999)	280,031	(28,293,717)	32,334,929	60,628,646	0	0	0	60,628,646
Revaluation surplus - Buildings - specialised	64,688,776	0	(4,155,145)	(636,734)	(4,791,879)	59,896,897	64,688,776	0	0	0	64,688,776
Revaluation surplus - Plant and equipment	570,669	0	0	0	0	570,669	0	570,669	0	570,669	570,669
Revaluation surplus - Public Art Works	0	1,152,900	0	0	1,152,900	1,152,900	0	0	0	0	0
Revaluation surplus - Infrastructure	201,140,743	0	0	(292,403)	(292,403)	200,848,340	201,140,743	0	0	0	201,140,743
Revaluation surplus - EMRC Asset Valuations	776,180	140,216	0	0	140,216	916,396	883,918	0	(107,738)	(107,738)	776,180
Revaluation surplus - Local Government House Investment	127,766	2,305	0	12,372	14,677	142,443	0	127,766	0	127,766	127,766
	<b>327,932,784</b>	<b>2,580,672</b>	<b>(34,014,144)</b>	<b>(636,734)</b>	<b>(32,070,206)</b>	<b>295,862,578</b>	<b>327,342,083</b>	<b>698,435</b>	<b>(107,738)</b>	<b>590,697</b>	<b>327,932,784</b>

Movements on revaluation of property, plant and equipment (including infrastructure) are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.



**CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020**

**14. TRADE AND OTHER PAYABLES**

**Current**

Sundry creditors	3,639,996	3,727,840
Rates received in advance	2,014,281	0
Accrued salaries and wages	94,584	65,209
Bonds and Deposits	1,966,817	1,918,315
Income in Advance	19,614	19,302
Accrued interest on long term borrowings	87,292	94,305
Retention Money	3,213	31,547
Accrued Expenses	609,538	445,069
	<u>8,435,334</u>	<u>6,301,587</u>

	2020	2019
	\$	\$
Sundry creditors	3,639,996	3,727,840
Rates received in advance	2,014,281	0
Accrued salaries and wages	94,584	65,209
Bonds and Deposits	1,966,817	1,918,315
Income in Advance	19,614	19,302
Accrued interest on long term borrowings	87,292	94,305
Retention Money	3,213	31,547
Accrued Expenses	609,538	445,069
	<u>8,435,334</u>	<u>6,301,587</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**Trade and other payables**

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

**Prepaid rates**

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the City recognises revenue for the prepaid rates that have not been refunded.

**CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020**

**15. CAPITAL GRANT LIABILITIES**

**Current**

Capital grants received from State and Common Wealth Government (i)  
Forrestfield Industrial Area Scheme Stage 1 (ii)

	2020	2019
	\$	\$
	1,813,298	0
	401,407	0
	2,214,705	0

Reconciliation

(i) Capital grants received from State and Common Wealth Government (i)

Balance at the start of the year  
Re-measurement under AASB 1058  
Restated balance at the start of the year  
Net Movement during the financial year  
Balance at the end of the year

	-	0
	697,727	0
	697,727	0
	1,115,571	0
	1,813,298	0

(ii) Forrestfield Industrial Area Scheme Stage 1

Balance at the start of the year  
Re-measurement under AASB 1058  
Restated balance at the start of the year  
Net Movement during the financial year  
Balance at the end of the year

	-	0
	1,382,439	0
	1,382,439	0
	(981,032)	0
	401,407	0

**SIGNIFICANT ACCOUNTING POLICIES**

**Capital Grant Liabilities**

Capital Grant Liabilities primarily relates to grants with performance obligations received in advance

Capital Grant liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020

16. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	Actual	30 June 2020	30 June 2020	30 June 2020	30 June 2020	Budget	30 June 2020	30 June 2020	30 June 2020	30 June 2020	Actual	30 June 2019	30 June 2019	30 June 2019	30 June 2019
				Principal 1 July 2019	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	Principal 1 July 2019	Budget New Loans	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	Principal 1 July 2018	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Community amenities</b>																		
Land Acquisition Kalamunda Road	224	WATC	5.58%	280,815	0	184,623	10,181	96,192	280,815	0	184,623	13,129	96,192	455,552	0	174,737	20,281	280,815
Depot Waste Trucks	228	WATC	5.63%	858,211	0	48,911	46,566	809,300	858,211	0	48,911	47,638	809,300	904,481	0	46,270	49,502	858,211
Waste Compactor	229	WATC	2.46%	126,923	0	41,277	2,700	85,645	126,923	0	41,277	2,870	85,645	167,203	0	40,280	3,707	126,923
Forrestfield North Development Project - Loan 1	230	WATC	3.01%	411,580	0	46,231	11,833	365,348	411,580	0	46,231	12,043	365,349	456,450	0	44,870	13,209	411,580
Wattle Grove South Planning Study	231	WATC	0.74%	0	100,000	0	87	100,000	0	100,000	0	0	100,000	0	0	0	0	0
High Wycombe Roads - testing and design	232	WATC	0.74%	0	50,000	0	44	50,000	0	50,000	0	0	50,000	0	0	0	0	0
Forrestfield North Structure Planning	233	WATC	0.74%	0	240,000	0	209	240,000	0	240,000	0	0	240,000	0	0	0	0	0
MKSEA Kalamunda Wedge - Development Contribution Plan	234	WATC	0.74%	0	40,000	0	35	40,000	0	40,000	0	0	40,000	0	0	0	0	0
MKSEA - Preliminary investigations and consultation	235	WATC	0.74%	0	70,000	0	61	70,000	0	70,000	0	0	70,000	0	0	0	0	0
<b>Recreation and culture</b>																		
Foothills Netball Association	216	WATC	6.37%	63,256	0	5,004	3,895	58,252	63,256	0	5,004	3,951	58,252	67,951	0	4,695	4,212	63,256
Wet'n'Wild	222	WATC	6.22%	64,860	0	64,860	1,195	(0)	64,860	0	64,860	3,041	0	125,866	0	61,006	5,159	64,860
Kalamunda Swimming Pool	227	WATC	5.63%	1,380,603	0	78,683	74,911	1,301,919	1,380,603	0	78,683	76,636	1,301,918	1,455,036	0	74,434	79,634	1,380,603
Future Aquatic facility study (Needs analysis)	236	WATC	0.74%	0	100,000	0	87	100,000	0	100,000	0	0	100,000	0	0	0	0	0
<b>Transport</b>																		
City Depot	221	WATC	6.77%	1,481,624	0	94,447	96,066	1,387,177	1,481,625	0	94,447	98,734	1,387,178	1,569,987	0	88,363	102,080	1,481,624
Newburn Road Extension	226	WATC	5.67%	160,567	0	78,040	7,939	82,528	160,566	0	78,040	8,013	82,526	234,363	0	73,796	12,211	160,567
Fleet - Major Plant Replacement Program	237	WATC	1.02%	0	2,400,000	0	2,884	2,400,000	0	3,000,000	0	0	3,000,000	0	0	0	0	0
Fleet - Light Plant Replacement Program	238	WATC	1.02%	0	207,000	0	168	207,000	0	207,000	0	0	207,000	0	0	0	0	0
New road Project - Kalamunda Town Centre Upgrade Stage 1	239	WATC	1.24%	0	500,000	0	730	500,000	0	500,000	0	0	500,000	0	0	0	0	0
				4,828,438	3,707,000	642,076	259,593	7,893,362	4,828,437	4,307,000	642,076	266,055	8,493,361	5,436,890	0	608,452	289,994	4,828,438
<b>Self Supporting Loans</b>																		
<b>Recreation and culture</b>																		
Forrestfield United Soccer Club	214	WATC	5.56%	83,011	0	7,333	4,375	75,678	83,012	0	7,333	4,434	75,679	89,953	0	6,942	4,784	83,011
Maida Vale Tennis Club	217	WATC	5.95%	23,714	0	3,763	1,329	19,951	23,713	0	3,763	1,356	19,950	27,262	0	3,549	1,546	23,714
Kalamunda Club	219	WATC	6.30%	16,518	0	16,518	127	0	16,518	0	16,518	520	0	48,055	0	31,537	1,787	16,518
Forrestfield Junior Football Club	220	WATC	6.22%	2,463	0	2,463	45	0	2,465	0	2,465	116	0	4,781	0	2,318	196	2,463
				125,706	0	30,077	5,876	95,629	125,708	0	30,079	6,426	95,629	170,052	0	44,346	8,314	125,706
				4,954,145	3,707,000	672,153	265,469	7,988,991	4,954,145	4,307,000	672,155	272,482	8,588,990	5,606,942	0	652,798	298,308	4,954,145

\* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 5 as other financial assets at amortised cost. All other loan repayments were financed by general purpose revenue.

CITY OF KALAMUNDA  
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FOR THE YEAR ENDED 30TH JUNE 2020

16. INFORMATION ON BORROWINGS (Continued)

	2020	2019
	\$	\$
Current	1,027,692	672,155
Non-current	6,961,299	4,281,990
	<u>7,988,991</u>	<u>4,954,145</u>

(c) New Borrowings - 2019/20

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate %	Amount Borrowed		Amount (Used)		Total Interest & Charges \$	Actual Balance Unspent \$
					2020 Actual \$	2020 Budget \$	2020 Actual \$	2020 Budget \$		
Wattle Grove South Planning Study	WATC	Fixed Term Loan	5	0.74%	100,000	100,000	65,000	100,000	87	35,000
High Wycombe Roads - testing and design	WATC	Fixed Term Loan	5	0.74%	50,000	50,000	20,000	50,000	44	30,000
Forrestfield North Structure Planning	WATC	Fixed Term Loan	5	0.74%	240,000	240,000	100,000	240,000	209	140,000
MKSEA Kalamunda Wedge - Development Contribution Plan	WATC	Fixed Term Loan	5	0.74%	40,000	40,000	30,000	40,000	35	10,000
MKSEA - Preliminary investigations and consultation	WATC	Fixed Term Loan	5	0.74%	70,000	70,000	25,000	70,000	61	45,000
Future Aquatic facility study (Needs analysis)	WATC	Fixed Term Loan	5	0.74%	100,000	100,000	40,000	100,000	87	60,000
Fleet - Major Plant Replacement Program	WATC	Fixed Term Loan	8	1.02%	2,400,000	3,000,000	663,000	3,000,000	2,884	1,737,000
Fleet - Light Plant Replacement Program	WATC	Fixed Term Loan	4	1.02%	207,000	207,000	207,000	207,000	168	0
New road Project - Kalamunda Town Centre Upgrade Stage 1	WATC	Fixed Term Loan	10	1.24%	500,000	500,000	50,000	500,000	730	450,000
					<u>3,707,000</u>	<u>4,307,000</u>	<u>1,200,000</u>	<u>4,307,000</u>	<u>4,306</u>	<u>2,507,000</u>

\* WA Treasury Corporation

(d) Undrawn Borrowing Facilities

	2020	2019
	\$	\$
<b>Credit Standby Arrangements</b>		
Bank overdraft limit	3,000,000	1,500,000
Bank overdraft at balance date	0	0
Credit card limit	75,000	75,000
Credit card balance at balance date	(514)	(159)
<b>Total amount of credit unused</b>	<u>3,074,486</u>	<u>1,574,841</u>

Loan facilities

Loan facilities - current	1,027,692	672,155
Loan facilities - non-current	6,961,299	4,281,990
<b>Total facilities in use at balance date</b>	<u>7,988,991</u>	<u>4,954,145</u>

Unused loan facilities at balance date

Nil	Nil
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SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

Information regarding exposure to risk can be found at Note 28.

**CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020**

**17. EMPLOYEE RELATED PROVISIONS**

**(a) Employee Related Provisions**

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
<b>Opening balance at 1 July 2019</b>			
Current provisions	1,752,635	1,970,514	3,723,149
Non-current provisions	0	455,316	455,316
	<u>1,752,635</u>	<u>2,425,830</u>	<u>4,178,465</u>
Additional provision	2,073,399	721,528	2,794,927
Amounts used	(1,793,272)	(354,886)	(2,148,158)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	5,900	(272,366)	(266,466)
<b>Balance at 30 June 2020</b>	<u>2,038,662</u>	<u>2,520,106</u>	<u>4,558,768</u>
<b>Comprises</b>			
Current	2,038,662	2,157,843	4,196,505
Non-current	0	362,263	362,263
	<u>2,038,662</u>	<u>2,520,106</u>	<u>4,558,768</u>
<b>Amounts are expected to be settled on the following basis:</b>	<b>2020</b>	<b>2019</b>	
	\$	\$	
Less than 12 months after the reporting date	2,414,086	1,868,772	
More than 12 months after the reporting date	2,144,682	2,309,693	
	<u>4,558,768</u>	<u>4,178,465</u>	

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees. Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

**SIGNIFICANT ACCOUNTING POLICIES**

**Employee benefits**

**Short-term employee benefits**

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

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

**Other long-term employee benefits**

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

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

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

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

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

**Provisions**

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

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

**CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020**

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

**Reconciliation of Cash**

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

	<b>2020 Actual</b>	<b>2020 Budget</b>	<b>2019 Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	24,196,351	12,751,846	20,737,597
<b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	1,733,722	3,784,155	3,394,500
Non-cash flows in Net result:			
Depreciation on non-current assets	11,316,721	12,549,653	10,986,630
(Profit)/loss on sale of asset	2,552,120	0	888,094
Share of (profit)/loss of associate	2,290,314	(1,679,116)	(998,408)
Reversal of previous loss on revaluation of fixed assets	0	0	(91,366)
Interest on deferred loans	(1,677)	0	(291)
Change in accounting policies transferred to retained surplus	0	1,587,197	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(790,996)	124,892	171,642
(Increase)/decrease in other assets	(181,284)	0	0
(Increase)/decrease in inventories	(6,427)	6,523	(16,807)
Increase/(decrease) in payables	431,271	(1,463,636)	(80,922)
Increase/(decrease) in provisions	380,303	0	442,493
Non-operating grants, subsidies and contributions	(7,354,821)	(8,571,844)	(5,567,739)
Dividends Received	(803,207)	0	0
Net cash from operating activities	<u>9,566,039</u>	<u>6,337,823</u>	<u>9,127,827</u>

**CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020**

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

	<u>2020</u>	<u>2019</u>
	\$	\$
Governance	8,632,033	8,761,188
General purpose funding	18,322,219	11,034,051
Law, order, public safety	1,380,233	1,407,322
Health	2,665,503	2,842,448
Education and welfare	2,755,031	2,774,144
Community amenities	43,862,540	72,242,626
Recreation and culture	91,538,166	96,492,014
Transport	377,795,285	375,408,012
Economic services	2,425	2,425
Other property and services	8,961,336	11,306,064
	<u>555,914,773</u>	<u>582,270,295</u>

**20. CONTINGENT LIABILITIES**

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

Details of those sites are:

- Alan Anderson Reserve
- Ledger Road Reserve
- Brand Road Reserve
- Dawson Avenue / Pioneer Park
- Maida Vale Reserve
- Transfer Station / Pistol Club Walliston
- Hartfield Park
- East Terrace

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

**CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020**

**21. CAPITAL AND LEASING COMMITMENTS**

**(a) Capital Expenditure Commitments**

Contracted for:

	2020	2019
	\$	\$
- capital expenditure projects	5,142,956	1,074,912
- plant & equipment purchases	117,839	0
	<u>5,260,795</u>	<u>1,074,912</u>

Payable:

- not later than one year	5,260,795	1,074,912
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At the end of each financial year the City reviews the position of its incomplete capital expenditure projects and the position of unexpended specific purpose grants. The City recognises the costs of major capital projects to be carried forward to the next financial year and transfers adequate funds to the unexpended capital works and specific purpose grants reserve. The reserve is fully cash backed and categorised under restricted cash.

**(b) Operating Lease Commitments**

Non-cancellable operating leases contracted for but not capitalised in the accounts (short term and low value leases).

Payable:

	2020	2019
	\$	\$
- not later than one year	62,112	90,722
- later than one year but not later than five years	52,947	51,449
	<u>115,059</u>	<u>142,171</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**Leases**

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

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

**Leases (Continued)**

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

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



**CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020**

**22. RELATED PARTY TRANSACTIONS**

**Elected Members Remuneration**

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

	<b>2020 Actual</b>	<b>2020 Budget</b>	<b>2019 Actual</b>
	\$	\$	\$
Meeting fees	286,437	286,679	279,605
Mayor's allowance	63,108	63,354	62,727
Deputy Mayor's allowance	15,682	15,682	15,682
Travelling expenses	601	600	591
Telecommunications allowance	50,412	50,400	41,356
	<u>416,240</u>	<u>416,715</u>	<u>399,961</u>

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

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

	<b>2020 Actual</b>	<b>2019 Actual</b>
	\$	\$
Short-term employee benefits	1,033,153	976,480
Post-employment benefits	96,780	95,811
Other long-term benefits	145,627	143,386
Termination benefits	0	63,927
	<u>1,275,560</u>	<u>1,279,604</u>

*Short-term employee benefits*

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

*Post-employment benefits*

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

*Other long-term benefits*

These amounts represent long service benefits accruing during the year.

*Termination benefits*

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

**CITY OF KALAMUNDA  
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**22. RELATED PARTY TRANSACTIONS (Continued)**

**Transactions with related parties**

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

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

	<b>2020 Actual</b>	<b>2019 Actual</b>
The following transactions occurred with related parties:	<b>\$</b>	<b>\$</b>
Purchase of goods and services	4,529,203	4,263,373
<b>Investment in Associates</b>		
Net Increase/decrease in Equity in Investments in Associates	(2,150,098)	890,670
Dividends received from Associate entities	803,210	0
Contractual contributions received from Associate entities	2,193,700	0
<b>Amounts payable to related parties:</b>		
Trade and other payables	295,510	325,442

**Related Parties**

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

*i. Key management personnel*

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

*ii. Other Related Parties*

The associate person of KMP was employed by the City under normal employment terms and conditions.

*iii. Entities subject to significant influence by the City*

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

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**23. INVESTMENT IN ASSOCIATE AND JOINT ARRANGEMENTS**

	2020	2019
	\$	\$
<b>(a) Carrying amount of investment in associate</b>	29,257,611	31,407,709

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

The accounting share applicable to the City of Kalamunda as at 30 June 2020 as disclosed in the Financial Statements of the Eastern Metropolitan Regional Council is \$29,257,611. This represents the City's 15.86% share of the Total Equity in the Eastern Metropolitan Regional Council.

The Principal place of business :  
No: 226, Great Eastern High Way, Ascot, WA, 6104.

**EMRC Financial Information**

Revenue	44,370,170	42,510,894
Net Result	(7,251,561)	8,245,723
Other Comprehensive Income	1,189,840	0
Total Comprehensive Income	(6,061,721)	8,245,723

**Financial Position**

Current Assets	89,551,063	107,716,368
Non-Current Assets	110,359,239	99,466,539
<b>Total Assets</b>	<b>199,910,302</b>	<b>207,182,907</b>

Current Liabilities	8,026,411	7,175,888
Non-Current Liabilities	7,432,011	4,493,417
<b>Total Liabilities</b>	<b>15,458,422</b>	<b>11,669,305</b>

Net assets	184,451,880	195,513,602
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Change in Equity in Share of City of Kalamunda	(2,290,314)	998,408
Revaluation Surplus movement in Share of City of Kalamunda	140,216	(107,738)
Dividends received from associate	803,210	Nil

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

Current Assets	14,206,342	17,307,474
Non-current Assets	17,502,975	15,974,326
<b>Total assets</b>	<b>31,709,317</b>	<b>33,281,800</b>

Current liabilities	1,272,989	1,152,448
Non-current liabilities	1,178,717	721,643
<b>Total liabilities</b>	<b>2,451,706</b>	<b>1,874,090</b>

<b>Share of Net Assets</b>	<b>29,257,611</b>	<b>31,407,709</b>
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**SIGNIFICANT ACCOUNTING POLICIES**

**Investment in associates**

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

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

**Investment in associates (Continued)**

Profits and losses resulting from transactions between the City and the associate are eliminated to the extent of the City's interest in the associate. When the City's share of losses in an associate equals or exceeds its interest in the associate, the City discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the City will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

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**24. MAJOR LAND TRANSACTIONS**

The City did not participate in any major land transactions during the 2019/2020 Financial Year

**25. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

The City did not participate in any trading undertakings or major trading undertakings during the 2019/2020 Financial Year.

CITY OF KALAMUNDA  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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26. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2019/20 Rateable Value \$	2019/20 Actual Rate Revenue \$	2019/20 Actual Interim Rates \$	2019/20 Actual Back Rates \$	2019/20 Actual Total Revenue \$	2019/20 Budget Rate Revenue \$	2019/20 Budget Interim Rate \$	2019/20 Budget Back Rate \$	2019/20 Budget Total Revenue \$	2018/19 Actual Total Revenue \$
<b>Gross rental valuations</b>												
General GRV	0.060255	21,578	433,671,956	26,121,777	133,860	16,669	26,272,306	26,130,904	0	0	26,130,904	25,134,392
Industrial / Commercial GRV	0.067952	604	128,084,271	8,411,538	119,017	66,490	8,597,045	8,703,582	0	0	8,703,582	8,682,932
Vacant GRV	0.085441	572	9,321,292	678,033	71,798	4,609	754,440	796,420	0	0	796,420	1,125,763
<b>Unimproved valuations</b>												
General UV	0.003447	275	176,515,000	618,123	5,067	4,126	627,316	608,447	0	0	608,447	621,983
Commercial UV	0.004065	60	35,010,007	138,118	0	0	138,118	142,316	0	0	142,316	160,430
<b>Sub-Total</b>		23,089	782,602,526	35,967,589	329,742	91,894	36,389,225	36,381,669	0	0	36,381,669	35,725,500
<b>Minimum payment</b>												
General GRV	882	967	0	1,028,528	0	0	1,028,528	852,894	0	0	852,894	963,144
Industrial / Commercial GRV	1,102	50	0	65,018	0	0	65,018	55,100	0	0	55,100	55,100
Vacant GRV	767	210	0	172,690	0	0	172,690	161,070	0	0	161,070	187,418
<b>Unimproved valuations</b>												
General UV	882	0	0	0	0	0	0	0	0	0	0	0
Commercial UV	1,102	3	0	3,306	0	0	3,306	3,306	0	0	3,306	3,306
<b>Sub-Total</b>		1,230	0	1,269,542	0	0	1,269,542	1,072,370	0	0	1,072,370	1,208,968
<b>Total amount raised from general rate</b>		24,319	782,602,526	37,237,131	329,742	91,894	37,658,767	37,454,039	0	0	37,454,039	36,934,468
Ex-gratia rates							37,658,767				37,454,039	36,934,468
Net movement in Rates paid in advance							205,787				127,372	210,306
<b>Totals</b>							<u>37,864,554</u>				<u>37,581,411</u>	<u>37,436,125</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**Rates**

Control over assets acquired from rates is obtained at the commencement of the rating period.

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the City recognises revenue for the prepaid rates that have not been refunded.

**CITY OF KALAMUNDA  
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**26. RATING INFORMATION (Continued)**

**(b) Specified Area Rate**

No Specified area rates were imposed by the City during the year ended 30 June 2020.

**(c) Service Charges**

No service charges were imposed by the City during the year ended 30 June 2020.

**(d) Interest Charges & Instalments**

<b>Instalment Options</b>	<b>Date Due</b>	<b>Instalment Plan Admin Charge</b> \$	<b>Instalment Plan Interest Rate</b> %	<b>Unpaid Rates Interest Rate</b> %
<b>Option One</b>				
Single full payment	16/08/2019	0.00	0.00%	11.00%
<b>Option Two</b>				
First instalment	16/08/2019	0.00	5.50%	11.00%
Second instalment	14/12/2019	8.00	5.50%	11.00%
<b>Option Three</b>				
First instalment	16/08/2019	0.00	5.50%	11.00%
Second instalment	15/10/2019	8.00	5.50%	11.00%
Third instalment	14/12/2019	8.00	5.50%	11.00%
Fourth instalment	12/02/2020	8.00	5.50%	11.00%

	<b>2020 Actual</b> \$	<b>2020 Budget</b> \$	<b>2019 Actual</b> \$
Interest on unpaid rates	338,167	322,707	301,221
Interest on instalment plan	168,239	204,291	171,516
Charges on instalment plan	142,352	163,002	148,533
	<b>648,758</b>	<b>690,000</b>	<b>621,270</b>

**CITY OF KALAMUNDA  
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**27. RATE SETTING STATEMENT INFORMATION**

Note	2019/20	2019/20	2019/20	2018/19
	(30 June 2020 Carried Forward) \$	Budget (30 June 2020 Carried Forward) \$	(1 July 2019 Brought Forward) \$	(30 June 2019 Carried Forward) \$
<b>(a) Non-cash amounts excluded from operating activities</b>				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
<b>Adjustments to operating activities</b>				
Less: Profit on asset disposals	11(a)	(14,771)	0	(71,935)
Less: Reversal of prior year loss on revaluation of fixed assets		0	0	(91,366)
Less: Amounts recognised as income due to change in Accounting Standards		(160,170)	1,799,409	0
Less: Share of net (profit)/loss of associates and joint ventures accounted for using the equity method		2,290,314	(1,679,116)	(998,408)
Less: Interest on deferred loans		(1,677)		(291)
Less: Capital WIP transferred to expenses from 2018/19	10(a)	58,042	0	0
Movement in pensioner deferred rates (non-current)		(98,809)	(16,706)	(103,952)
Movement in employee benefit provisions		380,303	(71,330)	442,504
Add: Loss on disposal of assets	11(a)	2,566,892	0	960,029
Add: Bad debts written off		10,968		6,093
Add: Depreciation on non-current assets	11(b)	11,316,721	12,549,653	10,986,630
<b>Non cash amounts excluded from operating activities</b>		<b>16,347,813</b>	<b>12,581,910</b>	<b>11,129,304</b>
<b>(b) Surplus/(deficit) after imposition of general rates</b>				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
<b>Adjustments to net current assets</b>				
Less: Reserves - cash/financial asset backed	4	(14,531,763)	(8,793,544)	(17,223,164)
Less: Financial assets at amortised cost - self supporting loans	5(a)	(11,737)	0	(30,077)
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	16(a)	1,027,692	637,072	672,155
- Employee benefit provisions		4,196,505	3,125,695	3,723,149
<b>Total adjustments to net current assets</b>		<b>(9,319,303)</b>	<b>(5,030,777)</b>	<b>(12,857,938)</b>
<b>Net current assets used in the Rate Setting Statement</b>				
Total current assets		31,813,112	15,988,627	27,583,960
Less: Total current liabilities		(15,874,236)	(9,344,577)	(10,696,891)
Less: Total adjustments to net current assets		(9,319,303)	(5,030,777)	(12,857,938)
<b>Net current assets used in the Rate Setting Statement</b>		<b>6,619,571</b>	<b>1,613,272</b>	<b>4,029,131</b>
<b>(c) Adjustments to current assets and liabilities at 1 July 2019 on application of new accounting standards</b>				
<b>Total current assets at 30 June 2019</b>				27,583,960
<b>Total current assets at 1 July 2019</b>				27,583,960
<b>Total current liabilities at 30 June 2019</b>				(10,696,891)
- Capital Grant liabilities from transfers for recognisable non financial assets	29(b)			(2,080,167)
- Rates paid in advance	29(b)			(1,702,472)
<b>Total current liabilities at 1 July 2019</b>				<b>(14,479,530)</b>

**CITY OF KALAMUNDA  
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**28. FINANCIAL RISK MANAGEMENT**

This note explains the City's exposure to financial risks and how these risks could affect the City's future financial performance.

<b>Risk</b>	<b>Exposure arising from</b>	<b>Measurement</b>	<b>Management</b>
<b>Market risk - interest rate</b>	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
<b>Credit risk</b>	Cash and cash equivalents, trade receivables, financial assets and debt investments	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
<b>Liquidity risk</b>	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

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

Financial risk management is carried out by the finance area under policies approved by the Council. The finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

**(a) Interest rate risk**

**Cash and cash equivalents**

The City's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the City to cash flow interest rate risk. Short term overdraft facilities also have variable interest rates however these are repaid within 12 months, reducing the risk level to minimal.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the City to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents and term deposits held disclosed as financial assets at amortised cost are reflected in the table below.

	<b>Weighted Average Interest Rate</b>	<b>Carrying Amounts</b>	<b>Fixed Interest Rate</b>	<b>Variable Interest Rate</b>	<b>Non Interest Bearing</b>
	<b>%</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2020</b>					
Cash and cash equivalents	1.64%	24,196,351	0	16,393,738	7,802,613
Financial assets at amortised cost - term deposits	1.20%	3,363,744	3,363,744	0	0
<b>2019</b>					
Cash and cash equivalents	2.66%	20,737,597	0	18,229,466	2,508,131
Financial assets at amortised cost - term deposits	2.55%	3,298,444	3,298,444	0	0

**Sensitivity**

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Impact of a 1% movement in interest rates on profit and loss and equity*	163,937	182,295

\* Holding all other variables constant

**Borrowings**

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The City manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The City does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 16(a).



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

**(b) Credit risk**

**Trade and Other Receivables**

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

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

The City applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2019 or 1 July 2020 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
<b>30 June 2020</b>					
Rates receivable	1,408,373	412,432	669,166	579,041	3,069,013
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	1,408,373	412,432	669,166	579,041	3,069,013
Loss allowance	0	0	0	0	0
<b>30 June 2019</b>					
Rates receivable	3,744	1,406,100	355,876	642,333	2,408,052
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	3,744	1,406,100	355,876	642,333	2,408,052
Loss allowance	0	0	0	0	0

The loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2020</b>					
Trade and other receivables	241,698	0	13,389	50,679	305,767
Expected credit loss	0.04%	0.05%	0.05%	0.59%	
Gross carrying amount	241,698	0	13,389	50,679	305,767
Loss allowance	85	0	7	299	391
<b>30 June 2019</b>					
Trade and other receivables	196,946	24,563	10,394	50,919	282,822
Expected credit loss	0.08%	0.09%	0.10%	0.52%	
Gross carrying amount	196,946	24,563	10,394	50,919	282,822
Loss allowance	158	22	10	265	455

**CITY OF KALAMUNDA  
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**28. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Liquidity risk**

**Payables and borrowings**

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The City manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 16.

The contractual undiscounted cash flows of the City's payables and borrowings are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2020</b>					
Payables	8,435,334	0	0	8,435,334	8,435,335
Borrowings*	1,299,755	5,162,509	3,102,074	9,564,338	9,564,338
	<u>9,735,089</u>	<u>5,162,509</u>	<u>3,102,074</u>	<u>17,999,672</u>	<u>17,999,673</u>
<b>2019</b>					
Payables	6,301,592	0	0	6,301,592	6,301,592
Borrowings*	944,637	2,390,016	3,313,266	6,647,919	6,647,919
	<u>7,246,229</u>	<u>2,390,016</u>	<u>3,313,266</u>	<u>12,949,511</u>	<u>12,949,511</u>

\* Borrowings include the principal and interest repayments due.

**CITY OF KALAMUNDA  
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**29. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS**

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

**(a) AASB 15: Revenue from Contracts with Customers**

The City adopted AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the City adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. Adoption of the AASB 15 did not have a material impact on Financial Statements.

**(b) AASB 1058: Income For Not-For-Profit Entities**

The City adopted AASB 1058 Income for Not-for-Profit Entities (issued December 2016) on 1 July 2019 which will result in changes in accounting policies. In accordance with the transition provisions AASB 1058, the City adopted the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods was not restated in accordance with AASB 1058 transition requirements.

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019 changes occurred to the following financial statement line items by application of AASB 1058 as compared to AASB 118: Revenue and AASB 1004: Contributions before the change:

	Note	AASB 118 and AASB 1004 carrying amount 30 June 2019 \$	Reclassification \$	AASB 1058 carrying amount 01 July 2019 \$
<b>Capital Grant liabilities - current</b>				
Capital Grant liabilities from transfers for recognisable non-financial assets	15	0	(2,080,167)	(2,080,167)
Adjustment to retained surplus from adoption of AASB 1058	29(d)		(2,080,167)	
<b>Trade and other payables</b>				
Rates paid in advance	14	0	(1,702,472)	(1,702,472)
Adjustment to retained surplus from adoption of AASB 1058	29(d)		(1,702,472)	

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance gave rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates were recognised as a financial asset and a related amount recognised as a financial liability and no income recognised by the City. When the taxable event occurred, the financial liability was extinguished and the City recognised income for the prepaid rates that have not been refunded.

Assets that were acquired for consideration, that were significantly less than fair value principally to enable the City to further its objectives, may have been measured on initial recognition under other Australian Accounting Standards at a cost that was significantly less than fair value. Such assets are not required to be remeasured at fair value.

**CITY OF KALAMUNDA  
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**29. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)**

The table below provides details of the amount by which each financial statement line item is affected in the current reporting period by the application of this Standard as compared to AASB 118 and AASB 1004 and related Interpretations that were in effect before the change.

		2020 \$	Adjustment due to application of AASB 15 and AASB 1058	2020 \$
	Note	As reported under AASB 15 and AASB 1058		Compared to AASB 118 and AASB 1004
<b>Statement of Comprehensive Income</b>				
<b>Revenue</b>				
Rates	26(a)	37,864,554	2,014,281	39,878,835
Operating grants and subsidies	2(a)	2,621,875	0	2,621,875
Fees and charges	2(a)	15,401,091	0	15,401,091
Contributions, Reimbursements and Donations		4,944,018	0	4,944,018
Non-operating grants, subsidies and contributions	2(a)	7,354,821	2,214,705	9,569,526
Net result		1,733,722	4,228,986	5,962,708
<b>Statement of Financial Position</b>				
Trade and other payables	14	8,435,334	(2,014,281)	6,421,053
Capital Grant liabilities	15	2,214,705	(2,214,705)	0
Net assets		532,716,975	4,228,986	536,945,961
<b>Statement of Changes in Equity</b>				
Net result		1,733,722	4,228,986	5,962,708
Retained surplus		222,322,634	4,228,986	226,551,620

Refer to Note 2(a) for new revenue recognition accounting policies as a result of the application of AASB 15 and AASB 1058.

**(c) AASB 16: Leases**

The City adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the City has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB16 recognised on 1 July 2019. In applying AASB 16, under the specific transition provisions chosen, the City will not restate comparatives for prior reporting periods.

**(d) Impact of New Accounting Standards on Retained Surplus**

The impact on the City's retained surplus due to the adoption of AASB 15, AASB 1058 and AASB 16 as at 1 July 2019 was as follows:

	Note	Adjustments	2019 \$
Retained surplus - 30 June 2019			221,680,150
Adjustment to retained surplus from adoption of AASB 1058*	29(b)	(2,080,167)	
Adjustment to retained surplus from adoption of AASB 1058	29(b)	(1,702,472)	(3,782,639)
Retained surplus - 1 July 2019			217,897,511

\* Represents \$697,727 from Capital Grant Liabilities (note 15(i)) and \$1,382,440 from Forrestfield Industrial Area Scheme Stage 1 (note 15(ii))

**CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020**

**30. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD**

There have been no significant events after the reporting period that are to be included in 2019/2020.

**31. TRUST FUNDS**

Funds held at balance date which are required to be held in trust and which are not included in the financial statements are as follows:

	1 July 2019	Amounts Received	Amounts Paid / Transferred	30 June 2020
	\$	\$	\$	\$
Unclaimed Monies	26,947	0	(26,947)	0
Wattle grove - Cell 9	9,955,669	866,240	(1,622,963)	9,198,947
B.C.I.T.F Levies	16,122	0	(16,122)	0
B.S.L Levies	41,994	0	(41,994)	0
Cash in lieu of Public Open Space	2,433,573	43,297	0	2,476,871
NBN Tower Pickering Brook	14,665	13,188	0	27,853
	<u>12,488,971</u>	<u>922,726</u>	<u>(1,708,026)</u>	<u>11,703,671</u>

**CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020**

**32. OTHER SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Level 1**  
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2**  
Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3**  
Measurements based on unobservable inputs for the asset or liability.

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

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

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

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

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

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

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

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

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

For non-cash generating specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.

**CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020**

**33. ACTIVITIES/PROGRAMS**

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

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

**CITY OF KALAMUNDA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2020**

**34. FINANCIAL RATIOS**

	2020 Actual	2019 Actual	2018 Actual
Current ratio	1.54	1.30	1.43
Asset consumption ratio	0.96	0.97	0.98
Asset renewal funding ratio	0.95	0.95	0.82
Asset sustainability ratio	0.91	0.67	0.51
Debt service cover ratio	6.36	9.58	9.94
Operating surplus ratio	(0.10)	(0.04)	0.01
Own source revenue coverage ratio	0.90	0.90	0.93

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$





## Auditor General

### INDEPENDENT AUDITOR'S REPORT

To the Councillors of the City of Kalamunda

Report on the Audit of the Financial Report

#### **Opinion**

I have audited the annual financial report of the City of Kalamunda which comprises the Statement of Financial Position as at 30 June 2020, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the City of Kalamunda:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the City for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

#### **Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the City in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Emphasis of Matter – Basis of Accounting**

I draw attention to the matters below. My opinion is not modified in respect of these matters:

I draw attention to Notes 1 and 11 to the annual financial report, which describes the basis for accounting. The annual financial report has been prepared for the purpose of fulfilling the City's financial reporting responsibilities under the Act. Regulation 17A of the Local Government (Financial Management) Regulations 1996 (Regulations), requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 *Leases* which would have required the entity to measure the vested improvements also at zero cost.

I draw attention to Notes 1 and 11 to the annual financial report, which describes the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the City's financial reporting responsibilities under the Act. In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report.

**Responsibilities of the Chief Executive Officer and Council for the Financial Report**

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

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

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

**Auditor's Responsibility for the Audit of the Financial Report**

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

A further description of my responsibilities for the audit of the annual financial report is located on the Auditing and Assurance Standards Board website at [https://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This includes the identification and assessment of the risk of material misstatement due to fraud arising from management override of controls. This description forms part of my auditor's report.

**Report on Other Legal and Regulatory Requirements**

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

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the City:
  - a. The Operating Surplus Ratio as reported in Note 34 of the annual financial report is below the DLGSCI's basic standard of 0.01 for the last two financial years.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

**Other Matter**

The financial ratios for 2018 in Note 34 of the financial report were audited by another auditor when performing their audit of the City for the year ending 30 June 2018. The auditor expressed an unmodified opinion on the financial report for that year.

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

This auditor's report relates to the annual financial report of the City of Kalamunda for the year ended 30 June 2020 included on the City's website. The City's management is responsible for the integrity of the City's website. This audit does not provide assurance on the integrity of the City's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.