

TAMALA PARK REGIONAL COUNCIL
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

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COMMUNITY VISION

To create an urban centre for choice, sustainability, community and opportunity.

Principal place of business:
Tamala Park Regional Council
2/369 Scarborough Beach Road
Innaloo WA 6018

**TAMALA PARK REGIONAL COUNCIL
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Tamala Park Regional Council for the financial year ended 30 June 2021 is based on proper accounts and records to present fairly the financial position of the Tamala Park Regional Council at 30 June 2021 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

13

day of

October

2021



Chief Executive Officer

Jon Morellini

Name of Chief Executive Officer



**TAMALA PARK REGIONAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue				
Interest earnings	2(a)	475,651	645,000	783,580
Other revenue	2(a)	21,331	23,935	6,242
		496,982	668,935	789,822
Expenses				
Employee costs		(647,060)	(749,760)	(610,729)
Materials and contracts		(198,520)	(222,769)	(104,496)
Utility charges		0	(6,500)	0
Depreciation on non-current assets	10(b)	(54,672)	(55,287)	(55,288)
Interest expenses	2(b)	(519)	(511)	(957)
Insurance expenses		(12,915)	(16,462)	(18,373)
Other expenditure	2(b)	(157,092)	(177,078)	(160,374)
		(1,070,778)	(1,228,367)	(950,217)
		(573,796)	(559,432)	(160,395)
Profit on asset disposals	10(a)	1,224	785	0
		1,224	785	0
Net result for the period		(572,572)	(558,647)	(160,395)
Total other comprehensive income for the period		0	0	0
Total comprehensive income for the period		(572,572)	(558,647)	(160,395)

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



**TAMALA PARK REGIONAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue				
General purpose funding	2(a)	492,939	645,000	789,822
Other property and services		4,043	23,935	0
		496,982	668,935	789,822
Expenses				
Governance		(157,078)	(177,078)	(158,535)
Other property and services		(913,181)	(1,050,778)	(790,725)
		(1,070,259)	(1,227,856)	(949,260)
Finance Costs				
Other property and services	2(b)	(519)	(511)	(957)
		(519)	(511)	(957)
		(573,796)	(559,432)	(160,395)
Profit on disposal of assets	10(a)	1,224	785	0
		1,224	785	0
Net result for the period		(572,572)	(558,647)	(160,395)
Total other comprehensive income for the period		0	0	0
Total comprehensive income for the period		(572,572)	(558,647)	(160,395)

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



**TAMALA PARK REGIONAL COUNCIL
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

	NOTE	2021 \$	2020 \$
CURRENT ASSETS			
Cash and cash equivalents	3	16,472,144	27,725,770
Trade and other receivables	6	182,340	42,030
Financial assets	5(a)	37,009,692	17,749,477
Other assets	8	3,996	0
TOTAL CURRENT ASSETS		53,668,172	45,517,277
NON-CURRENT ASSETS			
Inventories	7	1,600,000	1,600,000
Property, plant and equipment	9	102,610	102,611
Right-of-use assets	11(a)	20,114	55,006
TOTAL NON-CURRENT ASSETS		1,722,724	1,757,617
TOTAL ASSETS		55,390,896	47,274,894
CURRENT LIABILITIES			
Trade and other payables	13	116,281	43,074
Lease liabilities	14(a)	20,878	34,870
Employee related provisions	16(a)	283,214	267,082
TOTAL CURRENT LIABILITIES		420,373	345,026
NON-CURRENT LIABILITIES			
Lease liabilities	14(a)	0	20,550
Employee related provisions	16(a)	1,231	9,418
TOTAL NON-CURRENT LIABILITIES		1,231	29,968
TOTAL LIABILITIES		421,604	374,994
NET ASSETS		54,969,292	46,899,900
EQUITY			
Retained surplus		1,077,792	1,650,364
Member contributions and equity	4	53,885,147	45,243,183
Revaluation surplus	12	6,353	6,353
TOTAL EQUITY		54,969,292	46,899,900

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



**TAMALA PARK REGIONAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	RETAINED SURPLUS \$	CONTRIBUTED EQUITY \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2019		1,810,759	43,894,982	6,353	45,712,094
Comprehensive income					
Net result for the period		(160,395)	0	0	(160,395)
Total comprehensive income		(160,395)	0	0	(160,395)
Movement in members contributions	4	0	1,348,201	0	1,348,201
Balance as at 30 June 2020		1,650,364	45,243,183	6,353	46,899,900
Comprehensive income					
Net result for the period		(572,572)	0	0	(572,572)
Total comprehensive income		(572,572)	0	0	(572,572)
Movement in members contributions	4	0	8,641,964	0	8,641,964
Balance as at 30 June 2021		1,077,792	53,885,147	6,353	54,969,292

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



**TAMALA PARK REGIONAL COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Interest received	475,651	657,030	783,580
Goods and services tax received	33,963	0	2,748
Other revenue	21,331	23,935	62,021
	530,945	680,965	848,349
Payments			
Employee costs	(636,386)	(749,760)	(605,644)
Materials and contracts	(166,931)	(235,843)	(122,012)
Utility charges	0	(6,500)	0
Interest expenses	(519)	(511)	(957)
Insurance paid	(12,915)	(16,462)	(18,373)
Goods and services tax paid	(6,365)	0	0
Other expenditure	(157,092)	(177,078)	(160,374)
	(980,208)	(1,186,154)	(907,360)
Net cash provided by (used in) operating activities	17 (449,263)	(505,189)	(59,011)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for financial assets at amortised cost - term deposits	(19,260,215)	0	(14,739,219)
Payments for purchase of property, plant & equipment	9(a) (62,191)	(86,300)	0
Proceeds from sale of property, plant & equipment	10(a) 43,636	47,400	0
Net cash provided by (used in) investment activities	(19,278,770)	(38,900)	(14,739,219)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for principal portion of lease liabilities	14(b) (34,542)	(34,870)	(34,202)
Payments for land development	(12,692,329)	0	(4,682,550)
Payments for member contributions	(8,712,115)	(34,340,377)	(3,007,028)
Proceeds from member contributions	29,913,393	34,688,724	9,037,779
Net cash provided by (used in) financing activities	8,474,407	313,477	1,313,999
Net increase (decrease) in cash held	(11,253,626)	(230,612)	(13,484,231)
Cash at beginning of year	27,725,770	45,290,954	41,210,001
Cash and cash equivalents at the end of the year	3 & 17 16,472,144	45,060,342	27,725,770

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



**TAMALA PARK REGIONAL COUNCIL
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)		45,207,121	45,224,508	43,994,530
		45,207,121	45,224,508	43,994,530
Revenue from operating activities (excluding rates)				
General purpose funding		492,939	645,000	789,822
Other property and services		5,267	24,720	0
		498,206	669,720	789,822
Expenditure from operating activities				
Governance		(157,078)	(177,078)	(158,535)
Other property and services		(913,700)	(1,051,289)	(791,682)
		(1,070,778)	(1,228,367)	(950,217)
Non-cash amounts excluded from operating activities	22(a)	45,261	54,502	58,987
Amount attributable to operating activities		44,679,810	44,720,363	43,893,122
INVESTING ACTIVITIES				
Proceeds from disposal of assets	10(a)	43,636	47,400	0
Purchase of property, plant and equipment	9(a)	(62,191)	(86,300)	0
		(18,555)	(38,900)	0
Amount attributable to investing activities		(18,555)	(38,900)	0
FINANCING ACTIVITIES				
Payments for land development as member contributions	4	(12,692,329)	(31,190,376)	(4,682,550)
Payments for principal portion of lease liabilities	14(b)	(34,542)	(34,870)	(34,202)
Payments of member contributions and equity received	4	(8,579,100)	(3,150,000)	(3,007,028)
Proceeds from member contributions	4	29,913,393	34,688,724	9,037,779
Amount attributable to financing activities		8,607,422	313,478	1,313,999
Surplus/(deficit) before imposition of general rates		53,268,677	44,994,941	45,207,121
Surplus/(deficit) after imposition of general rates	22(b)	53,268,677	44,994,941	45,207,121

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



TAMALA PARK REGIONAL COUNCIL
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FOR THE YEAR ENDED 30 JUNE 2021

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**TAMALA PARK REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

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.

The *Local Government Act 1995* and accompanying Regulations take precedence over Australian Accounting Standards where they are inconsistent.

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings 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 Regional Council to measure any vested improvements at zero cost.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the financial report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the fair value of selected non-current assets, financial assets and liabilities.

THE LOCAL GOVERNMENT REPORTING ENTITY

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

INITIAL APPLICATION OF ACCOUNTING STANDARDS

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

These were:

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

The adoption of these standards had no material impact on the financial report.

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

The following new accounting standards will have application to local government in future years:

- AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*
- AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments*
- AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates*

It is not expected these standards will have an impact on the financial report.

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 balances, transactions and disclosures that are impacted by accounting estimates are as follows:

- Land development expenses
- Land held for resale
- Property, Plant and Equipment
- Lease liabilities
- Employee Related Provisions
- Capital Commitments

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.

TAMALA PARK REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES

(a) Revenue

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Other revenue			
Reimbursements	4,043	0	0
Commissions	17,288	23,935	6,242
	21,331	23,935	6,242
Interest earnings			
Interest on reserve funds	475,651	0	0
	475,651	645,000	783,580
	496,982	668,935	789,822

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 operating income where it is earned from financial assets that are held for cash management purposes.

(b) Expenses

Note	2021 Actual \$	2021 Budget \$	2020 Actual \$
Auditors remuneration			
- Audit of the Annual Financial Report	27,000	12,000	8,876
	27,000	12,000	8,876
Interest expenses (finance costs)			
Lease liabilities	519	511	957
	519	511	957
Other expenditure			
Council member remuneration	157,078	157,078	156,297
Sundry expenses	14	20,000	4,077
	157,092	177,078	160,374

**TAMALA PARK REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

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
Commissions	Commissions on investments	Single point in time	Monthly in arrears	None	Set by mutual agreement with the customer	On receipt of funds	Not applicable	When assets are controlled
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

TAMALA PARK REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

3. CASH AND CASH EQUIVALENTS

	NOTE	2021 \$	2020 \$
Cash at bank and on hand		1,177,362	2,692,537
Term deposits		15,294,782	25,033,233
Total cash and cash equivalents		16,472,144	27,725,770

Restrictions

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		16,472,144	27,493,706
- Financial assets at amortised cost		37,009,692	17,749,477
- Inventory		403,311	0
		53,885,147	45,243,183

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

Member contributions and equity	4	53,885,147	45,243,183
Total restricted assets		53,885,147	45,243,183

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.

TAMALA PARK REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

4. MEMBER CONTRIBUTIONS AND EQUITY

	Note	2021 Actual Balance \$	2021 Budget Balance \$	2020 Actual Balance \$
(a) Town of Victoria Park				
Opening balance		3,770,032	3,768,709	3,657,682
Land development expenses		(1,057,694)	(2,599,198)	(390,212)
Proceeds of sale of land		2,492,783	2,890,727	753,148
Contributed equity		35,075	(250,000)	(586)
Return of contribution		(750,000)	(12,500)	(250,000)
		<u>4,490,196</u>	<u>3,797,738</u>	<u>3,770,032</u>
(b) City of Perth				
Opening balance		3,770,032	3,768,709	3,657,682
Land development expenses		(1,057,694)	(2,599,198)	(390,212)
Proceeds of sale of land		2,492,783	2,890,727	753,148
Contributed equity		35,075	(250,000)	(586)
Return of contribution		(750,000)	(12,500)	(250,000)
		<u>4,490,196</u>	<u>3,797,738</u>	<u>3,770,032</u>
(c) Town of Cambridge				
Opening balance		3,770,032	3,768,709	3,657,682
Land development expenses		(1,057,694)	(2,599,198)	(390,212)
Proceeds of sale of land		2,492,783	2,890,727	753,148
Contributed equity		35,075	(250,000)	(586)
Return of contribution		(750,000)	(12,500)	(250,000)
		<u>4,490,196</u>	<u>3,797,738</u>	<u>3,770,032</u>
(d) City of Joondalup				
Opening balance		7,540,060	7,537,419	7,315,360
Land development expenses		(2,115,388)	(5,198,396)	(780,426)
Proceeds of sale of land		4,985,565	5,781,454	1,506,297
Contributed equity		70,150	(500,000)	(1,171)
Return of contribution		(1,500,000)	(25,000)	(500,000)
		<u>8,980,387</u>	<u>7,595,477</u>	<u>7,540,060</u>
(e) City of Wanneroo				
Opening balance		7,540,060	7,537,419	7,315,360
Land development expenses		(2,115,388)	(5,198,396)	(780,426)
Proceeds of sale of land		4,985,565	5,781,454	1,506,297
Contributed equity		70,150	(500,000)	(1,171)
Return of contribution		(1,500,000)	(25,000)	(500,000)
		<u>8,980,387</u>	<u>7,595,477</u>	<u>7,540,060</u>
(f) City of Vincent				
Opening balance		3,770,032	3,768,709	3,657,682
Land development expenses		(1,057,694)	(2,599,198)	(390,212)
Proceeds of sale of land		2,492,783	2,890,727	753,148
Contributed equity		35,075	(250,000)	(586)
Return of contribution		(750,000)	(12,500)	(250,000)
		<u>4,490,196</u>	<u>3,797,738</u>	<u>3,770,032</u>
(g) City of Stirling				
Opening balance		15,082,935	15,074,836	14,633,534
Land development expenses		(4,230,777)	(10,396,792)	(1,560,850)
Proceeds of sale of land		9,971,131	11,562,908	3,012,593
Contributed equity		140,300	(1,000,000)	(2,342)
Return of contribution		(3,000,000)	(50,000)	(1,000,000)
		<u>17,963,589</u>	<u>15,190,952</u>	<u>15,082,935</u>
Total members contribution		<u>53,885,147</u>	<u>45,572,858</u>	<u>45,243,183</u>
Land development expenses		(12,692,329)	(31,190,376)	(4,682,550)
Proceeds of sale of land		29,913,393	34,688,724	9,037,779
Contributed equity		420,900	(3,000,000)	(7,028)
Return of contributions		(9,000,000)	(150,000)	(3,000,000)
Movement in member contributions		<u>8,641,964</u>	<u>348,348</u>	<u>1,348,201</u>
Opening balance		45,243,183	45,224,510	43,894,982
Movement in member contributions		<u>8,641,964</u>	<u>348,348</u>	<u>1,348,201</u>

**TAMALA PARK REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

4. MEMBER CONTRIBUTIONS AND EQUITY

Note	2021 Actual Balance	2021 Budget Balance	2020 Actual Balance
	\$	\$	\$
3	53,885,147	45,572,858	45,243,183

5. FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

Financial assets at amortised cost

Term deposits

Treasury Bonds

2021	2020
\$	\$
37,009,692	17,749,477
37,009,692	17,749,477
31,009,692	17,749,477
6,000,000	0
37,009,692	17,749,477

Financial assets balance relates to cash held in term deposits with maturity terms exceeding 3 months and therefore held as an investment rather than cash and cash equivalents.

Financial assets are restricted assets as disclosed in note 3.

SIGNIFICANT ACCOUNTING POLICIES

Financial assets at amortised cost

The Regional Council 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.

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 23.

6. TRADE AND OTHER RECEIVABLES

Current

Trade and other receivables
 GST receivable

2021	2020
\$	\$
172,848	39,833
9,492	2,197
182,340	42,030

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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 23.

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.

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.

7. INVENTORIES

Non-current

Land held for resale

The following movements in inventories occurred during the year:

Balance at beginning of year

Balance at end of year

2021	2020
\$	\$
1,600,000	1,600,000
1,600,000	1,600,000
1,600,000	1,600,000
1,600,000	1,600,000

Land held for sale Lot 807 (Englobo land), part of the Catalina Estate development in Mindarie. At 30 June 2019 a market valuation was performed by property experts and the carrying value was written down from \$1,800,000 to \$1,600,000. The Regional Council has assessed that based on the current land market the carrying value at 30 June 2021 of \$1,600,000 is valued at the lower of cost and net realisable value.

Land held for sale is restricted use asset as stated in note 3.

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.

**TAMALA PARK REGIONAL COUNCIL
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FOR THE YEAR ENDED 30 JUNE 2021**

8. OTHER ASSETS

Other assets - current

Prepayments
Settlement bonds

	2021	2020
	\$	\$
Prepayments	2,996	0
Settlement bonds	1,000	0
	3,996	0

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

Other assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond

9. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

	Furniture and equipment \$	Plant and equipment \$	Improvements to leasehold property \$	Total property, plant and equipment \$
Balance at 1 July 2019	2,217	56,090	64,976	123,283
Depreciation (expense)	(1,644)	(9,475)	(9,553)	(20,672)
Balance at 30 June 2020	573	46,615	55,423	102,611
Comprises:				
Gross balance amount at 30 June 2020	6,569	63,101	76,442	146,112
Accumulated depreciation at 30 June 2020	(5,996)	(16,486)	(21,019)	(43,501)
Balance at 30 June 2020	573	46,615	55,423	102,611
Additions	0	62,191	0	62,191
(Disposals)	0	(42,412)	0	(42,412)
Depreciation (expense)	(573)	(9,650)	(9,557)	(19,780)
Balance at 30 June 2021	0	56,744	45,866	102,610
Comprises:				
Gross balance amount at 30 June 2021	6,569	62,191	76,442	145,202
Accumulated depreciation at 30 June 2021	(6,569)	(5,447)	(30,576)	(42,592)
Balance at 30 June 2021	0	56,744	45,866	102,610

TAMALA PARK REGIONAL COUNCIL
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FOR THE YEAR ENDED 30 JUNE 2021

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Cost					
Furniture and equipment		N/A	At cost	June 2020	N/A
Plant and equipment		N/A	At cost	June 2020	N/A
Improvements to leasehold prop	Level 3	Management	Observable open market value	June 2020	Residual values and remaining useful life assessments

Following a change to *Local Government (Financial Management) Regulation 17A*, plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value.

Revaluations carried out previously were not reversed as it was deemed fair value approximated cost at the date of change.

10. 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.

Initial recognition and measurement for assets held at cost

Plant and equipment including furniture and equipment is recognised at cost on acquisition in accordance with *Financial Management Regulation 17A*. Where acquired at no cost the asset is initially recognise at fair value. Assets held at cost are depreciated and assessed for impairment annually.

Initial recognition and measurement between mandatory revaluation dates for assets held at fair value

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, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Regional Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets that are land, buildings, infrastructure and investment properties 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, infrastructure and investment properties is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the Regional Council.

Revaluation (Continued)

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, investment properties 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 roads from 1 July 2019

As a result of amendments to the *Local Government (Financial Management) Regulations 1996*, effective from 1 July 2019, vested land, including land under roads, is treated as right-of-use assets measured at zero cost. Therefore, the previous inconsistency with AASB 1051 in respect of 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 statement of financial position. The Regional Council does not own road infrastructure and therefore the amendments relating to land under roads do not apply.

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 Regional Council to measure the vested improvements as part of the related right-of-use assets at zero cost. The Regional Council does not own assets that would be classified vested improvements.

Refer to Note 11 that details the significant accounting policies applying to leases (including right-of-use assets).

TAMALA PARK REGIONAL COUNCIL
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10. FIXED ASSETS

(a) Disposals of Assets

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss	2021 Budget Net Book Value	2021 Budget Sale Proceeds	2021 Budget Profit	2021 Budget Loss	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Plant and equipment	42,412	43,636	1,224	0	46,615	47,400	785	0	0	0	0	0
	42,412	43,636	1,224	0	46,615	47,400	785	0	0	0	0	0

The following assets were disposed of during the year.

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2020 Actual Loss
Plant and Equipment				
Other property and services				
Motor Vehicle - CEO	42,412	43,636	1,224	0
	42,412	43,636	1,224	0

TAMALA PARK REGIONAL COUNCIL
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10. FIXED ASSETS

(b) Depreciation

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Furniture and equipment	573	1,643	1,644
Plant and equipment	9,650	9,475	9,475
Improvements to leasehold property	9,557	9,554	9,553
Right-of-use assets - buildings	34,892	34,615	34,616
	54,672	55,287	55,288

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 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
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Intangible assets - computer software licence	5 years
Right of use (buildings)	Based on the remaining lease term

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:

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

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.

11. LEASES

(a) Right-of-Use Assets

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.

	Right-of-use assets - buildings	Right-of-use assets Total
	\$	
Balance at 1 July 2019	89,622	89,622
Depreciation (expense)	(34,616)	(34,616)
Balance at 30 June 2020	55,006	55,006
Depreciation (expense)	(34,892)	(34,892)
Balance at 30 June 2021	20,114	20,114

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the entity is the lessee:

	2021 Actual	2020 Actual
	\$	\$
Depreciation expense on lease liabilities	(34,892)	(34,616)
Interest expense on lease liabilities	(519)	(957)
Total amount recognised in the statement of comprehensive income	(35,411)	(35,573)
Total cash outflow from leases	(35,061)	(35,159)

SIGNIFICANT ACCOUNTING POLICIES

Leases

At inception of a contract, the Regional Council assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a right-of-use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Regional Council uses its incremental borrowing rate.

All contracts that are classified as short-term leases (i.e. a lease with a remaining term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Leases for right-of-use assets are secured over the asset being leased.

Right-of-use assets - valuation

Right-of-use assets are measured at cost. This means that all right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the statement of financial position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 10 for details on the significant accounting policies applying to vested improvements.

Right-of-use assets - depreciation

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Regional Council anticipates to exercise a purchase option, the specific asset is amortised over the useful life of the underlying asset.

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12. REVALUATION SURPLUS

	2021 Opening Balance	2021 Revaluation Increment	2021 Revaluation (Decrement)	Total Movement on Revaluation	2021 Closing Balance	2020 Opening Balance	2020 Revaluation Increment	2020 Revaluation (Decrement)	Total Movement on Revaluation	2020 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Improvements to leasehold property	6,353	0	0	0	6,353	6,353	0	0	0	6,353
	6,353	0	0	0	6,353	6,353	0	0	0	6,353

**TAMALA PARK REGIONAL COUNCIL
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13. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Accrued salaries and wages
ATO liabilities
Accrued expenses

2021	2020
\$	\$
51,926	2,903
19,874	17,341
17,481	17,285
27,000	5,545
116,281	43,074

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

TAMALA PARK REGIONAL COUNCIL
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14. LEASE LIABILITIES

(a) Lease Liabilities

	2021	2020
	\$	\$
Current	20,878	34,870
Non-current	0	20,550
	20,878	55,420

(b) Movements in Carrying Amounts

Purpose	Lease Number	Institution	Lease Interest Rate	Lease Term	Actual Lease Principal 1 July 2020	30 June 2021 Actual Lease Principal Repayments	30 June 2021 Actual Lease Principal Outstanding	30 June 2021 Actual Lease Interest Repayments	Budget Lease Principal 1 July 2020	30 June 2021 Budget Lease Principal Repayments	30 June 2021 Budget Lease Principal Outstanding	30 June 2021 Budget Lease Interest Repayments	Actual Lease Principal 1 July 2019	30 June 2020 Actual Lease Principal Repayments	30 June 2020 Actual Lease Principal Outstanding	30 June 2020 Actual Lease Interest Repayments
					\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Other property and services																
Unit 2, 369 Scarborough Beach Road, Innaloo	STIRLI/170672	City of Stirling	1.30%	36	55,420	(34,542)	20,878	(519)	55,420	(34,870)	20,550	(511)	89,622	(34,202)	55,420	(857)
					55,420	(34,542)	20,878	(519)	55,420	(34,870)	20,550	(511)	89,622	(34,202)	55,420	(857)

TAMALA PARK REGIONAL COUNCIL
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15. INFORMATION ON BORROWINGS

	2021	2020
	\$	\$
Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	0	0
Bank overdraft at balance date	0	0
Credit card limit	10,000	6,000
Credit card balance at balance date	(573)	(665)
Total amount of credit unused	9,427	5,335

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are recognised at fair value when the Regional Council 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 23.

16. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

Opening balance at 1 July 2020

Current provisions
Non-current provisions

Additional provision

Amounts used

Balance at 30 June 2021

Comprises

Current
Non-current

Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date
More than 12 months from reporting date
Expected reimbursements from other WA local governments

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2020	168,378	98,704	267,082
Current provisions	0	9,418	9,418
Non-current provisions	168,378	108,122	276,500
Additional provision	47,738	15,672	63,410
Amounts used	(55,465)	0	(55,465)
Balance at 30 June 2021	160,651	123,794	284,445
Comprises			
Current	160,651	122,563	283,214
Non-current	0	1,231	1,231
	160,651	123,794	284,445
	2021	2020	
	\$	\$	
Less than 12 months after the reporting date	238,732	0	
More than 12 months from reporting date	49,299	279,307	
Expected reimbursements from other WA local governments	(3,586)	(2,807)	
	284,445	276,500	

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

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

Short-term employee benefits

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

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

Other long-term employee benefits

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

Provisions

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

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

17. 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:

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Cash and cash equivalents	16,472,144	45,060,342	27,725,770
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	(572,572)	(558,647)	(160,395)
Non-cash flows in Net result:			
Depreciation on non-current assets	54,672	55,287	55,288
(Profit)/loss on sale of asset	(1,224)	(785)	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(7,295)	12,030	58,527
(Increase)/decrease in other assets	(3,996)	0	0
Increase/(decrease) in payables	73,207	(13,074)	(26,643)
Increase/(decrease) in employee provisions	7,945	0	14,212
Net cash from operating activities	(449,263)	(505,189)	(59,011)

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2021	2020
	\$	\$
General purpose funding	55,288,286	47,172,283
Other property and services	102,610	102,611
	55,390,896	47,274,894

19. CAPITAL COMMITMENTS

The Regional Council has entered into capital commitments on behalf of it's members of \$9,583,254 at 30 June 2021 relating to land development.

20. COUNCIL MEMBERS REMUNERATION

	2021 Actual \$	2021 Budget \$	2020 Actual \$
K Caddy - City of Stirling			
Chairman's allowance	20,063	20,063	10,031
Meeting attendance fees	15,839	15,839	13,145
	35,902	35,902	23,176
A Timmermanis - Town of Cambridge			
Deputy Chairman's allowance	5,016	5,016	2,508
Meeting attendance fees	10,560	10,560	10,508
	15,576	15,576	13,016
C Anderson - Town of Victoria Park			
Meeting attendance fees	10,560	10,560	10,508
	10,560	10,560	10,508
J Chester - City of Joondalup			
Meeting attendance fees	10,560	10,560	10,508
	10,560	10,560	10,508
E Cole - City of Vincent			
Meeting attendance fees	4,907	4,907	10,508
	4,907	4,907	10,508
B Fleeton - City of Perth			
Meeting attendance fees	5,280	5,280	0
	5,280	5,280	0
J Fotakis - City of Vincent			
Meeting attendance fees	5,653	5,653	0
	5,653	5,653	0
A Hammond - City of Perth			
Meeting attendance fees	5,280	5,280	10,508
	5,280	5,280	10,508
P Taylor - City of Joondalup			
Meeting attendance fees	10,560	10,560	5,280
	10,560	10,560	5,280
D Zappa - City of Wanneroo			
Meeting attendance fees	10,560	10,560	5,280
	10,560	10,560	5,280
B Sandri - City of Stirling			
Meeting attendance fees	10,560	10,560	10,508
	10,560	10,560	10,508
D Lagan - City of Stirling			
Meeting attendance fees	10,560	10,560	5,280
	10,560	10,560	5,280
B Treby - City of Wanneroo			
Meeting attendance fees	10,560	10,560	10,508
Deputy Chairman's allowance	0	0	2,483
	10,560	10,560	12,991
S Migdale - City of Stirling			
Meeting attendance fees	10,560	10,560	5,280
	10,560	10,560	5,280
S Fenn - City of Wanneroo			
Meeting attendance fees	0	0	5,227
	0	0	5,227

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20. COUNCIL MEMBERS REMUNERATION

	2021 Actual \$	2021 Budget \$	2020 Actual \$
J Ferrante - City of Stirling			
Meeting attendance fees	0	0	5,227
	0	0	5,227
G Italiano - City of Stirling			
Chairman's allowance	0	0	9,932
Meeting attendance fees	0	0	7,840
	0	0	17,772
N Jones - City of Joondalup			
Meeting attendance fees	0	0	5,228
	0	0	5,228
	157,078	157,078	156,297
Fees, expenses and allowances to be paid or reimbursed to Council members.			
Chairman's allowance	20,063	20,063	19,963
Deputy Chairman's allowance	5,016	5,016	4,991
Meeting attendance fees	131,999	131,999	131,343
	157,078	157,078	156,297

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21. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

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

	2021 Actual \$	2020 Actual \$
Short-term employee benefits	336,616	326,475
Post-employment benefits	25,000	25,000
Other long-term benefits	9,205	10,092
	<u>370,821</u>	<u>361,567</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 Council members which may be found above.

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Transactions with related parties

Transactions between related parties and the Regional Council 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.

	NOTE	2021 Actual \$	2020 Actual \$
The following transactions occurred with related parties:			
Rent paid	ii	35,947	39,501
Land development expenses	ii	(12,692,329)	(4,682,550)
Proceeds from sale of land	ii	29,913,393	9,037,778
Return of contribution	ii	(9,000,000)	(3,000,000)
Amounts outstanding from related parties:			
Trade and other receivables	ii	172,849	39,834
Amounts payable to related parties:			
Trade and other payables	ii	51,353	2,730

Related Parties

The Regional Council'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 Council member, are considered key management personnel.

ii. Entities with significant influence over the Regional Council

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

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22. RATE SETTING STATEMENT INFORMATION

		2020/21 Budget	2019/20
	2020/21 (30 June 2021 Carried Forward)	(30 June 2021 Carried Forward)	(30 June 2020 Carried Forward)
Note	\$	\$	\$
(a) Non-cash amounts excluded from operating activities			
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> .			
Adjustments to operating activities			
Less: Profit on asset disposals	10(a)	(1,224)	(785)
Movement in employee benefit provisions (non-current)		(8,187)	0
Add: Depreciation on non-current assets	10(b)	55,287	3,699
Non cash amounts excluded from operating activities		54,261	55,288
(b) Surplus/(deficit) after imposition of general rates			
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.			
Adjustments to net current assets			
Add: Current liabilities not expected to be cleared at end of year			
- Current portion of lease liabilities	14	20,878	34,870
Total adjustments to net current assets		20,878	34,870
Net current assets used in the Rate Setting Statement			
Total current assets		53,668,172	45,292,023
Less: Total current liabilities		(420,373)	(331,952)
Less: Total adjustments to net current assets		20,878	(345,026)
Net current assets used in the Rate Setting Statement		53,268,677	45,517,277
		44,994,941	(345,026)
			34,870
			45,207,121

23. FINANCIAL RISK MANAGEMENT

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

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables and financial assets	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy. Monthly reporting to Council.
Liquidity risk	Liabilities	Rolling cash flow forecasts	Availability of cash and cash equivalents.

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

Financial risk management is carried out by the finance area under policies approved by the Council. The finance area identifies, evaluates and manages financial risks.

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 Regional Council's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the Regional Council 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 Regional Council 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.

	Weighted Average Interest Rate %	Carrying Amounts \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non Interest Bearing \$
2021					
Cash and cash equivalents	0.24%	16,472,144	15,294,782	1,143,573	33,789
Financial assets at amortised cost - term deposits	0.34%	31,009,692	31,009,692	0	0
Financial assets at amortised cost - treasury bonds	0.65%	6,000,000	6,000,000	0	0
2020					
Cash and cash equivalents	0.98%	27,725,770	25,033,233	2,692,537	0
Financial assets at amortised cost - term deposits	0.60%	17,749,477	17,749,477	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.

	2021 \$	2020 \$
Impact of a 1% movement in interest rates on profit and loss and equity*	11,436	26,925

* Holding all other variables constant

23. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

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

The Regional Council 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.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2021					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	0.00%
Gross carrying amount	101,918	35,398	31,874	3,658	172,848
Loss allowance	0	0	0	0	0
30 June 2020					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	0.00%
Gross carrying amount	39,833	0	0	0	39,833
Loss allowance	0	0	0	0	0

23. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and liabilities

Payables and liabilities 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 Regional Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended if required.

The contractual undiscounted cash flows of the Regional Council's liabilities 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 \$
2021					
Payables	98,800	0	0	98,800	98,800
Lease liabilities	20,878	0	0	20,878	20,878
	119,678	0	0	119,678	119,678
2020					
Payables	25,789	0	0	25,789	25,789
Lease Liabilities	35,381	20,639	0	56,020	55,420
	61,170	20,639	0	81,809	81,209

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24. 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 Regional Council's operational cycle. In the case of liabilities where the Regional Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current or non-current based on the Regional Council'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 Regional Council 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 Regional Council contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Regional Council contributes are defined contribution plans.

g) Fair value of assets and liabilities

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

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset 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 Regional Council selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Regional Council are consistent with one or more of the following valuation approaches:

Market approach

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

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 Regional Council 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 Regional Council'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 end of the reporting period.

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25. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
GENERAL PURPOSE FUNDING	
To collect interest on investments	Interest revenue
OTHER PROPERTY AND SERVICES	
To monitor and control Council's overheads on operating accounts	Other unclassified activities

26. FINANCIAL RATIOS

	2021 Actual	2020 Actual	2019 Actual
Current ratio	127.67	131.92	135.83
Asset consumption ratio	0.71	0.70	0.84
Asset renewal funding ratio	1.00	1.58	2.07
Asset sustainability ratio	0.34	0.00	2.10
Debt service cover ratio	N/A	N/A	N/A
Operating surplus ratio	(1.20)	(0.21)	0.02
Own source revenue coverage ratio	0.45	0.83	1.01

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	$\frac{\text{own source operating revenue}}{\text{operating expense}}$