

TAMALA PARK REGIONAL COUNCIL
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

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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
PO Box 655

INNALOO
WA 6918

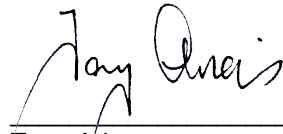
**TAMALA PARK REGIONAL COUNCIL
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed as authorisation of issue on the 23rd day of August 2018



Tony Arias
Chief Executive Officer

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

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
Interest earnings	2(a)	1,059,875	793,512	1,245,826
Other revenue		9,184	2,035	4,940
		<u>1,069,059</u>	<u>795,547</u>	<u>1,250,766</u>
Expenses				
Employee costs		(569,806)	(751,838)	(593,777)
Materials and contracts		(131,362)	(482,916)	(193,542)
Utility charges		0	(6,450)	0
Depreciation on non-current assets	8(b)	(20,153)	(21,212)	(17,942)
Insurance expenses		(10,894)	(10,469)	(10,227)
Other expenditure		(170,341)	(181,955)	(155,148)
		<u>(902,556)</u>	<u>(1,454,840)</u>	<u>(970,636)</u>
Total comprehensive income		<u>166,503</u>	<u>(659,293)</u>	<u>280,130</u>

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

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

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
Revenue	2(a)			
General purpose funding		1,059,875	793,512	1,245,826
Other property and services		9,184	2,035	4,940
		<u>1,069,059</u>	<u>795,547</u>	<u>1,250,766</u>
Expenses	2(b)			
Governance		(166,839)	(181,955)	(155,101)
Other property and services		(735,717)	(1,272,885)	(815,535)
		<u>(902,556)</u>	<u>(1,454,840)</u>	<u>(970,636)</u>
Total comprehensive income		<u>166,503</u>	<u>(659,293)</u>	<u>280,130</u>

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

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

	NOTE	2018	2017
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	43,846,407	39,213,368
Trade and other receivables	5	251,449	310,892
TOTAL CURRENT ASSETS		44,097,856	39,524,260
NON-CURRENT ASSETS			
Inventories	6	1,800,000	1,800,000
Property, plant and equipment	7	129,727	149,880
TOTAL NON-CURRENT ASSETS		1,929,727	1,949,880
TOTAL ASSETS		46,027,583	41,474,140
CURRENT LIABILITIES			
Trade and other payables	10	49,429	54,337
Provisions	12	240,675	223,745
TOTAL CURRENT LIABILITIES		290,104	278,082
NON-CURRENT LIABILITIES			
Provisions - Employee long service leave	12	5,150	2,597
TOTAL NON-CURRENT LIABILITIES		5,150	2,597
TOTAL LIABILITIES		295,254	280,679
NET ASSETS		45,732,329	41,193,461
EQUITY			
Retained surplus		1,803,230	1,636,727
Members contributed equity	4	43,922,746	39,550,381
Revaluation surplus	9	6,353	6,353
TOTAL EQUITY		45,732,329	41,193,461

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

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

	NOTE	RETAINED SURPLUS	CONTRIBUTED EQUITY	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2016		1,356,597	47,857,620	6,353	49,220,570
Comprehensive income					
Net result		280,130	0	0	280,130
Changes on revaluation of assets	9	0	0	0	0
Total comprehensive income		280,130	0	0	280,130
Members contributions	4	0	2,692,761	0	2,692,761
Return of contributions	4	0	(11,000,000)	0	(11,000,000)
Balance as at 30 June 2017		1,636,727	39,550,381	6,353	41,193,461
Comprehensive income					
Net result		166,503	0	0	166,503
Changes on revaluation of assets	9	0	0	0	0
Total comprehensive income		166,503	0	0	166,503
Members contributions	4	0	8,372,365	0	8,372,365
Return of contributions	4	0	(4,000,000)	0	(4,000,000)
Balance as at 30 June 2018		1,803,230	43,922,746	6,353	45,732,329

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

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

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Interest earnings		1,103,965	819,753	1,245,826
Goods and services tax		0	0	25,767
Other revenue		24,727	29,302	98,347
		<u>1,128,692</u>	<u>849,055</u>	<u>1,369,940</u>
Payments				
Employee costs		(550,056)	(751,839)	(543,306)
Materials and contracts		(136,537)	(493,920)	(214,592)
Utility charges		0	(6,450)	0
Insurance expenses		(10,894)	(10,469)	(10,227)
Goods and services tax		(190)	0	(25,558)
Other expenditure		(170,341)	(181,955)	(155,148)
		<u>(868,018)</u>	<u>(1,444,633)</u>	<u>(948,831)</u>
Net cash provided by (used in) operating activities	13	<u>260,674</u>	<u>(595,578)</u>	<u>421,109</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		0	(26,250)	(79,181)
Proceeds from sale of fixed assets		0	0	42,727
Net cash provided by (used in) investment activities		<u>0</u>	<u>(26,250)</u>	<u>(36,454)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from sale of land		22,035,529	42,133,752	19,933,119
Payments for land development		(16,488,721)	(55,659,496)	(16,955,793)
Return of members contributions and rates equivalent		(1,174,443)	(4,268,725)	(11,284,565)
Net cash provided by (used in) financing activities		<u>4,372,365</u>	<u>(17,794,469)</u>	<u>(8,307,239)</u>
Net increase (decrease) in cash held		4,633,039	(18,416,297)	(7,922,584)
Cash at beginning of year		39,213,368	39,213,368	47,135,952
Cash and cash equivalents at the end of the year	13	<u><u>43,846,407</u></u>	<u><u>20,797,071</u></u>	<u><u>39,213,368</u></u>

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

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

NOTE	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
OPERATING ACTIVITIES			
Net current assets at start of financial year - surplus/(deficit)			
	39,246,178	39,260,668	47,345,854
	39,246,178	39,260,668	47,345,854
Revenue from operating activities (excluding rates)			
General purpose funding	1,059,875	793,512	1,245,826
Other property and services	9,184	2,035	4,940
	1,069,059	795,547	1,250,766
Expenditure from operating activities			
Governance	(166,839)	(181,955)	(155,101)
Other property and services	(735,717)	(1,272,885)	(815,535)
	(902,556)	(1,454,840)	(970,636)
Operating activities excluded			
Movement in employee benefit provisions (non-current)	2,553	0	(54,055)
Depreciation and amortisation on assets	20,153	21,212	17,942
Amount attributable to operating activities	39,435,387	38,622,587	47,589,871
INVESTING ACTIVITIES			
Proceeds from disposal of assets	0	0	42,727
Purchase of property, plant and equipment	0	0	(79,181)
Amount attributable to investing activities	0	0	(36,454)
FINANCING ACTIVITIES			
Proceeds from sale of member land	22,035,529	42,133,752	19,933,119
Land development expenses	(16,488,721)	(55,659,496)	(16,955,793)
Return of members contributions and rates equivalent	(1,174,443)	(4,268,725)	(11,284,565)
Amount attributable to financing activities	4,372,365	(17,794,469)	(8,307,239)
Surplus(deficiency) before general rates	43,807,752	20,828,118	39,246,178
Total amount raised from general rates	0	0	0
Net current assets at June 30 c/fwd - surplus/(deficit)	43,807,752	20,828,118	39,246,178

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

1. BASIS OF PREPARATION

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

THE LOCAL GOVERNMENT REPORTING ENTITY (Continued)

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY Land under roads

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

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

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

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

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

2. REVENUE AND EXPENSES

(a) Revenue

Interest earnings

- Other funds

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
	1,059,875	793,512	1,245,826
	1,059,875	793,512	1,245,826

SIGNIFICANT ACCOUNTING POLICIES

Interest

Interest revenue is recognised using the effective interest method.

3. CASH AND CASH EQUIVALENTS

NOTE	2018	2017
	\$	\$
Unrestricted	43,846,407	39,213,368
	<u>43,846,407</u>	<u>39,213,368</u>

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk

Cash and cash equivalents (Continued)

of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

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

4. MEMBERS CONTRIBUTED EQUITY

	2018 Actual Balance	2018 Budget	2017 Actual Balance
	\$	\$	\$
Town of Victoria Park			
Opening balance	3,295,632	3,295,632	3,987,901
Land development expenses	(1,374,060)	(4,638,291)	(1,412,982)
Proceeds of sale of land	1,836,294	3,511,146	1,661,093
Contributed equity	235,463	(22,394)	(23,714)
Return of contribution	(333,333)	(333,333)	(916,666)
	<u>3,659,996</u>	<u>1,812,760</u>	<u>3,295,632</u>
City of Perth			
Opening balance	3,295,632	3,295,632	3,987,901
Land development expenses	(1,374,060)	(4,638,291)	(1,412,982)
Proceeds of sale of land	1,836,294	3,511,146	1,661,093
Contributed equity	235,463	(22,394)	(23,714)
Return of contribution	(333,333)	(333,333)	(916,666)
	<u>3,659,996</u>	<u>1,812,760</u>	<u>3,295,632</u>
Town of Cambridge			
Opening balance	3,295,632	3,295,632	3,987,901
Land development expenses	(1,374,060)	(4,638,291)	(1,412,982)
Proceeds of sale of land	1,836,294	3,511,146	1,661,093
Contributed equity	235,463	(22,394)	(23,714)
Return of contribution	(333,333)	(333,333)	(916,666)
	<u>3,659,996</u>	<u>1,812,760</u>	<u>3,295,632</u>
City of Joondalup			
Opening balance	6,591,260	6,591,260	7,975,801
Land development expenses	(2,748,120)	(9,276,583)	(2,825,966)
Proceeds of sale of land	3,672,588	7,022,292	3,322,186
Contributed equity	470,926	(44,787)	(47,427)
Return of contribution	(666,667)	(666,667)	(1,833,334)
	<u>7,319,987</u>	<u>3,625,515</u>	<u>6,591,260</u>
City of Wanneroo			
Opening balance	6,591,260	6,591,260	7,975,801
Land development expenses	(2,748,120)	(9,276,583)	(2,825,966)
Proceeds of sale of land	3,672,588	7,022,292	3,322,186
Contributed equity	470,926	(44,787)	(47,427)
Return of contribution	(666,667)	(666,667)	(1,833,334)
	<u>7,319,987</u>	<u>3,625,515</u>	<u>6,591,260</u>

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

4. MEMBERS CONTRIBUTED EQUITY(continued)

	2018 Actual Balance	2018 Budget	2017 Actual Balance
	\$	\$	\$
City of Vincent			
Opening balance	3,295,632	3,295,632	3,987,901
Land development expenses	(1,374,060)	(4,638,291)	(1,412,982)
Proceeds of sale of land	1,836,294	3,511,146	1,661,093
Contributed equity	235,463	(22,394)	(23,714)
Return of contribution	(333,333)	(333,333)	(916,666)
	<u>3,659,996</u>	<u>1,812,760</u>	<u>3,295,632</u>
City of Stirling			
Opening balance	13,185,333	13,185,333	15,954,414
Land development expenses	(5,496,241)	(18,553,166)	(5,651,933)
Proceeds of sale of land	7,345,177	14,044,584	6,644,375
Contributed equity	941,853	(89,575)	(94,855)
Return of contribution	(1,333,334)	(1,333,334)	(3,666,668)
	<u>14,642,788</u>	<u>7,253,842</u>	<u>13,185,333</u>
Total Members Contributions	<u>43,922,746</u>	<u>21,755,912</u>	<u>39,550,381</u>
Opening balance	39,550,381	39,550,381	47,857,620
Land development expenses	(16,488,721)	(55,659,496)	(16,955,793)
Proceeds of sale of land	22,035,529	42,133,752	19,933,119
Contributed equity	2,825,557	(268,725)	(284,565)
Return of contribution	(4,000,000)	(4,000,000)	(11,000,000)
	<u>43,922,746</u>	<u>21,755,912</u>	<u>39,550,381</u>

5. TRADE AND OTHER RECEIVABLES

Current

Sundry debtors
GST receivable
Accrued interest
Settlement bonds

2018	2017
\$	\$
116,124	127,267
2,774	2,584
132,151	176,241
400	4,800
251,449	310,892

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.

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

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

Classification and subsequent measurement

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

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

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

6. INVENTORIES

Non-current

Land held for resale - cost
Cost of acquisition

2018	2017
\$	\$
1,800,000	1,800,000
1,800,000	1,800,000

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 sale

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

Land held for sale (Continued)

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

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

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

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

7 (a). PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	\$	\$
Improvements to Leasehold Property at:		
- Management valuation 2016 - level 3	101,260	101,260
Less: accumulated depreciation	(27,695)	(22,156)
	73,565	79,104
Furniture and equipment at:		
- Management valuation 2016 - level 3	23,250	23,250
Less: accumulated depreciation	(13,849)	(8,997)
	9,401	14,253
Plant and equipment at:		
- At cost	65,016	65,016
Less: accumulated depreciation	(18,255)	(8,493)
	46,761	56,523
Total property, plant and equipment	129,727	149,880

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Improvements to Leasehold Property	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$
Balance at 1 July 2016	84,643	3,998	42,727	131,368
Additions	0	14,165	65,016	79,181
(Disposals)	0	0	(42,727)	(42,727)
Depreciation (expense)	(5,539)	(3,910)	(8,493)	(17,942)
Carrying amount at 30 June 2017	79,104	14,253	56,523	149,880
Depreciation (expense)	(5,539)	(4,852)	(9,762)	(20,153)
Carrying amount at 30 June 2018	73,565	9,401	46,761	129,727

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Improvements to Leasehold Property	Level 3	Management	Depreciated replacement cost	June 2016	Residual values and remaining useful life assessments.
Furniture and equipment	Level 3	Management	Observable open market value	June 2016	Residual values and remaining useful life assessments.
Plant and equipment	Level 3	Management	Observable open market value	June 2016	Market price per item

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 level 3 inputs.

FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the 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 every three years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

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

Land under control

In accordance with *Local Government (Financial Management) Regulation 16(a)(ii)*, the 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.

8. FIXED ASSETS

(a) Disposals of Assets

The Council did not dispose any any assets during the year ended 30 June 2018.

(b) Depreciation

	2018	2017
	\$	\$
Improvements to Leasehold Property	5,539	5,539
Furniture and equipment	4,852	3,910
Plant and equipment	9,762	8,493
	20,153	17,942

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

- a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Depreciation rates

Major depreciation periods used for each class of depreciable asset are:

Improvements to leasehold property	8 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 12 years

Depreciation (Continued)

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.

9. REVALUATION SURPLUS

	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	2018 Total Movement on Revaluation	2018 Closing Balance	2017 Opening Balance	2017 Revaluation Increment	2017 Revaluation (Decrement)	2017 Total Movement on Revaluation	2017 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

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

10. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Accrued salaries and wages
ATO liabilities
FBT Liabilities
Accrued Expenses

	2018	2017
	\$	\$
	13,423	21,211
	12,619	12,591
	14,427	14,188
	3,495	1,622
	5,465	4,725
	49,429	54,337

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 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.

11. INFORMATION ON BORROWINGS

Undrawn Borrowing Facilities

Credit Standby Arrangements

Credit card limit
Credit card balance at balance date
Total amount of credit unused

	2018	2017
	\$	\$
	6,000	6,000
	(299)	(1,741)
	5,701	4,259

12. PROVISIONS

Opening balance at 1 July 2017

Current provisions
Non-current provisions

Additional provision
Balance at 30 June 2018

Comprises

Current
Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Current provisions	141,415	82,330	223,745
Non-current provisions	0	2,597	2,597
	141,415	84,927	226,342
Additional provision	5,184	14,299	19,483
Balance at 30 June 2018	146,599	99,226	245,825
Comprises			
Current	146,599	94,076	240,675
Non-current	0	5,150	5,150
	146,599	99,226	245,825

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

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate

Other long-term employee benefits (Continued)

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. 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.

13. 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:

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Cash and cash equivalents	43,846,407	20,797,071	39,213,368
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	166,503	(659,293)	280,130
Non-cash flows in Net result:			
Depreciation	20,153	21,212	17,942
Changes in assets and liabilities:			
(Increase)/decrease in receivables	59,443	62,584	93,616
Increase/(decrease) in payables	(4,908)	(20,081)	(18,838)
Increase/(decrease) in provisions	19,483	0	48,259
Net cash from operating activities	260,674	(595,578)	421,109

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

14. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2018	2017
	\$	\$
Other property and services	129,727	149,880
Unallocated	45,897,856	41,324,260
	46,027,583	41,474,140

15. CAPITAL AND LEASING COMMITMENTS

Operating Lease Commitments

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

	2018	2017
	\$	\$
Payable:		
- not later than one year	35,000	35,000
- later than one year but not later than five years	105,000	140,000
	140,000	175,000

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 amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leases (Continued)

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

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

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

16. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Meeting Fees	131,395	136,004	127,778
Chairman's allowance	19,864	20,361	19,815
Deputy Chair's allowance	4,966	5,090	4,954
	<u>156,225</u>	<u>161,455</u>	<u>152,547</u>

Key Management Personnel (KMP) Compensation Disclosure

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

	2018	2017
	\$	\$
Short-term employee benefits	426,474	424,827
Post-employment benefits	34,500	39,047
Other long-term benefits	10,312	39,600
	<u>471,286</u>	<u>503,474</u>

Short-term employee benefits

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

Post-employment benefits

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

The following transactions occurred with related parties:

	2018	2017
	\$	\$
Transactions during the year:		
Rent paid	38,986	38,666
Land development expenses	(16,488,721)	(16,955,793)
Proceeds of sale of land	22,035,529	19,933,119
Amounts outstanding from related parties:		
Trade and other receivables	116,124	127,267
Amounts payable to related parties:		
Trade and other payables	12,961	18,317

Related Parties

Transactions during the year - refer to Note 4

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. 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.

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

17. NET CURRENT ASSETS

Composition of net current assets

	2018 2018 Carried Forward)	2018 (1 July 2017 Brought Forward)	2017 (30 June 2017 Carried Forward)
	\$	\$	\$
Surplus/(Deficit) 1 July 17 brought forward	43,807,752	39,246,178	39,246,178
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	43,846,407	39,213,368	39,213,368
Sundry debtors	116,124	127,267	127,267
GST receivable	2,774	2,584	2,584
Accrued interest	132,151	176,241	176,241
Settlement bonds	400	4,800	4,800
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(13,423)	(21,211)	(21,211)
Accrued salaries and wages	(12,619)	(12,591)	(12,591)
ATO liabilities	(14,427)	(14,188)	(14,188)
FBT Liabilities	(3,495)	(1,622)	(1,622)
Accrued Expenses	(5,465)	(4,725)	(4,725)
Provisions			
Provision for annual leave	(146,599)	(141,415)	(141,415)
Provision for long service leave	(94,076)	(82,330)	(82,330)
Unadjusted net current assets	43,807,752	39,246,178	39,246,178
Adjusted net current assets - surplus/(deficit)	43,807,752	39,246,178	39,246,178

Difference

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

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

18. FINANCIAL RISK MANAGEMENT

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

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 Regional Council.

The Regional Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	43,846,407	39,213,368	43,846,407	39,213,368
Receivables	251,449	310,892	251,449	310,892
	<u>44,097,856</u>	<u>39,524,260</u>	<u>44,097,856</u>	<u>39,524,260</u>
Financial liabilities				
Payables	49,429	54,337	49,429	54,337
	<u>49,429</u>	<u>54,337</u>	<u>49,429</u>	<u>54,337</u>

Fair value is determined as follows:

Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.

18. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

The Regional Council's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash portfolio. The Regional Council has an Investment Policy and the Policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

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

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

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

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

	2018	2017
Impact of a 1% ⁽¹⁾ movement in interest rates on cash	\$	\$
- Equity	441,776	392,134
- Statement of Comprehensive Income	441,776	392,134

Notes:

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

18. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

The Regional Council's major receivables comprise interest, goods and services tax and general de
The major risk associated with these receivables is credit risk – the risk that the debts may not
be repaid. The Regional Council manages this risk by monitoring outstanding debt and employing de
recovery policies.

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

The Regional Council makes suitable provision for doubtful receivables as required and carries out
credit checks on debtors.

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

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

	2018	2017
Percentage of other receivables		
- Current	41.25%	43.31%
- Overdue	6.19%	0.00%

18. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The 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 and overdraft facilities drawn upon if required.

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<u>2018</u>					
Payables	49,429	0	0	49,429	49,429
	49,429	0	0	49,429	49,429
<u>2017</u>					
Payables	54,337	0	0	54,337	54,337
	54,337	0	0	54,337	54,337

19. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS

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

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

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

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

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

Title	Issued / Compiled	Applicable (1)	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services. <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Regional Council's operations.</p>

Notes:

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

Adoption of New and Revised Accounting Standar

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.

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

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

20. ACTIVITIES/PROGRAMS

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

PROGRAM NAME	OBJECTIVE	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.

21. 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

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the 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 even if not expected to be realised in the next 12 months except for land held for sale where it is held as 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 statement, 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 an asset at its current service capacity.

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 such as roads, drains, public buildings and the like, no annual assessment 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.

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

22. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	152.01	142.13	244.29
Asset consumption ratio	0.68	0.79	0.66
Asset renewal funding ratio	1.83	1.99	1.57
Asset sustainability ratio	0.00	1.60	0.08
Debt service cover ratio	0.00	0.00	0.00
Operating surplus ratio	0.16	0.23	0.35
Own source revenue coverage ratio	1.17	1.28	1.56

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

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

Report on the Financial Report

Opinion

We have audited the financial report of Tamala Park Regional Council (Council), which comprises the statement of financial position as at 30 June 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by the Chief Executive Officer.

In our opinion, the financial report of 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 2018 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australian 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 Regional 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 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 – Ratio Information

Without modifying our opinion, we draw attention to Note 22 Financial Ratios, which describes the Asset Consumption Ratio and the Asset Renewal Funding Ratio. Management's calculation of these ratios includes assumptions about future capital expenditure and hence falls outside our audit scope. We do not therefore express an opinion on these ratios.

However, we have reviewed the calculations as presented and in our opinion these are based on verifiable information and appear reasonable.

Other Information

Council is responsible for the other information. The other information comprises the information in the Regional Council's annual report for the year ended 30 June 2018 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 this other information, we are required to report that fact. We have nothing to report in this regard.

Council's Responsibility for the Financial Report

Council is responsible for the preparation of the financial report which gives a true and fair view in accordance with Australian Accounting Standards (including Australian 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 Australian 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 Regional 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, related safeguards.

Reporting on Other Legal and Regulatory Requirements

We did not, during the course of our audit, become aware of any instances where the Council did not comply with the statutory requirements of the Local Government Act (1995) (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

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

- a) Apart from the asset sustainability ratio there are no material matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Regional Council.
- b) The Council substantially complied with Part 6 of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).
- c) All information and explanations required were obtained by us.
- d) All audit procedures were satisfactorily completed in conducting our audit.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA
Director

Perth

Date: 23 August 2018