

TAMALA PARK REGIONAL COUNCIL
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Index of Notes to the Financial Report	9
Independent Auditor's Report	43

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 2020**

*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 2020 is based on proper accounts and records to present fairly the financial position of the Tamala Park Regional Council 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 9th day of September 2020



Chief Executive Officer

Tony Arias

Name of Chief Executive Officer

TAMALA PARK REGIONAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
Interest earnings	2(a)	783,580	966,153	1,186,884
Other revenue	2(a)	6,242	2,050	12,790
		<u>789,822</u>	<u>968,203</u>	<u>1,199,674</u>
Expenses				
Employee costs		(610,729)	(742,371)	(610,217)
Materials and contracts		(104,496)	(312,966)	(168,627)
Utility charges		0	(6,611)	0
Depreciation on non-current assets	9(b)	(55,288)	(25,578)	(10,564)
Interest expenses	2(b)	(957)	0	0
Insurance expenses		(18,373)	(21,089)	(12,354)
Other expenditure		(160,374)	(191,050)	(372,311)
		<u>(950,217)</u>	<u>(1,299,665)</u>	<u>(1,174,073)</u>
		(160,395)	(331,462)	25,601
(Loss) on asset disposals	9(a)	0	0	(5,852)
		0	0	(5,852)
Net result for the period		(160,395)	(331,462)	19,749
Other comprehensive income		0	0	0
Total comprehensive income for the period		(160,395)	(331,462)	19,749

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 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
General purpose funding	2(a)	789,822	966,153	1,186,884
Other property and services		0	2,050	12,790
		<u>789,822</u>	<u>968,203</u>	<u>1,199,674</u>
Expenses				
Governance	2(b)	(158,535)	(191,050)	(172,046)
Other property and services		(790,725)	(1,108,615)	(1,002,027)
		<u>(949,260)</u>	<u>(1,299,665)</u>	<u>(1,174,073)</u>
Finance Costs				
Other property and services	2(b)	(957)	0	0
		<u>(957)</u>	<u>0</u>	<u>0</u>
		<u>(160,395)</u>	<u>(331,462)</u>	<u>25,601</u>
(Loss) on disposal of assets	9(a)	0	0	(5,852)
		<u>0</u>	<u>0</u>	<u>(5,852)</u>
Net result for the period		<u>(160,395)</u>	<u>(331,462)</u>	<u>19,749</u>
Other comprehensive income		0	0	0
Total comprehensive income for the period		<u>(160,395)</u>	<u>(331,462)</u>	<u>19,749</u>

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

**TAMALA PARK REGIONAL COUNCIL
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	NOTE	2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents	3	27,725,770	41,210,001
Trade and other receivables	6	42,030	100,557
Other financial assets	5(a)	17,749,477	3,010,258
TOTAL CURRENT ASSETS		45,517,277	44,320,816
NON-CURRENT ASSETS			
Inventories	7	1,600,000	1,600,000
Property, plant and equipment	8	102,611	123,283
Right of use assets	10(a)	55,006	0
TOTAL NON-CURRENT ASSETS		1,757,617	1,723,283
TOTAL ASSETS		47,274,894	46,044,099
CURRENT LIABILITIES			
Trade and other payables	12	43,074	69,717
Lease liabilities	13(a)	34,870	0
Employee related provisions	15	267,082	256,569
TOTAL CURRENT LIABILITIES		345,026	326,286
NON-CURRENT LIABILITIES			
Lease liabilities	13(a)	20,550	0
Employee related provisions	15	9,418	5,719
TOTAL NON-CURRENT LIABILITIES		29,968	5,719
TOTAL LIABILITIES		374,994	332,005
NET ASSETS		46,899,900	45,712,094
EQUITY			
Retained surplus		1,650,364	1,810,759
Member contributions	4	45,243,183	43,894,982
Revaluation surplus	11	6,353	6,353
TOTAL EQUITY		46,899,900	45,712,094

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 2020**

	NOTE	RETAINED SURPLUS \$	CONTRIBUTED EQUITY \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2018		1,791,010	43,922,746	6,353	45,720,109
Comprehensive income					
Net result for the period		19,749	0	0	19,749
Total comprehensive income		19,749	0	0	19,749
Members contributions	4	0	3,972,236	0	3,972,236
Return of contributions	4	0	(4,000,000)	0	(4,000,000)
Balance as at 30 June 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)
Members contributions	4	0	4,348,201	0	4,348,201
Return of contributions	4	0	(3,000,000)	0	(3,000,000)
Balance as at 30 June 2020		1,650,364	45,243,183	6,353	46,899,900

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 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Interest received		783,580	1,016,710	1,319,035
Goods and services tax received		2,748	0	0
Other revenue		62,021	2,050	33,702
		<u>848,349</u>	<u>1,018,760</u>	<u>1,352,737</u>
Payments				
Employee costs		(605,644)	(742,371)	(580,542)
Materials and contracts		(122,012)	(352,683)	(161,551)
Utility charges		0	(6,611)	0
Interest expenses		(957)	0	0
Insurance paid		(18,373)	(21,089)	(12,354)
Goods and services tax paid		0	0	(2,171)
Other expenditure		(160,374)	(191,050)	(172,311)
		<u>(907,360)</u>	<u>(1,313,803)</u>	<u>(928,929)</u>
Net cash provided by (used in) operating activities	16	(59,011)	(295,043)	423,808
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	8(a)	0	(15,000)	(63,101)
Payments for financial assets at amortised cost - term deposits		(14,739,219)	0	(3,010,258)
Proceeds from sale of property, plant & equipment	9(a)	0	0	40,909
Net cash provided by (used in) investment activities		<u>(14,739,219)</u>	<u>(15,000)</u>	<u>(3,032,450)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments for principal portion of lease liabilities		(34,202)	0	0
Payments for land development		(4,682,550)	(16,343,068)	(4,961,672)
Payments for member contributions		(3,007,028)	(3,154,491)	(5,004,692)
Proceeds from member contributions		9,037,779	9,073,874	9,938,600
Net cash provided by (used in) financing activities		<u>1,313,999</u>	<u>(10,423,685)</u>	<u>(27,764)</u>
Net increase (decrease) in cash held		(13,484,231)	(10,733,728)	(2,636,406)
Cash at beginning of year		41,210,001	41,210,001	43,846,407
Cash and cash equivalents at the end of the year	16	<u>27,725,770</u>	<u>30,476,273</u>	<u>41,210,001</u>

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 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	20 (b)	43,994,530	43,994,530	43,807,752
		43,994,530	43,994,530	43,807,752
Revenue from operating activities (excluding rates)				
General purpose funding		789,822	966,153	1,186,884
Other property and services		0	2,050	12,790
		789,822	968,203	1,199,674
Expenditure from operating activities				
Governance		(158,535)	(191,050)	(177,898)
Other property and services		(791,682)	(1,108,615)	(1,002,027)
		(950,217)	(1,299,665)	(1,179,925)
Non-cash amounts excluded from operating activities	20(a)	58,987	25,578	216,985
Amount attributable to operating activities		43,893,122	43,688,646	44,044,486
INVESTING ACTIVITIES				
Proceeds from disposal of assets	9(a)	0	0	40,909
Purchase of property, plant and equipment	8(a)	0	(15,000)	(63,101)
Amount attributable to investing activities		0	(15,000)	(22,192)
FINANCING ACTIVITIES				
Payments for land development		(4,682,550)	(16,343,068)	(4,961,672)
Payments of member contributions		(3,007,028)	(3,154,491)	(5,004,692)
Proceeds from member contributions		9,037,779	9,073,874	9,938,600
Payments for principal portion of lease liabilities		(34,202)	0	0
Amount attributable to financing activities		1,313,999	(10,423,685)	(27,764)
Surplus/(deficit) before imposition of general rates		45,207,121	33,249,961	43,994,530
Total amount raised from general rates		0	0	0
Surplus/(deficit) after imposition of general rates	20(b)	45,207,121	33,249,961	43,994,530

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

**TAMALA PARK REGIONAL COUNCIL
INDEX OF NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

Note 1	Basis of Preparation	10
Note 2	Revenue and Expenses	11
Note 3	Cash and Cash Equivalents	13
Note 4	Member Contributions	14
Note 5	Other Financial Assets	16
Note 6	Trade and Other Receivables	17
Note 7	Inventories	18
Note 8	Property, Plant and Equipment	19
Note 9	Fixed Assets	21
Note 10	Leases	24
Note 11	Revaluation Surplus	25
Note 12	Trade and Other Payables	26
Note 13	Lease Liabilities	27
Note 14	Information on Borrowings	28
Note 15	Employee Provisions	29
Note 16	Notes to the Statement of Cash Flows	30
Note 17	Total Assets Classified by Function and Activity	31
Note 18	Commitments	32
Note 19	Related Party Transactions	33
Note 20	Rate Setting Statement Information	35
Note 21	Financial Risk Management	36
Note 22	Initial Application of Australian Accounting Standards	39
Note 23	Other Significant Accounting Policies	40
Note 24	Activites/Programs	41
Note 25	Financial Ratios	42

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 (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Regulation 16 prohibits a local government from recognising as assets Crown land that is a public thoroughfare, such as 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, including land under roads acquired on or after 1 July 2008, have not been recognised in this financial report. 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*.

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

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

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

**TAMALA PARK REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 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
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 2020**

2 REVENUE AND EXPENSES

(a) Revenue

Other revenue

Commissions

Interest earnings

Other interest earnings

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
	6,242	0	12,790
	6,242	0	12,790
	783,580	966,153	1,186,884
	783,580	966,153	1,186,884

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

- Audit of the Annual Financial Report

Interest expenses (finance costs)

Lease liabilities

Note	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
	8,876	10,711	6,000
	8,876	10,711	6,000
13(b)	957	0	0
	957	0	0

**TAMALA PARK REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

3. CASH AND CASH EQUIVALENTS

NOTE	2020 \$	2019 \$
Cash at bank and on hand	2,692,537	3,766,374
Term deposits	25,033,233	37,443,627
Total cash and cash equivalents	27,725,770	41,210,001

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	27,493,706	40,884,724
- Financial assets at amortised cost	17,749,477	3,010,258
	45,243,183	43,894,982

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

Member contributions	4	45,243,183	43,894,982
Total restricted assets		45,243,183	43,894,982

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.

4. MEMBER CONTRIBUTIONS

	2020 Actual Balance	2020 Budget Balance	2019 Actual Balance
	\$	\$	\$
(a) Town of Victoria Park			
Opening balance	3,657,682	3,434,167	3,659,996
Land development expenses	(390,212)	(1,361,922)	(413,473)
Proceeds of sale of land	753,148	756,156	828,217
Contributed equity	(586)	(12,874)	(83,725)
Return of contribution	(250,000)	(250,000)	(333,333)
	3,770,032	2,565,526	3,657,682
(b) City of Perth			
Opening balance	3,657,682	3,434,167	3,659,996
Land development expenses	(390,212)	(1,361,922)	(413,473)
Proceeds of sale of land	753,148	756,156	828,217
Contributed equity	(586)	(12,874)	(83,725)
Return of contribution	(250,000)	(250,000)	(333,333)
	3,770,032	2,565,526	3,657,682
(c) Town of Cambridge			
Opening balance	3,657,682	3,434,167	3,659,996
Land development expenses	(390,212)	(1,361,922)	(413,473)
Proceeds of sale of land	753,148	756,156	828,217
Contributed equity	(586)	(12,874)	(83,725)
Return of contribution	(250,000)	(250,000)	(333,333)
	3,770,032	2,565,526	3,657,682
(d) City of Joondalup			
Opening balance	7,315,360	6,868,334	7,319,987
Land development expenses	(780,426)	(2,723,845)	(826,945)
Proceeds of sale of land	1,506,297	1,512,312	1,656,433
Contributed equity	(1,171)	(25,749)	(167,448)
Return of contribution	(500,000)	(500,000)	(666,667)
	7,540,060	5,131,053	7,315,360
(e) City of Wanneroo			
Opening balance	7,315,360	6,868,334	7,319,987
Land development expenses	(780,426)	(2,723,845)	(826,945)
Proceeds of sale of land	1,506,297	1,512,312	1,656,433
Contributed equity	(1,171)	(25,749)	(167,448)
Return of contribution	(500,000)	(500,000)	(666,667)
	7,540,060	5,131,053	7,315,360
(f) City of Vincent			
Opening balance	3,657,682	3,434,167	3,659,996
Land development expenses	(390,212)	(1,361,922)	(413,473)
Proceeds of sale of land	753,148	756,156	828,217
Contributed equity	(586)	(12,874)	(83,725)
Return of contribution	(250,000)	(250,000)	(333,333)
	3,770,032	2,565,526	3,657,682
(g) City of Stirling			
Opening balance	14,633,534	13,736,667	14,642,788
Land development expenses	(1,560,850)	(5,447,689)	(1,653,890)
Proceeds of sale of land	3,012,593	3,024,625	3,312,866
Contributed equity	(2,342)	(51,497)	(334,896)
Return of contribution	(1,000,000)	(1,000,000)	(1,333,334)
	15,082,935	10,262,105	14,633,534

**TAMALA PARK REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

4. MEMBER CONTRIBUTIONS

	2020 Actual Balance	2020 Budget Balance	2019 Actual Balance
	\$	\$	\$
Total members contribution	45,243,183	30,786,316	43,894,982
Opening balance	43,894,982	41,210,001	43,922,746
Land development expenses	(4,682,550)	(16,343,068)	(4,961,672)
Proceeds of sale of land	9,037,779	9,073,874	9,938,600
Contributed equity	(7,028)	(154,491)	(1,004,692)
Return of contribution	(3,000,000)	(3,000,000)	(4,000,000)
	<u>45,243,183</u>	<u>30,786,316</u>	<u>43,894,982</u>

**TAMALA PARK REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

5. OTHER FINANCIAL ASSETS

Other financial assets at amortised cost

Other financial assets at amortised cost

2020	2019
\$	\$
17,749,477	3,010,258
17,749,477	3,010,258

SIGNIFICANT ACCOUNTING POLICIES

Other 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 21.

6. TRADE AND OTHER RECEIVABLES

Current

Trade and other receivables
 GST receivable

	2020	2019
	\$	\$
	39,833	95,612
	2,197	4,945
	42,030	100,557

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

Trade and other receivables include 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 21.

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.

7. INVENTORIES

Non-current

Land held for resale - cost
 Cost of acquisition

The following movements in inventories occurred during the year:

Carrying amount at beginning of period

Write down of inventories to net realisable value

Carrying amount at end of period

2020	2019
\$	\$
1,600,000	1,600,000
1,600,000	1,600,000
1,600,000	1,800,000
0	(200,000)
1,600,000	1,600,000

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. 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.

	Furniture and equipment	Plant and equipment	Improvements to leasehold property	Total property, plant and equipment
	\$	\$	\$	\$
Balance at 1 July 2018	3,859	46,761	66,887	117,507
Additions	0	63,101	0	63,101
(Disposals)	0	(46,761)	0	(46,761)
Depreciation (expense)	(1,642)	(7,011)	(1,911)	(10,564)
Carrying amount at 30 June 2019	<u>2,217</u>	<u>56,090</u>	<u>64,976</u>	<u>123,283</u>
Comprises:				
Gross carrying amount at 30 June 2019	6,569	63,101	76,442	146,112
Accumulated depreciation at 30 June 2019	(4,352)	(7,011)	(11,466)	(22,829)
Carrying amount at 30 June 2019	<u>2,217</u>	<u>56,090</u>	<u>64,976</u>	<u>123,283</u>
Depreciation (expense)	(1,644)	(9,475)	(9,553)	(20,672)
Carrying amount at 30 June 2020	<u>573</u>	<u>46,615</u>	<u>55,423</u>	<u>102,611</u>
Comprises:				
Gross carrying 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)
Carrying amount at 30 June 2020	<u>573</u>	<u>46,615</u>	<u>55,423</u>	<u>102,611</u>

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Furniture and equipment	Level 3	Management	Observable open market value	June 2020	Residual values and remaining useful life assessments
Plant and equipment					
- Management valuation 2020	Level 3	Management	Observable open market value	June 2020	Market price per item
Improvements to leasehold property	Level 3	Management	Depreciated replacement cost	June 2020	Residual values and remaining useful life assessments

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.

9. 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 between mandatory revaluation dates

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 no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the 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 acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

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

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

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

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

Land under roads

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

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

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

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

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

**TAMALA PARK REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

9. FIXED ASSETS

(a) Disposals of Assets

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	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
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Plant and equipment	0	0	0	0	0	0	0	0	46,761	40,909	0	(5,852)
	0	0	0	0	0	0	0	0	46,761	40,909	0	(5,852)

9. FIXED ASSETS

(b) Depreciation

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Furniture and equipment	1,644	1,512	1,642
Plant and equipment	9,475	12,620	7,011
Improvements to leasehold property	9,553	11,446	1,911
Right of use assets - buildings	34,616	0	0
	55,288	25,578	10,564

Revision of useful lives of plant and equipment

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
Right of use (buildings)	Based on the remaining lease term
Intangible assets - computer software licence	5 years

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.

10. LEASES

(a) Right of Use Assets

Movement in the carrying amounts 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
	\$	
Carrying amount at 30 June 2019	0	0
Recognised on initial application of AASB 16	89,622	89,622
Restated total equity at the beginning of the financial year	89,622	89,622
Depreciation (expense)	(34,616)	(34,616)
Carrying amount at 30 June 2020	55,006	55,006
(b) Cash outflow from leases		
Interest expense on lease liabilities	(957)	(957)
Lease principal expense	(35,159)	(35,159)
Total cash outflow from leases	(36,116)	(36,116)

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.

Right of use assets are subsequently measured under the revaluation model as they relate to asset classes that are also revalued.

Leases (continued)

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.

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.

**TAMALA PARK REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

11. REVALUATION SURPLUS

	2020 Opening Balance	2020 Revaluation Increment	2020 Revaluation (Decrement)	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 - 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

Movements on revaluation of property, plant and equipment (including infrastructure) are attributed to Other Property and Services.

12. TRADE AND OTHER PAYABLES

Current

Sundry creditors
 Accrued salaries and wages
 ATO liabilities
 Accrued expenses

	2020	2019
	\$	\$
	2,903	19,964
	17,341	13,350
	17,285	30,403
	5,545	6,000
	43,074	69,717

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

13. LEASE LIABILITIES

	2020	2019
	\$	\$
(a) Lease Liabilities		
Current	34,870	0
Non-current	20,550	0
	55,420	0

(b) Movements in Carrying Amounts

Purpose	Lease Number	Institution	Lease Interest Rate	Lease Term	Actual	30 June 2020	30 June 2020	30 June 2020	Budget	30 June 2020	30 June 2020	30 June 2020	Actual	30 June 2019	30 June 2019	30 June 2019	
					Lease Principal 1 July 2019	Actual Lease Principal Repayments	Actual Lease Principal Outstanding	Actual Lease Interest Repayments	Lease Principal 1 July 2019	Budget Lease Principal Repayments	Budget Lease Principal Outstanding	Budget Lease Interest Repayments	Lease Principal 1 July 2018	Actual Lease Principal Repayments	Actual Lease Principal Outstanding	Actual Lease Interest Repayments	
					\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Other property and services																	
Unit 2, 369 Scarborough Beach Road, Innaloo	STIRLI/170672	City of Stirling	1.30%	36	89,622	34,202	55,420	957	0	0	0	0	0	0	0	0	0
					89,622	34,202	55,420	957	0	0	0	0	0	0	0	0	0

**TAMALA PARK REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

14. INFORMATION ON BORROWINGS (Continued)

	2020	2019
	\$	\$
(b) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	0	0
Bank overdraft at balance date	0	0
Credit card limit	6,000	6,000
Credit card balance at balance date	(665)	(612)
Total amount of credit unused	5,335	5,388
Lease liabilities		
Lease liabilities - current	34,870	0
Lease liabilities - non-current	20,550	0
Total facilities in use at balance date	55,420	0

Unused loan facilities at balance date

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 21.

15. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

Opening balance at 1 July 2019

Current provisions
Non-current provisions

Additional provision
Amounts used

Balance at 30 June 2020

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 2019	167,957	88,612	256,569
Current provisions	0	5,719	5,719
Non-current provisions	167,957	94,331	262,288
Additional provision	46,499	13,791	60,290
Amounts used	(46,078)	0	(46,078)
Balance at 30 June 2020	168,378	108,122	276,500
Comprises			
Current	168,378	98,704	267,082
Non-current	0	9,418	9,418
	168,378	108,122	276,500

	2020 \$	2019 \$
Less than 12 months after the reporting date	0	0
More than 12 months from reporting date	279,307	265,874
Expected reimbursements from other WA local governments	(2,807)	(3,586)
	276,500	262,288

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 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

The Regional Council'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 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.

Other long-term employee benefits (Continued)

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.

16. 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:

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Cash and cash equivalents	27,725,770	30,476,273	41,210,001
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	(160,395)	(331,462)	19,749
Non-cash flows in Net result:			
Depreciation on non-current assets	55,288	25,578	10,564
(Profit)/loss on sale of asset	0	0	5,852
Changes in assets and liabilities:			
(Increase)/decrease in receivables	58,527	50,557	150,892
(Increase)/decrease in inventories	0	0	200,000
Increase/(decrease) in payables	(26,643)	(39,716)	20,288
Increase/(decrease) in provisions	14,212	0	16,463
Net cash from operating activities	(59,011)	(295,043)	423,808

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019
	\$	\$
General purpose funding	47,172,283	45,920,816
Other property and services	102,611	123,283
	<u>47,274,894</u>	<u>46,044,099</u>

18. CAPITAL AND LEASING COMMITMENTS

(a) Contractual Commitments

As at 30 June 2020, the Regional Council had accepted 25 contracts with a total sale price of \$7,627,500.

(b) Operating Lease Commitments

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

Payable:

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

	2020	2019
	\$	\$
	0	35,159
	0	56,020
	0	91,179

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 Regional Council, 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.

19. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Meeting fees	131,343	142,786	132,339
Chairman's allowance	19,963	21,391	19,864
Deputy Chairman's allowance	4,991	5,348	4,966
	<u>156,297</u>	<u>169,525</u>	<u>157,169</u>

Key Management Personnel (KMP) Compensation Disclosure

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

	2020 Actual	2019 Actual
	\$	\$
Short-term employee benefits	326,475	446,424
Post-employment benefits	25,000	36,107
Other long-term benefits	10,092	10,819
	<u>361,567</u>	<u>493,350</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 Regional Council's superannuation contributions made during the year.

Other long-term benefits

These amounts represent long service benefits accruing during the year.

19. RELATED PARTY TRANSACTIONS (Continued)

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.

The following transactions occurred with related parties:	2020 Actual	2019 Actual
	\$	\$
Rent paid	39,501	48,249
Land development expenses	(4,682,550)	(4,961,672)
Proceeds from sale of land	9,037,778	9,938,600
Return of contribution	(3,000,000)	(4,000,000)
Amounts outstanding from related parties:		
Trade and other receivables	39,834	95,434
Amounts payable to related parties:		
Trade and other payables	2,730	19,279

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 elected member, are considered key management personnel.

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Regional Council

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.

**TAMALA PARK REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

20. RATE SETTING STATEMENT INFORMATION

	2019/20 (30 June 2020) Carried Forward)	2019/20 Budget (30 June 2020) Carried Forward)	2019/20 (1 July 2019) Brought Forward)	2018/19 (30 June 2019) 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				
	3,699	0	569	569
	0	0	200,000	200,000
9(a)	0	0	5,852	5,852
9(b)	55,288	25,578	10,564	10,564
	58,987	25,578	216,985	216,985
(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				
4	0	10,423,685	0	0
	0	0	0	0
	34,870	0	0	0
	34,870	10,423,685	0	0
Net current assets used in the Rate Setting Statement				
	45,517,277	0	44,320,816	44,320,816
	(345,026)	0	(326,286)	(326,286)
	34,870	10,423,685	0	0
	45,207,121	10,423,685	43,994,530	43,994,530

21. 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
Market risk - interest rate	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
Credit risk	Cash and cash equivalents, trade receivables, financial assets and	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

(a) Interest rate risk

Cash and cash equivalents

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
	%	\$	\$	\$	\$
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
2019					
Cash and cash equivalents	2.43%	41,210,001	37,443,627	3,766,374	0
Financial assets at amortised cost	2.60%	3,010,258	3,010,258	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.

	2020	2019
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	26,925	37,664

* Holding all other variables constant

21. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

The level of outstanding receivables is reported to Council bi-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.

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. 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
30 June 2020					
Trade and other receivables					
Expected credit loss					
Gross carrying amount	39,833	0	0	0	39,833
30 June 2019					
Trade and other receivables					
Expected credit loss					
Gross carrying amount	64,726	4,669	6,794	19,423	95,612

21. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables

The contractual undiscounted cash flows of the Regional Council's Payables 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
	\$	\$	\$	\$	\$
<u>2020</u>					
Payables	43,074	0	0	43,074	43,074
Lease liabilities	35,381	20,639	0	56,020	55,420
	78,455	20,639	0	99,094	98,494
<u>2019</u>					
Payables	69,716	0	0	69,716	69,717
	69,716	0	0	69,716	69,717

22. INITIAL APPLICATION OF AUSTRALIAN 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.

(a) AASB 15: Revenue from Contracts with Customers

The Regional Council adopted AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. The change in accounting policy had no impact on existing balances at the date of initial application (1 July 2019). In accordance with the transition provisions AASB 15, the Regional Council adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019.

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

The Regional Council 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 Regional Council adopted the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. The change in accounting policy had no impact on existing balances at the date of initial application (1 July 2019).

(c) AASB 16: Leases

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

	<u>Note</u>	<u>2020</u>
		\$
Operating lease commitments at 30 June 2019 applying AAS 117		91,179
Discount applied using incremental borrowing rate		<u>(1,557)</u>
Lease liability recognised as 1 July 2019 discounted using the Regional Council's incremental borrowing rate of 1.3%	13(b)	89,622
Lease liability - current		35,381
Lease liability - non-current		<u>54,241</u>
Right-of-use assets recognised at 1 July 2019		89,622

In applying AASB 16 for the first time, the Regional Council will use the following practical expedient permitted by the standard.
- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

TAMALA PARK REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

23. 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. enforced) 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 ends of the reporting period.

**TAMALA PARK REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

24. 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

25. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	131.92	135.83	152.01
Asset consumption ratio	0.70	0.84	0.79
Asset renewal funding ratio	1.58	2.07	1.83
Asset sustainability ratio	0.00	2.10	0.00
Debt service cover ratio	N/A	N/A	N/A
Operating surplus ratio	(0.21)	0.02	0.16
Own source revenue coverage ratio	0.83	1.01	1.17

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE TAMALA PARK REGIONAL COUNCIL

Report on the Financial Report

Opinion

We have audited the financial report of the Tamala Park Regional Council, 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 our opinion, the financial report of the Tamala Park Regional Council is in accordance with the underlying records of the Council, including:

- a) giving a true and fair view of the Council's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australia Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

Basis for Opinion

We have conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the Council in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical requirements in accordance with the Code.

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

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information in the Council's annual report for the year ended 30 June 2020 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Council's Responsibility for the Financial Report

The Council is responsible for the preparation of the financial report which gives a true and fair view in accordance with Australian Accounting Standards (including Australia Accounting Interpretations), the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal control as the Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australia Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain and understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors.
- Conclude on the appropriateness of Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Council with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Reporting on Other Legal and Regulatory Requirements

In accordance with the Local Government (audit) Regulations 1996, we also report that:

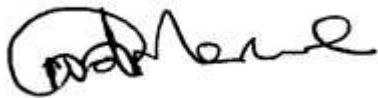
- a) There are no material matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Council.
- b) The following material matter indicates non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were identified during the course of my audit:
 - i) Local Government (Financial Management) Regulations 1996 Regulation 34(4) requires the monthly Statement of Financial Activity and the accompanying documents to be presented at an ordinary meeting of Council within two months after the end of the month to which the statement relates. We note that the Council has not complied with this requirement as six of the twelve monthly statements were not presented in the required timeframe.

- c) All information and explanations required were obtained by us.
- d) All audit procedures were satisfactorily completed in conducting our audit.
- e) In our opinion, the asset renewal ratio and asset consumption ratio in the annual financial report was supported by verifiable information and reasonable assumptions.

Matters Relating to the Electronic Publication of the Audited Financial Report

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

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA
Director

Perth
Date: 9 September 2020