Tropical Council

Illustrated Financial Statements

for the year ended 30 June 2016

Version 2

These financial statements are illustrative only and there is no obligation for local governments to prepare financial statements in this format.

There are many ways councils can prepare financial statements which comply with the legislative requirements and these cannot all be demonstrated in the Tropical Council model.

Councils' financial statements should reflect each individual council's circumstances and operational characteristics. Councils are encouraged to review the materiality of disclosures with a view to simplifying financial statements.

Tuesday, 21 March 2016

Key to colour coding	
Changes from previous year	
Commentary	
Formulas	
Provisional / Early advice	

Queensland Government

Tropical Council
Financial statements
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Foreword

The Tropical Financial Statements (Tropical) are produced by the Department of Infrastructure, Local Government and Planning (the Department) to assist accounting practitioners in Queensland local government to prepare financial statements which comply with the requirements of Australian Accounting Standards and relevant legislation.

Councils should note that:

Tropical is for GUIDANCE ONLY and is not mandatory. It should be amended to reflect an individual council's circumstances and operational characteristics.

Tropical does not cover every possible accounting scenario and instead provides example disclosures of transactions typically encountered by councils.

Councils are responsible for ensuring that their financial statements comply with relevant legislation including Australian Accounting Standards.

When determining what information to disclose in financial statements, councils should consider reliability, relevance and understandability to users of the financial statements.

When determining whether a particular disclosure or accounting treatment should be undertaken, councils should also consider materiality. The term "material" is defined in AASB 101 Presentation of Financial Statements (AASB 101.7) and further guidance can be found in AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (AASB 108.5) and the Framework for the Preparation and Presentation of Financial Statements (paragraph QC11).

Legislative framework for preparation of annual financial statements

The *Local Government Act 2009* and *Local Government Regulation 2012 (City of Brisbane Act 2010* and *City of Brisbane Regulation 2012* for Brisbane City Council) apply to the preparation of financial statements for the 2015-16 financial year.

Section 176 of the *Local Government Regulation 2012* (S168 of the *City of Brisbane Regulation 2012*) requires Councils to prepare three different financial statements as follows:

- a general purpose financial statement
- a current-year financial sustainability statement; and
- a long-term financial sustainability statement

All of these financial statements are illustrated in Tropical.

Section 177 of the *Local Government Regulation 2012* (S169 of the *City of Brisbane Regulation 2012*) requires councils to prepare general purpose financial statements in accordance with Australian Accounting Standards, Statements of Accounting Concepts, Interpretations and Framework for the Preparation and Presentation of Financial Statements.

Use and application of Tropical 2015-16

Application to all Queensland local governments

The Tropical for the year ended 30 June 2016 (Tropical) have been designed to cater for all Queensland local governments.

Tropical usability features

Arithmetic functionality and using Tropical as a data entry model

Tropical is not intended to be used as a model that will calculate and balance ALL amounts in a council's financial statements. Some arithmetic functionality is included to help demonstrate the relationships of the numbers in Tropical and to assist councils who use the model as a starting point to develop their own reporting format. Some additional calculations are required if using Tropical as a template for producing a set of council statements e.g. completing the Statement of Cash Flows.

Calculated cells are shaded in pale yellow. This shading should be removed before publication by selecting each sheet and applying "No Fill" to the whole sheet.

If using Tropical as a template, do NOT delete amounts that are not applicable, as this will also delete formulas in the model. Instead a zero amount should be entered and the row should be hidden.

Commentary

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Text which is shaded in blue provides commentary to assist in the preparation of the financial statements. Councils should NOT include this information in their financial statements.

Source references
Each Tropical worksheet includes a column on the left which lists the source references. Councils should NOT include these references in their financial statements.

Mandatory versus optional disclosures
Some disclosures in Tropical are not mandatory requirements but are instead additional disclosures which may enhance the relevance and useability of the financial statements for users. These disclosures are marked as "Not mandatory" in the Source Reference column. Councils should use their discretion as to whether these additional disclosures will add value.

Rounding
Figures in Tropical have not been rounded to the nearest $1000. Whether or not rounding occurs is at the discretion of each council and will depend on the quantum of the amounts disclosed in the financial statements. Usually rounding will be more appropriate for larger councils.

Additional statements and disclosures
An Appropriation Statement, Capital Funding Statement and Comparison of Actual to Budget are not recognised as components of a complete set of financial statements as per AASB 101 Presentation of Financial Statements nor are they required to be provided under legislation. For this reason examples of these reports have not been included in Tropical. If councils intend to include this information in their financial reports then it should only be included by way of note and suitable descriptions would need to be included to explain the basis for preparation of these additional disclosures.

Signing of official certificate and presentation of financial statements for auditing

Section 212 of the *Local Government Regulation 2012* (S202 of the *City of Brisbane Regulation 2012*) requires a local government's general purpose financial statement and current-year financial sustainability statement to be given to the Auditor-General for auditing. The council must provide the statements by a date agreed with the Auditor-General, and that date must allow for the audit of the statements to be completed by 31 October of the next financial year. The general purpose financial statement must be accompanied by an official certificate of the local government stating that the local government considers the financial statements have been prepared in accordance with the prescribed requirements and present a true and fair view of the local government's transactions for the financial year and financial position at the end of the year. The certificate must be in the approved form. A copy of the approved form, called a Management Certificate, is included in Tropical. Councils must ensure that this certificate is signed and accompanies the financial statements that are presented for audit.

The legislation also requires certificates to be given to the Auditor-General, in the approved form, certifying that the current-year financial sustainability statement and the long-term financial sustainability statements have been accurately calculated. Tropical includes a copy of these forms.

The long-term financial sustainability statement must be given to the Auditor-General for information purposes. The *Local Government Regulation 2012* (*City of Brisbane Regulation 2012*) does not require this statement to be audited.

Other resources

Legislation can be viewed at www.legislation.qld.gov.au
Australian Accounting Standards can be viewed at www.aasb.com.au
Departmental local government Bulletins on a range of accounting issues can be viewed at http://dilgp.qld.gov.au/bulletins/local-government/about-us/local-government-bulletins.html

Feedback

All feedback and comments are welcomed. Please provide comments to:

Department of Infrastructure, Local Government and Planning
Finance and Funding
PO Box 15009 City East Qld 4002 Australia
Phone: 07 3452 6721

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Notes on simplification

Accounting Standard AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]* will apply in the 2016-17 financial year. This Standard amends AASB 101 *Presentation of Financial Statements* and seeks to improve financial reporting primarily through providing flexibility in the ordering of notes, the location of significant accounting policies within those notes and also emphasises only including material note disclosures.

This standard has not been adopted in preparing this year's Tropical. However councils are encouraged to consider early adopting the standard, or at least make some changes to prepare for its adoption.

Key issues for consideration include:

Item	Simplification	Example
Primary Statements	Eliminate note references to immaterial notes	
Notes to the financial statements	Remove insignificant notes and associated policy notes	Inventories are usually immaterial for councils
Note 1 Significant Accounting Policies	Relocate relevant policy notes to associated note disclosure	In Tropical, note 1.K Cash and cash equivalents could be moved under Note 11 Cash and cash equivalents
Note 40 Financial Instruments	Relocate financial instrument disclosure to associated note disclosure	In Tropical, the cash and cash equivalents disclosure included in note 40 could be moved under Note 11 Cash and cash equivalents
Throughout	Eliminate duplication	It looks like there is duplication on cash and cash equivalents when we co-locate the current disclosure in tropical !
Throughout	Remove information that simply repeats the standards. When deciding whether an accounting policy should be disclosed consider the matters outlined in AASB 101.119	In Tropical Note 1.V the disclosure about operating leases simply paraphrases AASB117.33. it doesn't represent a policy position.
Throughout	Use plain english	In Tropical Note 1.L could begin " Receivables represent amounts owed to council at year end…" This policy note could also be moved to note 12.

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Note: the Following Documents must be included in Council's Annual Report with the audited General Purpose Financial Statements. Care must be taken to ensure that the financial statements, management certificate and Independent Auditor's Report are presented together in the annual Report. Similiarly the Current-Year and Long-Term Financial Sustainability Statements need to be accompanied by their respective Certificates of Accuracy and, in the case of the Current-Year Financial Sustainability Statement, the Independent Auditor's Report on that statement.

Source Reference

AASB 101.10(b), 81A - 105

Tropical Council
Statement of Comprehensive Income
For the year ended 30 June 2016

Source Reference		Note	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
AASB 101.85	**Income**					
AASB 101.82(a)	**Revenue**					
	Recurrent revenue					
	Rates, levies and charges	3(a)	7,481,626	7,303,037	7,481,626	7,303,037
	Fees and charges	3(b)	2,301,193	2,064,321	501,193	564,321
	Rental income	3(c)	10,400	10,400	10,400	10,400
AASB 118.35(b)	Interest received	3(d)	301,446	285,595	350,046	336,895
AASB 118.35(b)	Sales revenue	3(e)	640,000	530,000	640,000	530,000
AASB 101.82(c)	Profit from investments	3(f)	54,286	36,571	54,286	36,571
ATSI councils - 40 Year Lease	Other income	3(g)	988,776	973,714	1,091,450	1,080,914
	Grants, subsidies, contributions and donations	4(a)	3,230,845	1,523,121	3,230,845	1,523,121
Financial Management (Sustainability Guideline) 2013			15,008,572	12,726,759	13,359,846	11,385,259
	Capital revenue					
AASB 1004.18(a) ATSI Council 40 year lease	Grants, subsidies, contributions and donations	4(b)	1,237,578	347,529	1,237,578	347,529
AASB 101.85	Other capital income	5	481,183	127,690	488,800	127,690
	Total capital revenue		1,718,761	475,219	1,726,378	475,219
	Total income		16,727,333	13,201,978	15,086,224	11,860,478
AASB 101.85 & 99	**Expenses**					
	Recurrent expenses					
	Employee benefits	6	(5,879,043)	(5,194,161)	(4,628,499)	(4,294,161)
	Materials and services	7	(5,305,461)	(4,206,662)	(4,985,460)	(3,896,663)
AASB 101.82(b)	Finance costs	8	(833,325)	(1,039,951)	(833,325)	(1,039,951)
AASB 116.48	Depreciation and amortisation	9	(3,761,073)	(3,994,983)	(3,725,712)	(3,961,631)
			(15,778,902)	(14,435,757)	(14,172,996)	(13,192,406)
	Capital expenses	10	(2,374,723)	(348,348)	(2,374,723)	(348,348)
	Total expenses		(18,153,625)	(14,784,105)	(16,547,719)	(13,540,754)
AASB 101.81A(a)	**Net result**		(1,426,292)	(1,582,127)	(1,461,495)	(1,680,276)
	Other comprehensive income					
AASB 101.82A(a)	**Items that will not be reclassified to net result**					
AASB 101.7 AASB 116. Aus 39.1	Increase / (decrease) in asset revaluation surplus	26	2,270,683	120,682	2,186,955	47,694
AASB 101.82A	Share of Comprehensive Income of associates		-	-	-	-
AASB 101 82A(b)	**Items that may be subsequently reclassified to net result**					
AASB 101.7 & AASB 101.94	Available-for-sale-financial assets		-	-	-	-
	Current year gains/ (losses)					
	Reclassification to net result		-	-	-	-
AASB 101.7	Cash flow hedging					
	Current year gains/ (losses)		-	-	-	-
AASB101.94	Reclassification to net result		-	-	-	-
AASB 101.81A(b)	**Total other comprehensive income for the year**		2,270,683	120,682	2,186,955	47,694
AASB 101.81A(c)	**Total comprehensive income for the year**		844,391	(1,461,445)	725,460	(1,632,582)

The above statement should be read in conjunction with the accompanying notes and Significant Accounting Policies.

Source Reference	
AASB 101.10(b), 81A - 105	**Tropical Council** **Statement of Comprehensive Income** For the year ended 30 June 2016
Not mandatory	**Distinction between capital and recurrent** The Statement of Comprehensive Income includes separate categories for capital and recurrent income and expenses. The concept of recurrent (or operating) versus capital has been used by many councils in the Queensland local government sector in the past. However it is not required by local government legislation or Australian Accounting Standards.
Financial Management (sustainability) Guideline 2013	A separation between capital and recurrent revenue and expenditure is suggested to assist in calculating the operating surplus ratio as described in the the Financial Management (Sustainability) Guideline 2013. This Guideline is published by the Department of Infrastructure, Local Government and Planning.
	Discontinuing operations
AASB 101.82(ea)	Where council has discontinuing operations, the total profit or loss from discontinued operations also needs to be separately disclosed in the Statement of Comprehensive Income.
	Disclosure of gains and losses on disposal of assets
AASB Framework.78 & 80	The AASB Framework document (para 78 and 80) says that losses, including those arising on the disposal of non-current assets, form part of expenses and should be disclosed as such. Therefore if council's net "gain/loss on disposal" is a loss, then this should be disclosed under Expenses.
AASB Framework.74 -77	Where the net gain / loss on disposal is a gain, this amount should be reported in Income as a gain (separate to revenue).
AASB 101	**Requirements of AASB 101** Below are relevant extracts from AASB 101 with respect to the Statement of Comprehensive Income.
AASB 101.10	10 A complete set of financial statements comprises: (a) a Statement of Financial Position as at the end of the period (b) a Statement of Profit or Loss and Other Comprehensive Income for the period (c) a Statement of Changes in Equity for the period (d) a Statement of Cash Flows for the period (e) notes, comprising a summary of significant accounting policies and other explanatory information (ea) comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and (f) a Statement of Financial Position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements. An entity may use titles for the statements other than those used in this Standard, For example, an entity may use the title "statement of comprehensive income" instead of "statement of profit or loss and other comprehensive income"
AASB 101.10A	An entity may present a single statement of profit or loss and other comprehensive income, with profit or loss and other comprehensive income presented in two sections. The sections shall be presented together, with the profit or loss section presented first followed directly by the other comprehensive income section. An entity may present the profit or loss section in a separate statement of profit or loss. If so, the separate statement of profit or loss shall immediately precede the statement presenting comprehensive income, which shall begin with profit or loss.
AASB 101.82	82 In addition to items required by other Australian Accounting Standards, the profit or loss section or the statement of profit or loss shall include line items that present the following amounts for the period: (a) revenue (b) finance costs (c) share of the profit or loss of associates and joint ventures accounted for using the equity method (d) tax expense (ea) a single amount for the total of discontinued operations (see AASB 5).
AASB 101.81B	81B An entity shall present the following items, in addition to the profit or loss and other comprehensive income sections, as an allocation of profit or loss and other comprehensive income for the period: (a) profit or loss for the period attributable to: (i) non-controlling interests; and (ii) owners of the parent; and (b) Comprehensive Income for the period attributable to: (i) non controlling interests; and

Source Reference	
AASB 101.10(b), 81A - 105	**Tropical Council** **Statement of Comprehensive Income** For the year ended 30 June 2016

(ii) owners of the parent.

If an entity presents profit or loss in a separate statement it shall present (a) in that statement.

AASB 101.92

92 An entity shall disclose reclassification adjustments relating to components of other comprehensive income.

93 Other Australian Accounting Standards specify whether and when amounts previously recognised in other

comprehensive income are reclassified to profit or loss. Such reclassifications are referred to in this Standard as reclassification adjustments. A reclassification adjustment is included with the related component of other comprehensive income in the period that the adjustment is reclassified to profit or loss. For example, gains realised on the disposal of available-for-sale financial assets are included in profit or loss of the current period. These amounts may have been recognised in other comprehensive income as unrealised gains in the current or previous periods. Those unrealised gains must be deducted from other comprehensive income in the period in which the realised gains are reclassified to profit or loss to avoid including them in total comprehensive income twice.

AASB 101.97

97 When items of income or expense are material, an entity shall disclose their nature and amount separately.

Some categories of other comprehensive income will only be relevant to a few councils, for example, hedging would only apply to those councils who have *Statutory Bodies Financial Arrangements Act 1982* approval to enter into these types of arrangements.

Capital Revenue and Capital Expenses

Councils need to exercise care when classifying revenue and expenditure as capital or recurrent. In particular funding such as Natural Disaster Relief and Recovery Arrangements (NDRRA) should be consistently classified with related expenditure. For example, expenditure on repairs and maintenance (from NDRRA funds) would result in an equivalent amount disclosed for recurrent revenue, or for capital works an equivalent amount would be disclosed as capital revenue.

Source Reference								
AASB 101.10(a) & 54 - 80A	**Tropical Council**							
	Statement of Financial Position							
	as at 30 June 2016							
			Consolidated			**Council**		
			2016	**2015**	**1 July 2014 ***	**2016**	**2015**	**1 July 2014 ***
		Note	**$**	**$**	**$**	**$**	**$**	**$**
	Current assets							
AASB 101.54(i)	Cash and cash equivalents	11	5,735,156	4,276,522	4,131,951	5,360,330	3,934,878	3,862,951
AASB 101.54(h)	Trade and other receivables	12	1,382,910	858,062	1,018,744	1,428,054	903,206	1,147,444
AASB 101.54(g)	Inventories	13	233,957	450,006	452,000	233,957	450,006	452,000
AASB 101.54(d)	Other financial assets	14	20,090	-	-	20,090	-	-
			7,372,113	5,584,590	5,602,695	7,042,431	5,288,090	5,462,395
AASB 5. 38 & 40 AASB 101. 54(j)	Non-current assets held for sale	15	90,000	-	-	90,000	-	-
	Total current assets		7,462,113	5,584,590	5,602,695	7,132,431	5,288,090	5,462,395
	Non-current assets							
AASB 101.54(h)	Trade and other receivables	12	150,000	150,000	183,780	870,000	915,000	910,050
AASB 101.54(d) ATSI Councils - 40 year lease	Other financial assets	14	512,991	-	-	512,991	-	-
AASB 101.54(e)	Investments	16	1,015,715	972,849	955,000	2,095,715	2,052,849	2,035,000
AASB 101.54(b)	Investment property	17	490,400	420,000	420,000	490,400	420,000	420,000
AASB 101.54(a)	Property, plant and equipment	18	74,048,232	78,305,851	80,031,191	71,991,446	76,289,815	78,068,791
AASB 101.54(c)	Intangible assets	20	21,000	24,000	27,000	21,000	24,000	27,000
	Total non-current assets		76,238,337	79,872,700	81,616,971	75,981,551	79,701,664	81,460,841
	Total assets		83,700,450	85,457,290	87,219,666	83,113,982	84,989,754	86,923,236
	Current liabilities							
AASB 101.54(k)	Trade and other payables	21	928,769	1,302,827	1,182,136	928,769	1,302,828	1,182,106
AASB 101.54(m)	Borrowings	22	2,715,347	1,025,803	1,072,716	2,715,347	1,025,803	1,072,716
AASB 101.54(l)	Provisions	24	183,409	38,000	28,000	183,409	38,000	28,000
	Other	25	350,821	-	-	350,821	-	-
	Total current liabilities		4,178,346	2,366,630	2,282,852	4,178,346	2,366,631	2,282,822
	Non-current liabilities							
AASB 101.54(k)	Trade and other payables	21	-	-	-	-	-	-
AASB 101.54(m)	Borrowings	22	7,437,054	11,411,917	11,919,957	7,437,054	11,411,917	11,919,957
AASB 101.54(l)	Provisions	24	1,376,377	1,814,460	1,691,129	1,376,377	1,814,460	1,691,129
	Total non-current liabilities		8,813,431	13,226,377	13,611,086	8,813,431	13,226,377	13,611,086
	Total liabilities		12,991,777	15,593,007	15,893,938	12,991,777	15,593,008	15,893,908
	Net community assets		70,708,673	69,864,283	71,325,728	70,122,205	69,396,746	71,029,328
AASB 101.55	**Community equity**							
	Asset revaluation surplus	26	5,804,509	3,533,826	3,413,144	5,565,793	3,378,838	3,331,144
	Retained surplus/(deficiency)	27	64,904,165	64,182,933	65,669,524	64,556,413	63,870,384	65,455,124
	Reserves	29	-	2,147,524	2,243,060	-	2,147,524	2,243,060
	Total community equity		70,708,674	69,864,283	71,325,728	70,122,206	69,396,746	71,029,328

AASB 101.40A, AASB101.10(f) & See ## on next page

* Council has made a retrospective restatement as a consequence of a correction of an error and therefore, in accordance with AASB 101 has presented a Statement of Financial Position as at the beginning of the comparative period i.e. as at 1 July 2014. Details are disclosed in Note 18 and 37.

The above statement should be read in conjunction with the accompanying notes and Significant Accounting Policies.

Reconciliation of Net Community Assets and Total Community Equity	(0)	-	-	(0)	-	-

AASB 101 | **Requirements of AASB 101**

Source Reference

AASB 101.10(a) & 54 - 80A

Tropical Council
Statement of Financial Position
as at 30 June 2016

		Consolidated			Council		
		2016	**2015**	**1 July 2014 ***	**2016**	**2015**	**1 July 2014 ***
	Note	**$**	**$**	**$**	**$**	**$**	**$**

The following provides guidance on the requirements of AASB 101, with respect to the Statement of Financial Position.

AASB101. 38A requires "An entity shall present, as a minimum, two statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity, and related notes. "

AASB101. 40A then goes on to say "An entity shall present a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements required in paragraph 38A if: (a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and (b) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period."

AASB 101.40B When this is the case council will need to present three statements of financial position as at:

(a) the end of the current period;
(b) the end of the preceding period; and
(c) the beginning of the preceding period.

In the example above the Statement of Financial Position as at 30 June 2013 has been represented.

The third Statement of Financial Position (i.e. as at 1 July 2014) should ONLY be used if council has applied an accounting policy retrospectively or has made a retrospective restatement of items in its financial statements or has reclassified items in its financial statements.

Source Reference

AASB 101.106 - 110

Tropical Council

Statement of Changes in Equity
For the year ended 30 June 2016

Consolidated

Source Reference		Note	Asset revaluation surplus	Retained surplus	Reserves	Total
		Note	26	27	29	
			$	$	$	$
	Balance as at 1 July 2015		3,533,826	64,182,933	2,147,524	69,864,283
	Net result		-	(1,426,292)	-	(1,426,292)
	Other comprehensive income for the year					
	Increase / (decrease) in asset revaluation surplus		2,270,683	-	-	2,270,683
	Available-for-sale-financial assets					
	Current year gains/ (losses)		-	-	-	-
	Reclassification to profit or loss		-	-	-	-
	Cash flow hedging					
	Current year gains/ (losses)		-	-	-	-
	Reclassification to profit or loss		-	-	-	-
	Share of comprehensive income of associates		-	-	-	-
AASB 101.106 (a)	**Total comprehensive income for the year**		2,270,683	(1,426,292)	-	844,391
	Transfers to and from reserves					
	Transfers to/from capital		-	-	-	-
	Transfers to reserves		-	(1,658,472)	1,658,472	-
	Transfers from reserves		-	3,805,996	(3,805,996)	-
	Total transfers to and from reserves		-	2,147,524	(2,147,524)	-
	Balance as at 30 June 2016		5,804,509	64,904,165	-	70,708,674
	Balance as at 1 July 2014		3,413,144	64,365,745	2,243,060	70,021,949
AASB 101.110	Effect of correction of error	37	-	1,303,779	-	1,303,779
	Restated balances		3,413,144	65,669,524	2,243,060	71,325,728
	Net result		-	(1,582,127)	-	(1,582,127)
	Other comprehensive income for the year					
	Increase / (decrease) in asset revaluation surplus		120,682	-	-	120,682
	Available-for-sale-financial assets					
	Current year gains/ (losses)		-	-	-	-
	Reclassification to profit or loss		-	-	-	-
	Cash flow hedging					
	Current year gains/ (losses)		-	-	-	-
	Reclassification to profit or loss		-	-	-	-
	Share of comprehensive income of associates		-	-	-	-
AASB 101.106 (a)	**Total comprehensive income for the year**		120,682	(1,582,127)	-	(1,461,445)
	Transfers to and from reserves					
	Transfers to/from capital		-	-	-	-
	Transfers to reserves		-	(265,250)	265,250	-
	Transfers from reserves		-	360,786	(360,786)	-
	Total transfers to and from reserves		-	95,536	(95,536)	-
	Balance as at 30 June 2015		3,533,826	64,182,933	2,147,524	69,864,283

The above statement should be read in conjunction with the accompanying notes and Summary of Significant Accounting Policies.

Reconciliation between Statement of Changes in Equity and Statement of Financial Position		0	0	0	0

Source Reference

Tropical Council

AASB 101.106 - 110

Statement of Changes in Equity
For the year ended 30 June 2016

Source Reference	Council	Note	Asset revaluation surplus	Retained Surplus	Reserves	Total
		Note	26	27	29	
			$	$	$	$
	Balance as at 1 July 2015		3,378,838	63,870,384	2,147,524	69,396,746
	Net operating surplus		-	(1,461,495)	-	(1,461,495)
	Other comprehensive income for the year					
	Increase / (decrease) in asset revaluation surplus		2,186,955	-	-	2,186,955
	Available-for-sale-financial assets					
	Current year gains/ (losses)		-	-	-	-
	Reclassification to profit or loss		-	-	-	-
	Cash flow hedging					
	Current year gains/ (losses)		-	-	-	-
	Reclassification to profit or loss		-	-	-	-
	Share of comprehensive income of associates		-	-	-	-
AASB 101.106 (a)	**Total comprehensive income for the year**		2,186,955	(1,461,495)	-	725,460
	Transfers to and from reserves					
	Transfers to/from capital		-	-	-	-
	Transfers to reserves		-	(1,658,472)	1,658,472	-
	Transfers from reserves		-	3,805,996	(3,805,996)	-
	Total transfers to and from reserves		-	2,147,524	(2,147,524)	-
	Balance as at 30 June 2016		5,565,793	64,556,413	-	70,122,206
	Balance as at 1 July 2014		3,331,144	64,151,345	2,243,060	69,725,549
AASB 101.110	Effect of correction of error	37	-	1,303,779	-	1,303,779
	Restated balances		3,331,144	65,455,124	2,243,060	71,029,328
	Net operating surplus		-	(1,680,276)	-	(1,680,276)
	Other comprehensive income for the year					
	Increase / (decrease) in asset revaluation surplus		47,694	-	-	47,694
	Available-for-sale-financial assets					
	Current year gains/ (losses)		-	-	-	-
	Reclassification to profit or loss		-	-	-	-
	Cash flow hedging					
	Current year gains/ (losses)		-	-	-	-
	Reclassification to profit or loss		-	-	-	-
	Share of comprehensive income of associates		-	-	-	-
AASB 101.106 (a)	**Total comprehensive income for the year**		47,694	(1,680,276)	-	(1,632,582)
	Transfers to and from reserves*					
	Transfers to/from capital		-	-	-	-
	Transfers to reserves		-	(265,250)	265,250	-
	Transfers from reserves		-	360,786	(360,786)	-
	Total transfers to and from reserves		-	95,536	(95,536)	-
	Balance as at 30 June 2015		3,378,838	63,870,384	2,147,524	69,396,746

The above statement should be read in conjunction with the accompanying notes and Summary of Significant Accounting Policies.

Reconciliation between Statement of Changes in Equity and Statement of Financial Position	0	0	0	0

AASB 101

Requirements of AASB 101

The following provides guidance on the requirements of AASB 101, with respect to the Statement of Changes in Equity.

AASB 101.106

106 An entity shall present a Statement of Changes in Equity as required by paragraph 10. The statement of changes in equity includes the following information

(a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;

(b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with AASB 108; and

(c) [Deleted by the IASB]

(d) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:

- (i) profit or loss;
- (ii) other comprehensive income; and
- (iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

AASB 101.110

110 AASB 108 requires retrospective adjustments to effect changes in accounting policies, to the extent practicable, except when the transition provisions in another Australian Accounting Standard require otherwise. AASB 108 also requires restatements to correct errors to be made retrospectively, to the extent practicable. Retrospective adjustments and retrospective restatements are not changes in equity but they are adjustments to the opening balance of retained earnings, except when an Australian Accounting Standard requires retrospective adjustment of another component of equity. Paragraph 106(b) requires disclosure in the Statement of Changes in Equity of the total adjustment to each component of equity resulting, from changes in accounting policies and separately, from corrections of errors. These adjustments are disclosed for each prior period and the beginning of the period.

***Transfers to and from reserves**

Council's cash and cash equivalents are subject to a number of internal restrictions that limit the amount that is available for discretionary or future use. In prior years council accounted for these restrictions using a system of reserves.

On 10 May 2016, council passed a resolution to close all existing reserves and account for these restrictions using an internal management accounting system.

All existing reserve balances were transferred to retained surplus/(deficit) on that date. Further information is supplied in note 29.

Source Reference						
AASB 101.111	**Tropical Council**					
	Statement of Cash Flows					
AASB 107	**For the year ended 30 June 2016**					
			Consolidated		**Council**	
		Note	**2016**	**2015**	**2016**	**2015**
			$	**$**	**$**	**$**
AASB107.10	**Cash flows from operating activities**					
AASB107.14	Receipts from customers		10,864,439	11,441,064	9,167,113	8,575,066
AASB107.14	Payments to suppliers and employees		(11,367,710)	(9,870,047)	(9,899,840)	(7,339,193)
			(503,271)	1,571,017	(732,727)	1,235,873
AASB107.31	Dividend received		-	-	102,674	107,200
AASB107.31	Interest received		301,446	285,595	350,046	336,895
	Rental income		10,400	10,400	10,400	10,400
	Non capital grants and contributions		3,230,845	1,523,121	3,230,845	1,523,121
	Income from investments		11,420	7,150	11,420	7,150
	Borrowing costs		(733,480)	(942,888)	(733,480)	(942,888)
	Net cash inflow (outflow) from operating activities	36	2,317,360	2,454,395	2,239,178	2,277,751
AASB107.10	**Cash flows from investing activities**					
AASB107.16	Payments for property, plant and equipment		(1,797,214)	(2,519,972)	(1,797,214)	(2,505,972)
	Payments for intangible assets		-	-		-
AASB107.16	Net movement in loans and advances		-	-	45,000	90,000
AASB107.16	Proceeds from sale of property plant and equipment		2,041,093	187,487	2,041,093	187,487
	Finance lease receipts		4,900	-	4,900	-
	Grants, subsidies, contributions and donations		1,177,814	347,529	1,177,814	347,529
	Net cash inflow (outflow) from investing activities		1,426,593	(1,984,956)	1,471,593	(1,880,956)
AASB107.10	**Cash flows from financing activities**					
AASB107.17	Proceeds from borrowings		-	629,153	-	629,153
AASB107.17	Repayment of borrowings		(2,268,098)	(937,555)	(2,268,098)	(937,555)
AASB107.17	Repayments made on finance leases		(17,221)	(16,466)	(17,221)	(16,466)
	Net cash inflow (outflow) from financing activities		(2,285,319)	(324,868)	(2,285,319)	(324,868)
	Net increase (decrease) in cash and cash equivalent held		1,458,634	144,571	1,425,452	71,927
	Cash and cash equivalents at the beginning of the financial year		4,276,522	4,131,951	3,934,878	3,862,951
	Cash and cash equivalents at end of the financial year	11	5,735,156	4,276,522	5,360,330	3,934,878

The above statement should be read in conjunction with the accompanying notes and Summary of Significant Accounting Policies.

Reconciliation of Statement of Cash Flows to Cash and cash equivalents		-	-	-	-

The AASB do not specify the classification of cash flows from interest and dividends received and paid, so councils are required to choose their own policies for classifying interest and dividends paid as either operating or financing activities, and interest and dividends received as either operating or investing activities. By way of example, Tropical has classified both interest and dividends received as operating activities.

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2016

The Tropical Council Financial Statements Statements are designed to generically cover almost every possible disclosure requirement that could be encountered by Queensland local governments, many of which are not applicable or not material to individual councils. Although the foreword clearly states that the document is “for GUIDANCE ONLY” and “should be amended to reflect an individual council’s circumstances and operational characteristics”, widespread cases have been noted where councils and their external auditors have not adopted this principle. This has resulted in financial statements regularly including information that is unnecessary or not tailored to the needs of interested users.

Furthermore, the following underlined additions to paragraph 31 of AASB 101 *Presentation of Financial Statements,* which take effect from 1 January 2016, emphasise that disclosures are only required where they are material:

“An entity need not provide a specific disclosure required by an Australian Accounting Standard if the information resulting from that disclosure is not material. <u>This is the case even if the Australian Accounting Standard contains a list of specific requirements or describes them as minimum requirements.</u>” [AASB 2015-2]

As per the Conceptual Framework, the four principal qualitative characteristics that make the information provided in financial statements useful to users are understandability, relevance, reliability and comparability. Consequently, disclosures should be tailored so that they are clear, concise and effective.

In these illustrative statements a great deal of detail about accounting policies is disclosed. This level of detail may not be necessary. Council's should refer to AASB 101.119 when deciding whether to disclose a particular accounting policy.

Any decisions about disclosures that are based on materiality must be reassessed for appropriateness on an annual basis.

AASB101.117-133

1 Significant accounting policies

1.A Basis of preparation

AASB 1054.7-9

These general purpose financial statements are for the period 1 July 2015 to 30 June 2016 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012* (*City of Brisbane Act 2010* and *City of Brisbane Regulation 2012*). Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

AASB 101.117 (a), .118

These financial statements have been prepared under the historical cost convention, except for the following:

- financial assets and liabilities, certain classes of property, plant and equipment and investment property which are measured at fair value;
- assets held for sale which are measured at fair value less cost of disposal.

Note: Where council measures other items on a different basis, these would also need to be identified here.

Recurrent/capital classification

Revenue and expenditure are presented as "recurrent" or "capital" in the Statement of Comprehensive Income on the following basis:

Capital Revenue includes grants and subsidies received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investment in new assets. It also includes non-cash contributions which are usually infrastructure assets received from developers.

The following transactions are classified as either "Capital Income" or "Capital Expenses" depending on whether they result in accounting gains or losses:

- disposal of non-current assets
- discount rate adjustments to restoration provisions
- revaluations of investment property and property, plant and equipment.

All other revenue and expenses have been classified as "recurrent".

Grants and contributions are to be classified as operating or capital depending on the purpose for which they were received and not on the purpose for which they were spent. General purpose grants and contributions are all classified as operating regardless of how they are spent.

Source Reference

1.B Statement of compliance

AASB 1054.8(b) & AASB 101.16 & Aus16.3

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Council's operations and effective for the current reporting period. Because the Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS), to the extent these inconsistencies are applied, these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

AASB 101.51(b) **1.C Basis of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Tropical Council as at 30 June 2016 and the results of all controlled entities for the year then ended, where material. The Council and its controlled entities together form the economic entity which is referred to in these financial statements as the consolidated entity.

In the process of reporting the Council as a single economic entity, all transactions with entities controlled by the Council have been eliminated. In addition the accounting policies of all controlled entities have been adjusted, where necessary, on consolidation to ensure that financial report of the consolidated entity is prepared using accounting policies that are consistent with those of the Council. Information on controlled entities that have been consolidated is included in Note 1.P and Note 16.

Information about controlled entities that have not been consolidated, because they are not considered material, is included in Note 42

AASB 101.138(a) **1.D Constitution**

The Tropical Council is constituted under the Queensland *Local Government Act 2009 (City of Brisbane Act 2010)* and is domiciled in Australia.

AASB 110.17 **1.E Date of authorisation**

The financial statements were authorised for issue on the date they were submitted to the Auditor-General for final signature. This is the date the management certificate is signed.

AASB 101.51(d) **1.F Currency**

The Council uses the Australian dollar as its functional currency and its presentation currency.

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2016

AASB 108.28-31

1.G Adoption of new and revised Accounting Standards

When preparing this note, councils should review new and amended AASB Standards and Interpretations that apply to 2015-16 to consider their relevance and impact. The illustrative note below should be amended to suit each Council.

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

Where there have been material changes AASB 108.28 then requires the following disclosure about the effect that the application of the relevant standard has on the current & past periods:

(a) the title of the Australian Accounting Standard;
(b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;
(c) the nature of the change in accounting policy;
(d) when applicable, a description of the transitional provisions;
(e) when applicable, the transitional provisions that might have an effect on future periods;
(f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected; and
(g) the amount of the adjustment relating to periods before those presented, to the extent practicable

Where council has not adopted accounting standards, because they are not effective yet, AASB 108.30 requires this fact to be disclosed. In addition "known or reasonably estimable information relevant to assessing the possible impact that application of the new Australian Accounting Standard will have on the entity's financial statements in the period of initial application" is required. In these Financial Statements statements Tropical Council has not applied any standards or interpretations that are not yet effective and the following notes have been prepared on this basis. The notes below summarise changes that might affect councils that have taken this approach, however each council will need to customise the disclosure and add in additional disclosure, where relevant, that refers to council's specific situation.

AASB 108.30, 31

Tropical Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective with the exception of AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities.* Generally council applies standards and interpretations in accordance with their respective commencement dates. The retrospective application of AASB 2015-7 has exempted council from the disclosure of quantitiive information and sensitivity analysis for some valuations categorised within Level 3 of the fair value hierarchy.

At the date of authorisation of the financial report, AASB 9 *Financial Instruments* and AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* are the only new accounting standards with a future application date that are expected to have a material impact on council's financial statements.

From 1 July 2016 AASB 124 *Related Party Disclosures* will apply to council, which means that council will disclose more information about related parties and transactions with those related parties.

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2018 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met.

As a result, Council will be required to measure its financial assets, including its investment in Tropical Sunset Retirement Home Pty Ltd (refer Note 1.P), at fair value. Had this requirement been adopted at 30 June 2016, management estimate that the fair value of this investment would have been $1,520,000 in the Council's separate statement of financial position. There would also have been a corresponding gain of $440,000 recognised in other comprehensive income. There would have been no financial impact on the consolidated financial statements.

Council is still reviewing the way that revenue is measured and recognised to identify whether *AASB 15 Revenue from Contracts with Customers* will have a material impact. To date no impact has been identified.

AASB 15 is effective from 1 January 2018 and will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers.

Other amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have a material impact on the financial statements.

Depending upon council's circumstance the following alternative wording may be suitable:

At the date of authorisation of the financial report, the new or amended Australian Accounting Standards with future commencement dates are not likely to have a material impact on the financial statements.

OR

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards with future commencement dates are as set out below:

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2016

The following list identifies all the new and amended Australian Accounting Standards, and Interpretation, that were issued but not yet effective at the time of compiling these illustrative statements.

Councils do not need to include this complete list in the notes to the financial statements. It is provided to assist in deciding which are likely to have a material impact. The list was compiled during December 2015 and Councils will also need to consider any new or amended standards that are issued after this date but prior to completion of the audit of the statements.

	Effective for annual report periods beginning on or after:
AASB 9 *Financial Instruments* (December 2009)	1 January 2018
AASB 14 *Regulatory Deferral Accounts*	1 January 2016
AASB 15 *Revenue from Contracts with Customers*	1 January 2018
AASB 16 Leases	1 January 2019
AASB 1056 *Superannuation Entities*	1 July 2016
AASB 1057 *Application of Australian Accounting Standards*	1 January 2016
AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*	1 January 2018
AASB 2014-1 *Amendments to Australian Accounting Standards*	Part D - 1 January 2016; Part E - 1 January 2018
AASB 2014-3 *Amendments to Australian Accounting Standards-Accounting for Acquisitions of Interests in Joint Operations*	1-Jan-16
AASB 2014-4 *Amendments to Australian Accounting Standards-Clarification of Acceptable Methods of Depreciation and Amortisation*	1-Jan-16
AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*	1-Jan-17
AASB 2014-6 *Amendments to Australian Accounting Standards-Agriculture: Bearer Plants*	1-Jan-16
AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*	1 January 2018
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]	1 January 2016
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]	1 January 2016
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]	1 January 2016
AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12 & AASB 128]	1 January 2016
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]	1-Jul-16
AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*	1-Jan-17

Source Reference	

AASB 101.122-133

1.H Critical accounting judgements and key sources of estimation uncertainty

In the application of Council's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and ongoing assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

The items disclosed below will depend on Council's circumstances.

The information can be disclosed either in full in this note, or in the relevant asset and liability note, or as part of the relevant Note 1 accounting policy disclosures.

Judgements, estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

Investment Property - Note 1.Q and Note 17
Valuation and depreciation of property, plant and equipment - Note 1.R and Note 18
Impairment of property, plant and equipment - Note 1.U and Note 10
Provisions - Note 1.X and 1.Z and Note 24
Valuation of finance leases - Note 1.V
Contingent liabilities - Note 31.

AASB 118.35(a)

AASB 1004.12 & 19 - 30

1.I Revenue

Rates, levies, grants and other revenue are recognised as revenue on receipt of funds or earlier upon unconditional entitlement to the funds.

Rates and levies
Where rate monies are received prior to the commencement of the rating/levying period, the amount is recognised as revenue in the period in which they are received, otherwise rates are recognised at the commencement of rating period.

Grants and subsidies
The accounting treatment for grants depends on whether they are reciprocal or non-reciprocal. The following guidance is based on *AASB 1004* and information contained in Queensland Treasury's APG 2 which is available at www.treasury.qld.gov.au. APG 2 is not binding on local governments, but provides useful guidance on accounting for grants:

AASB 1004 defines ‘contributions’ as “a non-reciprocal transfer in which an entity receives assets or services or has liabilities extinguished without directly giving approximately equal value in exchange to the other party or parties to the transfer.”

AASB 1004 distinguishes between reciprocal transfers of assets where approximately equal value is exchanged in the transfer between the transferor and transferee and non-reciprocal transfers where equal value is not exchanged.

‘Contributions’ received by councils will generally take two forms:
- involuntary transfers e.g. rates, taxes and fines, or
- voluntary transfers e.g. non-reciprocal grants and donations.

Councils must recognise the income from a contribution when:
- it obtains control of the contribution or right to receive the contribution (irrespective of whether restrictions or conditions are imposed on its use),
- it is probable that future economic benefits will flow to the agency, and
- the contribution can be measured reliably.

All of the above criteria must be satisfied for the contribution to be recognised.

AASB 1004 requires contributions to be:

- recognised as income in the period received, subject to the recognition criteria being met, and

- shown on the Statement of Financial Position as a liability only in the event of an obligation arising to return all or part of the contribution to the transferor thereby giving rise to a liability. In these instances, the liability would be recognised as a payable taken up against expenses, rather than as unearned revenue against income.

Contributions would generally be recognised as income when the council obtains control of them. Control is generally established when the contribution is received.

The inclusion of conditions such as one that requires the return of monies if a breach of condition occurs, or one that requires all unspent monies to be returned, is not sufficient to justify that a council does not control the contribution at the time of receipt or that there is a present obligation to return the funds thereby giving rise to a liability. When the recipient of a contribution fails to meet any specific conditions attached to the transfer, it is only once an obligation to return the monies has been determined and is being enforced by the transferor that a liability for the amount payable is recognised.

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. In the financial year ended 30 June 2015, and previous years, an equivalent amount was transferred from retained earnings to the relevant reserve until the funds were expended. Unspent non-reciprocal capital grants were placed in the Unspent capital grants reserve. On 10 May 2016, council passed a resolution to close all existing reserves and account for these restrictions using an internal management accounting system. Internal restrictions that have been placed on council's cash and cash equivalents are now disclosed in Note 11.

Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled. Council does not currently have any reciprocal grants.

Non-cash contributions

Non-cash contributions with a value in excess of the recognition thresholds, are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.

AASB Interpretation 18, AASB 118

Physical assets contributed to Council by developers in the form of road works, stormwater, water and wastewater infrastructure and park equipment are recognised as revenue when the development becomes "on maintenance" (i.e. the Council obtains control of the assets and becomes liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets. All non-cash contributions are recognised at the fair value of the contribution received on the date of acquisition

Cash Contributions

Developers also pay infrastructure charges for trunk infrastructure, such as pumping stations, treatment works, mains, sewers and water pollution control works. These infrastructure charges are not within the scope of AASB Interpretation 18 because there is no performance obligation associated with them. Consequently, the infrastructure charges are recognised as income when received.

Rental income

Rental revenue from investment and other property is recognised as income on a periodic straight line basis over the lease term.

Interest and dividends

Interest received from term deposits is accrued over the term of the investment. Dividends are recognised once they are formally declared by the directors of the controlled entity.

Sales revenue

AASB 101.117 (b)
AASB 111.39(b) & (c)

Sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, generally when the customer has taken undisputed delivery of the goods.

The council generates revenues from a number of services including child care, motor vehicle repairs and contracts for road and earthworks. Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. Contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed.

Fees and Charges

Fees and charges are recognised upon unconditional entitlement to the funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.

1.J Financial assets and financial liabilities

AASB 139.14

Council recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, Council becomes a party to the contractual provisions of the instrument.

AASB 7.21

Tropical Council has categorised and measured the financial assets and financial liabilities held at balance date as follows:

Financial assets

Cash and cash equivalents (Note 1.K)
Receivables - measured at amortised cost (Note 1.L)
Other financial assets (finance leases) - measured at fair value (Note 1.V)

Where a council has other financial assets, their measurement basis should also be separately disclosed.

Financial liabilities

Payables - measured at amortised cost (Note 1.W)
Borrowings - measured at amortised cost (Note 1.Y)
Finance lease liabilities - measured at amortised cost (Note 1. V)

AASB 7.26

Financial assets and financial liabilities are presented separately from each other and offsetting has not been applied.

All other disclosures relating to the measurement and financial risk management of financial instruments are included in Note 40.

AASB 107.6 & 45

1.K Cash and cash equivalents

Cash and cash equivalents includes cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, 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.

1.L Receivables

AASB 139.43

Trade receivables are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase price / contract price. Settlement of these amounts is required within 30 days from invoice date.

AASB 7.21
AASB 136.59 & 63

The collectability of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment. The loss is recognised in finance costs. The amount of the impairment is the difference between the asset’s carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.

All known bad debts were written-off at 30 June. Subsequent recoveries of amounts previously written off in the same period are recognised as finance costs in the Statement of Comprehensive Income. If an amount is recovered in a subsequent period it is recognised as revenue.

Because Council is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts, Council does not impair any rate receivables.

AASB 139.43 — Loans and advances are recognised in the same way as other receivables. Terms are usually a maximum of five years with interest charged at commercial rates. Security is not normally obtained.

The following note may be applicable to Aboriginal shire councils:

former LG(CGA) Act 2004 s38 — The Council had a policy of making non interest-bearing loans to community residents for compassionate and emergent needs such as funerals and medical emergencies up to a limit of $100. This policy had been approved in writing by the minister as required by the former Section 38 of the former *Local Government (Community Government Areas) Act 2004.* On 15 March 2008 that Section was revoked, removing the Council's power to make loans. Subsequently the *Local Government (Community Government Areas) Act 2004* was repealed and council is now constituted under the *Local Government Act 2009,* which does not permit council to make loans to community residents. No loans have been made since 15 March 2008.

The value of loans to community residents is disclosed in Note 12. Loans are recognised at their face values. Terms are for a maximum of xxx months with no interest charged. Security is not normally obtained.

AASB 102.36(a) & Aus36.1

1.M Inventories

Stores, raw materials and water held for resale are valued at the lower of cost and net realisable value and include, where applicable, direct material, direct labour and an appropriate portion of variable and fixed overheads. Costs are assigned on the basis of weighted average cost.

AASB 102.8 & AASB 102AUS8.1 — Inventories held for distribution are:
- goods to be supplied at no or nominal, charge, and
- goods to be used for the provision of services at no or nominal, charge.

These goods are valued at cost, adjusted, when applicable, for any loss of service potential.

Land acquired by Council with the intention of reselling it (with or without further development) is classified as inventory. This land is valued at the lower of cost or net realisable value. As an inventory item, this land held for resale is treated as a current asset. Proceeds from the sale of this land will be recognised as sales revenue on the signing of a valid unconditional contract of sale.

1.N Other financial assets

The following note is only relevant where other financial assets are recognised:

ATSI Councils - 40 year lease — **Refer to Note 1.V for the accounting policy relating to finance lease assets.**

AASB 139 — Other financial assets are recognised at cost.

AASB 5

1.O Non Current Assets held for Sale

Items of property, plant and equipment are reclassified as non-current assets as held for sale when the carrying amount of these assets will be recovered principally through a sales transaction rather than continuing use. Non-current assets classified as held for sale are available for immediate sale in their present condition and management believe the sale is highly probable. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell and are not depreciated. On the eventual sale of these assets a gain or loss is recognised.

AASB 7

1.P Investments

Term deposits in excess of three months are reported as investments, with deposits of less than three months being reported as cash equivalents. At 30 June 2016 Council did not have any term deposits in excess of three months.

AASB 127.10 & AASB 7.29(b) & 30

The Council's investment in the controlled entity, the Tropical Sunset Retirement Home Pty Ltd , is accounted for at cost in the Council's separate financial statements. This investment is eliminated in the financial statements of the economic entity upon consolidation. Tropical Council holds 90% of the shares in the controlled entity. The shares in this company are not listed on any stock exchange.

AASB 12.7(a), AASB 10.IG18

As the holder of 90% of the shares in Tropical Sunset Retirement Home Pty Ltd, Council has 90% voting rights in the company enabling Council to direct the company's activities. Council uses these rights to ensure that the company provides a safe, affordable and comfortable retirement home for community residents, congruent with Council's policy objectives.

AASB 12.10(a)(ii) &12

The remaining 10% of shares are held by a number of different community groups with similar policy objectives. These non-controlling interests are not material to the consolidated entity.

Council's investment in the XYZ Events Pty Ltd is accounted for using the equity method as detailed in Note 1.AD.

AASB 140

1.Q Investment property

AASB 140 para 5-20

Investment property is property held for the primary purpose of earning rentals and/or capital appreciation. This includes land held by Council for a currently undetermined future use.

AASB 140 para 20-56, 75(a)

Investment property is measured using the fair value model. This means all investment property is initially recognised at cost (including transaction costs) and then subsequently revalued annually at the balance date by a registered valuer. Where investment property is acquired at no or nominal cost it is recognised at fair value.

AASB 140 para 8(e), 53, 54

Property that is being constructed or developed for future use as investment property is classified as investment property. Investment property under construction is measured at fair value, unless fair value cannot be reliably determined for an individual property (in which case the property concerned is measured at cost until fair value can be reliably determined).

AASB 140 Para 35

Gains or losses arising from changes in the fair value of investment property are recognised as incomes or expenses respectively for the period in which they arise. Investment property is not depreciated and is not tested for impairment.

Source Reference	
	Tropical Council
	Notes to the financial statements
	For the year ended 30 June 2016

1.R Property, plant and equipment

LG Reg 2012 Section 206	The asset recognition threshold disclosed in the following note will depend on the amount set by council. Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. Items of plant and equipment with a total value of less than $5,000, and infrastructure assets and buildings with a total value of less than $10,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

AASB116.29	The classes of property, plant and equipment recognised by the Council are:
	Land and Improvements
	Buildings
	Plant and Equipment
	  Major plant
	  Other plant and equipment
	Infrastructure
	  Road, drainage and bridge network
	  Water
	  Sewerage
	  Other infrastructure assets
	Work in progress

	Acquisition of assets
AASB 116.15	Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect's fees and engineering design fees and all other establishment costs.
AASB116.Aus15.1	Property, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

Capital and operating expenditure

AASB 116.13

Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are treated as capital expenditure. Assets under construction are not depreciated until they are completed and commissioned, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity and useful life of the non-current asset is expensed as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

Expenditure incurred in accordance with Natural Disaster Relief and Recovery Arrangements on road assets is analysed to determine whether the expenditure is capital in nature. The analysis of the expenditure requires Council engineers to review the nature and extent of expenditure on a given asset. For example, expenditure that patches a road is generally maintenance in nature, whereas a kerb to kerb rebuild is treated as capital. Material expenditure that extends the useful life or renews the service potential of the asset is capitalised.

Valuation

AASB 116.31
AASB 116.73

Land and improvements, buildings, major plant and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 *Property, Plant & Equipment* and AASB 13 *Fair Value Measurement*. Other plant and equipment and work in progress are measured at cost.

AASB116.36,
AASB 13.93(g)

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 3 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

In the intervening years, Council uses internal engineers and asset managers to assess the condition and cost assumptions associated with all infrastructure assets, the results of which are considered in combination with an appropriate cost index for the region. Together these are used to form the basis of a management valuation for infrastructure asset classes in each of the intervening years. With respect to the valuation of the land and improvements, buildings and major plant asset classes in the intervening years, management engage independent, professionally qualified valuers to perform a "desktop" valuation. A desktop valuation involves management providing updated information to the valuer regarding additions, deletions and changes in assumptions such as useful life, residual value and condition rating. The valuer then determines suitable indices which are applied to each of these asset classes.

An analysis performed by management has indicated that, on average, the variance between an indexed asset value and the valuation by an independent valuer when performed is not significant and the indices used by Council are sound. Further details in relation to valuers, the methods of valuation and the key assumptions used are disclosed in Note 19.

If material increases/decreases are noted in asset values after an independent valuation is undertaken it could indicate that the previous index was not appropriate and Council should revisit/change the index for future interim valuations.

AASB 116.
Aus39.1,
Aus40.1 &
Aus40.2

Any revaluation increment arising on the revaluation of an asset is credited to the appropriate class of the asset revaluation surplus, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense to the extent it exceeds the balance, if any, in the revaluation surplus of that asset class.

AASB 116.35

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

Major plant

This distinction is no longer required by legislation, however some councils may wish to keep this policy.

The Council has determined that plant which has an individual cost in excess of $150,000 is of high value to the Council. Plant which meets this criteria is major plant if it is prone to a high degree of price fluctuations or in danger of becoming obsolete. The asset class primarily includes specialised earthmoving equipment.

Capital work in progress

AASB 116.16

The cost of property, plant and equipment being constructed by the Council includes the cost of purchased services, materials, direct labour and an appropriate proportion of labour overheads.

AASB 140.8(e)

Investment property under construction is classified as investment property. Refer to Note 1.Q for further information.

Depreciation

AASB116.50, 58 & 60

Land is not depreciated as it has an unlimited useful life. Depreciation on other property, plant and equipment assets is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the Council. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

AASB 116.55

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

AASB 116.43 - 44

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the Council.

AASB 116.8

Major spares purchased specifically for particular assets that are above the asset recognition threshold are capitalised and depreciated on the same basis as the asset to which they relate.

AASB 116.56

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements to the Council or the unexpired period of the lease, whichever is the shorter.

AASB 116.51

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the annual valuation process for assets measured at written down current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in Note 18.

AASB 1051.11 & 12
DLGCRR Local Government Bulletin 06/09

Land under roads

Land under roads acquired before 30 June 2008 is recognised as a non-current asset where the Council holds title or a financial lease over the asset. The Tropical Council currently does not have any such land holdings.

Land under the road network within the Council area that has been dedicated and opened for public use under the *Land Act 1994* or the *Land Title Act 1994* is not controlled by council but is controlled by the state pursuant to the relevant legislation. Therefore this land is not recognised in these financial statements.

Deed of Grant in Trust Land

This note will only be applicable to the Northern Peninsula Regional Council and the Torres Strait Island Regional Council.

Land Act 1994

The Council is located on land assigned to it under various Deeds of Grant in Trust (DOGIT) pursuant to Section 34I of the Land Act 1994. The land comprises an area of approximately xxx hectares, as follows:

Crocodile Island

Turtle Island

The land is administered by the Department of Natural Resources and Mines and the Council has restricted use of this land for the benefit of island inhabitants. The DOGIT land has not been taken up in the Council's assets as it cannot be reliably measured.

This note will only be applicable to Aboriginal shire councils:

Land Act 1994

The Council is located on land assigned to it under a Deed of Grant in Trust (DOGIT) under Section 34I of the Land Act 1994. It comprises an area of approximately xxx hectares.

The land is administered by the Department of Natural Resources and Mines and the Council has restricted use of this land for the benefit of shire inhabitants. The DOGIT land has not been taken up in the Council's assets as it cannot be reliably measured.

AASB 138

1.S Intangible assets

AASB 138.68 - 70

Intangible assets with a cost or other value exceeding $10,000 are recognised as intangible assets in the financial statements, items with a lesser value being expensed.

AASB 138.54

Expenditure on research activities relating to internally-generated intangible assets is recognised as an expense in the period in which it is incurred.

AASB 138.57 & 118

Costs associated with the development of computer software are capitalised and are amortised on a straight-line basis over the period of expected benefit to Council.

AASB 138.88, .100 & .104

Amortisation methods, estimated useful lives and residual values are reviewed at the end of each reporting period and adjusted where appropriate. Details of the estimated useful lives assigned to each class of intangible assets are shown in Note 20.

AASB 141

1.T Biological assets

The following note has been prepared for a council whose biological operations are immaterial. However, some councils will have material biological operations and will therefore need to comply with the requirements of AASB 141. The Accounting Standard is available at www.aasb.com.au

The Council operates a nursery to produce bedding plants and trees for its own use. In view of the immaterial nature of this operation the accounting procedures related to biological assets have not been applied. The costs incurred in this operation are included in Council's general operations as they are incurred.

AASB 136

1.U Impairment of non-current assets

AASB 136.9, 59, 6, Aus6.1

Each non-current physical and intangible asset and group of assets is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

AASB 136.60

An impairment loss is recognised as an expense in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

AASB 136.117 & 119

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation surplus increase.

1.V Leases

AASB 117.8

Leases of plant and equipment under which the Council as lessee/lessor assumes/transfers substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are classified as finance leases. Other leases, where substantially all the risks and benefits remain with the lessor, are classified as operating leases.

AASB 117.20 & 25

Finance leases as lessee

Where Council enters into a finance lease as lessee, Council recognises an asset equal to the lower of fair value of the leased property and the present value of the minimum lease payments. The lease liability is recognised at the same amount. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged as finance costs. The asset is accounted for on the same basis as other assets of the same class. Contingent rentals are written off as an expense in the accounting period in which they are incurred.

Finance leases as lessor

AASB117.47(f)

Council has leased *(insert number of dwellings under lease)* dwellings as lessor to the Queensland Government for 40 years. The total lease payment per dwelling in the current year was *(insert the amount of the rent component plus the rates component - $2,800 for 2010-11). These lease payments are required to be adjusted each year by the change in the Consumer Price Index (All Groups) for Brisbane. As the gross lease payments are insufficient to cover the fair value (depreciated replacement cost) of the leased properties, there is no interest rate implicit in the leases and therefore no finance income will arise from the leases. Consequently, the leases are recognised at the present value of the expected future lease payments receivable (fair value). Gains on revaluation of finance lease assets are recognised as other income.*

AASB117.47(b)-(e)

There is nil unearned finance income, unguaranteed residual values accruing to the benefit of Council, accumulated allowance for uncollectible minimum lease payments receivable or contingent rents recognised as income applicable to the leases.

AASB 117.33

Operating leases

Payments made under operating leases are expensed in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

1.W Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price net of applicable discounts other than contingent discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

Source Reference

AASB119.11 & 153

1.X Liabilities - employee benefits

Liabilities are recognised for employee benefits such as wages and salaries, annual leave and long service leave in respect of services provided by the employees up to the reporting date. Liabilities for employee benefits are assessed at each reporting date. Where it is expected that the leave will be paid in the next twelve months the liability is treated as a current liability. Otherwise the liability is treated as non-current.

Salaries and wages

AASB 119.14

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 21 as a payable.

Discount rates as at 30 June are published each year by the department in a local government Bulletin available at http://dilgp.qld.gov.au/bulletins/local-government/about-us/local-government-bulletins.html. These rates will assist in calculating non-current liabilities.

Annual leave

AASB 119.10 & 11

A liability for annual leave is recognised. Amounts expected to be settled within 12 months are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense and is reported in Note 21 as a payable

As council does not have an unconditional right to defer this liability beyond 12 months annual leave is classified as a current liability.

Sick leave

Council has an obligation to pay sick leave on termination to certain employees and therefore a liability has been recognised for this obligation. This liability represents an accrued expense and is reported in Note 21 as a payable.

Superannuation

The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 32.

Source Reference

Long service leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. This liability is reported in Note 24 as a provision.

Where employees have met the prerequisite length of service and council does not have an unconditional right to defer this liability beyond 12 months long service leave is classified as a current liability. Otherwise it is classified as non-current.

1.Y Borrowings and borrowing costs

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost

In accordance with the *Local Government Regulation 2012* council adopts an annual debt policy that sets out council's planned borrowings for the next nine years. Council's current policy is to only borrow for capital projects and for a term no longer than the expected life of the asset. Council also aims to comply with the Queensland Treasury Corporation's borrowing guidelines and ensure that sustainability indicators remain within acceptable levels at all times.

AASB 123.Aus8.1 — All borrowing costs are expensed in the period in which they are incurred. No borrowing costs are capitalised on qualifying assets.

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2016

AASB 116.16 (c)
AASB 137.85
Interpretation 1

1.Z Restoration provision

Tropical has been prepared on the basis that:
- where there is no underlying tangible asset, the cost of a restoration provision does not constitute an asset, and
- where there is an underlying asset the cost must be dealt with in accordance with AASB116 paragraph 11 and Interpretation 1.

The Queensland Audit Office supports this view.

A provision is made for the cost of restoration in respect of refuse dumps and quarries where it is probable the Council will be liable, or required, to incur such a cost on the cessation of use of these facilities. The provision is measured at the expected cost of the work required, discounted to current day values using the interest rates attaching to Commonwealth Government guaranteed securities with a maturity date corresponding to the anticipated date of the restoration.

Refuse dump restoration

The provision represents the present value of the anticipated future costs associated with the closure of the dump sites, decontamination and monitoring of historical residues and leaching on these sites. The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for dump sites is reviewed at least annually and updated based on the facts and circumstances available at the time. Management estimates that the site will close in 2018 and that the restoration will occur progressively over the subsequent four years.

As refuse dumps are on state reserves / DOGIT land (amend to suit council) which the Council does not control, the provision for restoration is treated as an expense in the year the provision is first recognised. Changes in the provision are treated as an expense or income.

Where the land to be restored is not council's asset the dump itself (ie. money expended by council in getting the land ready for use as a dump) may satisfy asset recognition criteria. In cases where the dump is recognised as an asset, any restoration costs that satisfy the definition of a liability would need to be incorporated into the cost of the dump asset. The value of the dump (excluding the land but including the present value of restoration costs) would then be depreciated over the useful life of the dump.

Quarry Rehabilitation

The provision represents the present value of the anticipated future costs associated with the closure of the quarries, refilling the basin, and reclamation and rehabilitation of these sites. The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for quarry rehabilitation is reviewed at least annually and updated based on the facts and circumstances available at the time. Management estimates that the restoration will occur in 2051.

Quarries are situated on Council controlled land and are classified as land and improvement assets. The provision for restoration is, therefore, included in the cost of the land and amortised over the expected useful life of the quarry. Changes in the provision not arising from the passing of time are added to or deducted from the asset revaluation surplus for land. If there is no available revaluation surplus, increases in the provision are treated as an expense and recovered out of future decreases (if any). Changes to the provision resulting from the passing of time (the unwinding of the discount) are treated as a finance cost.

Source Reference

AASB 116.39 to AASB 116.42

1.AA Asset revaluation surplus

The asset revaluation surplus comprises adjustments relating to changes in value of property, plant and equipment that do not result from the use of those assets. Net incremental changes in the carrying value of classes of non-current assets since their initial recognition are accumulated in the asset revaluation surplus.

Increases and decreases on revaluation are offset within a class of assets.

Where a class of assets is decreased on revaluation, that decrease is offset first against the amount remaining in the asset revaluation surplus in respect of that class. Any excess is treated as an expense.

When an asset is disposed of, the amount reported in surplus in respect of that asset is retained in the asset revaluation surplus and not transferred to retained surplus.

1.AB Retained surplus

In reference to the comparative figures for the year ended 30 June 2015, this represents the amount of Council's net funds not set aside in reserves to meet specific future needs.

AASB 101.79(b)

1.AC Reserves

Council should determine what reserves it will maintain, if any, and ensure that appropriate disclosure is made for each reserve.

Council's cash and cash equivalents are subject to a number of internal restrictions that limit the amount that is available for discretionary or future use. In prior years council accounted for these restrictions using a system of reserves.

On 10 May 2016, council passed a resolution to close all existing reserves and account for these restrictions using an internal management accounting system. Internal restrictions that have been placed on council's cash and cash equivalents are now disclosed in Note 11.

The former reserves operated as follows:

AASB Framework 65 - 68

Future capital works reserve
The Council intends to replace its main administration building in 2017. On the 5th February 2011 the Council resolved to establish a Future Capital Works Reserve and set funds aside to meet the cost of replacing this asset. The amounts formally reported in this reserve at balance date are now disclosed as an internal restriction on cash in note 11.

Asset replacement reserve
Council entered into a joint venture agreement to participate in the Sunny Partnership on 3 June 2009. Under this agreement the Council is required to set funds aside annually to meet the Council's share of capital asset replacements for the joint venture. Accordingly, Council resolved to establish an asset replacement reserve on 1 July 2009 and the amounts that were previously reported in this reserve corresponded to the amount of cash (reported within cash and cash equivalents) which was specifically allocated for this purpose. This amount is now disclosed in note 11.

Constrained works reserve
The Council resolved to establish a constrained works reserve on 18 March 1976. The amounts previously reported in this reserve corresponded to the amount of cash (reported within cash and cash equivalents) which had been received in respect of capital works where the required capital works had not yet been carried out. Where non-reciprocal grants, subsidies and contributions were received for specific capital projects, amounts equivalent to the capital grants received were transferred from retained surplus to the constrained works reserve. When the grant monies were expended on the respective projects, an equivalent amount was transferred out of the constrained works reserve to retained surplus.

Source Reference

Future recurrent expenditure reserve

The council resolved to establish a future recurrent expenditure reserve on 25 May 1999. The amounts previously reported in this reserve corresponded to the amount of cash (reported within cash and cash equivalents) that had been allocated for future maintenance expenditure on specific assets such as bridges within the council area that are repainted once every three years. An amount equivalent to the cash allocated for this purpose was transferred from retained surplus to the future recurrent expenditure reserve annually. When the maintenance was undertaken, an amount equivalent to the maintenance expenditure was transferred out of the future recurrent expenditure reserve to retained surplus. All of the amounts transferred to this reserve related to a perceived future liability which was not currently a liability.

1.AD Joint venture

AASB 11.4, 16 & 24

Council has joint control of XYZ Events Pty Ltd, a limited liability company of which Council has 33.3% ownership. Council has determined that this joint arrangement is a joint venture under AASB 11 *Joint Arrangements* and accounts for this investment using the equity method. Under the equity method the investment is initially recognised at cost and is adjusted each year to recognise council's share of profit or loss. Council's share of movements in other comprehensive income of the partnership are recognised in other comprehensive income. Distributions recieved are recognised as a reduction in the carrying amount of the investment. Further information about the joint venture is set out in Note 34.

Local government legislation

1.AE National competition policy

The Council has reviewed its activities to identify its business activities. Details of these activities are disclosed in Note 41.

AASB 101.51(e)

1.AF Rounding and comparatives

Tropical is presented in whole dollars as this makes it easier to trace the impact of particular items. Whether or not rounding occurs (for example, to the nearest $1000) is at the discretion of each council and would depend on the quantum of the amounts disclosed in the financial statements. Usually rounding would be appropriate for larger councils. If rounding occurs, then the suggested wording is "Amounts included in the financial statements have been rounded to the nearest $1000 or, where that amount is $500 or less, to zero".

AASB 101.41 requires council to reclassify comparative amounts when there is a change to the presentation or classification of items in its financial statements, unless reclassification is impracticable. When council reclassifies comparative amounts, the following disclosures are required:

(a) the nature of the reclassification;
(b) the amount of each item or class of items that is reclassified; and
(c) the reason for the reclassification.

The financial statements have been rounded to the nearest $1.

AASB 101.41

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

1.AG Trust funds held for outside parties

Local government legislation

Funds held in the trust account on behalf of outside parties include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) paid into the trust account by the Council. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

The monies are disclosed in the notes to the financial statements for information purposes only in Note 35.

Source Reference	
	Tropical Council
	Notes to the financial statements
	For the year ended 30 June 2016

Local government legislation

1.AH Funds held in trust by outside parties

This note may be relevant to Aboriginal shire councils.

Some funds belonging to Council are held in the trust funds of third parties. These include grants for water and sewerage infrastructure. For details see Note 35.

AASB 101.117

1.AI Taxation

Income of local authorities and public authorities is exempt from Commonwealth taxation except for Fringe Benefits Tax and Goods and Services Tax ('GST'). The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

This following disclosure will only be applicable to some councils:

The controlled entity of the Council pays an income tax equivalent to the Council in accordance with the requirements of the *Local Government Act 2009* .

Where an activity of the controlled entity of the Council is subject to the tax equivalents regime, the income tax expense is calculated on the operating surplus adjusted for permanent differences between taxable and accounting income. These transactions are eliminated upon consolidation.

The Council pays payroll tax to the Queensland Government on certain activities.

The functions in Note 2 are examples only and should be customised to reflect council's functions.

2. Analysis of Results by Function

AASB 1052

2(a) Components of council functions

The activities relating to the Council's components reported on in Note 2(b) are as follows :

Corporate governance
The objective of corporate governance is for Council to be open, accountable, transparent and deliver value for money community outcomes. This function includes strategic and operational planning, risk management, legal and administrative support. The Mayor, Councillors and Chief Executive Officer are included in corporate governance.

Finance and information
Finance and information provides professional finance and information services across all of Council. This function includes internal audit, budget support, financial accounting, the taxation unit, marketing and communication and information technology services. The goal of this function is to provide accurate, timely and appropriate information to support sound decision making and meet statutory requirements.

Community services
The goal of community services is to ensure Tropical is a healthy, vibrant, contemporary and connected community. Community services provides well managed and maintained community facilities, and ensures the effective delivery of cultural, health, welfare, environmental and recreational services.

This function includes:
Libraries
Entertainment venues
Public health services including vaccination clinics
Environmental licences and approvals.

Planning and development
This function facilitates the Shire's growth and prosperity through well planned and quality development. The objective of planning and development is to ensure the Tropical Shire is well designed, efficient and facilitates growth yet also preserves the character and natural environment of the Shire. This function includes activities and services related to city, neighbourhood and regional planning, and management of development approval processes.

Transport infrastructure
The objective of the transport infrastructure program is to ensure the community is serviced by a high quality and effective road network. The function provides and maintains transport infrastructure, including the maintenance and provision of the drainage network.

Waste management
The goal of this function is to protect and support our community and natural environment by sustainably managing refuse. The function provides refuse collection and disposal services, mosquito and other pest management programs.

Water infrastructure
The goal of this program is to support a healthy, safe community through sustainable water services. This function includes all activities relating to water including flood and waterways management.

Sewerage infrastructure
This function protects and supports the health of our community by sustainably managing sewerage infrastructure.

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2016

The functions in Note 2 are examples only and should be customised to reflect council's functions. Note that the Standard requires grants and "other" to be disclosed.

AASB 1052

2 Analysis of results by function

(b) Income and expenses defined between recurring and capital are attributed to the following functions:

Year ended 30 June 2016

Functions	Gross program income				Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net Result	Assets
	Recurrent		Capital				Recurrent	Capital					
	Grants	Other	Grants	Other									
	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016
	$	$	$	$	$	$	$	$	$	$	$	$	$
Corporate governance		11,073			-	11,073	(446,261)	-	9,998	(436,263)	(435,188)	(425,190)	7,802
Finance and information	3,230,845	3,173,146	750,236	1,520	-	7,155,747	(1,290,697)		25,000	(1,265,697)	1,882,449	5,890,050	9,321,634
Community services		198,590		-	-	198,590	(1,306,682)	(2,374,723)	38,000	(3,643,405)	(1,108,092)	(3,444,815)	4,683,429
Planning & development		255,076		-	-	255,076	(382,371)	-	5,400	(376,971)	(127,295)	(121,895)	101
Transport infrastructure		4,042,604	487,342	480,680	(812,743)	4,197,883	(8,664,888)	-	588,495	(8,076,393)	(4,622,284)	(3,878,510)	47,948,745
Waste management		779,386		-	-	779,386	(734,899)	-	75,500	(659,399)	44,487	119,987	111,989
Water infrastructure		1,986,684			(27,800)	1,958,884	(1,715,925)	-	79,900	(1,636,025)	270,759	322,859	19,181,206
Sewerage infrastructure		522,985		6,600	-	529,585	(471,816)	-	18,250	(453,566)	51,169	76,019	3,563,664
Total Council	3,230,845	10,969,544	1,237,578	488,800	(840,543)	15,086,224	(15,013,539)	(2,374,723)	840,543	(16,547,719)	(4,043,995)	(1,461,495)	84,818,570
Controlled entity net of eliminations		1,648,726		(7,617)		1,641,109	(1,605,906)			(1,605,906)	42,820	35,203	586,468
Total consolidated	3,230,845	12,618,270	1,237,578	481,183	(840,543)	16,727,333	(16,619,445)	(2,374,723)	840,543	(18,153,625)	(4,001,175)	(1,426,292)	85,405,038

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Year ended 30 June 2015

Functions	Gross program income				Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurring operations	Net Result	Assets
	Recurring		Capital				Recurring	Capital					
	Grants	Other	Grants	Other									
	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015
	$	$	$	$	$	$	$	$	$	$	$	$	$
Corporate governance		11,073		24,000	-	35,073	(446,261)	-	9,998	(436,263)	(435,188)	(401,190)	7,802
Finance and information	1,501,781	4,880,392		-	-	6,382,173	(1,290,697)	(1,521,528)	25,000	(2,787,225)	3,589,695	3,594,948	9,321,634
Community services		198,590			-	198,590	(1,306,682)	-	38,000	(1,268,682)	(1,108,092)	(1,070,092)	4,683,429
Planning & development		255,076		-	-	255,076	(382,371)	-	5,400	(376,971)	(127,295)	(121,895)	101
Transport infrastructure		2,464,532	250,000	51,619	(914,548)	1,851,603	(6,586,623)	-	664,000	(5,922,623)	(4,122,091)	(4,071,020)	48,119,929
Waste management		779,386		-	-	779,386	(734,899)	-	75,500	(659,399)	44,487	119,987	111,989
Water infrastructure		1,687,492	80,099	62,901	(1,500)	1,828,992	(1,715,925)	-	79,900	(1,636,025)	(28,433)	192,967	19,181,206
Sewerage infrastructure		522,985		6,600	-	529,585	(471,816)	-	18,250	(453,566)	51,169	76,019	3,563,664
Total Council	1,501,781	10,799,526	330,099	145,120	(916,048)	11,860,478	(12,935,274)	(1,521,528)	916,048	(13,540,754)	(2,135,748)	(1,680,276)	84,989,754
Controlled entity net of eliminations		1,341,500				1,341,500	(1,295,851)	52,500		(1,243,351)	45,649	98,149	467,536
Total consolidated	1,501,781	12,141,026	330,099	145,120	(916,048)	13,201,978	(14,231,125)	(1,469,028)	916,048	(14,784,105)	(2,090,099)	(1,582,127)	85,457,290

Source Reference	**Tropical Council**					
	Notes to the financial statements					
	For the year ended 30 June 2016					
AASB 101.77, 97			**Consolidated**		**Council**	
			2016	**2015**	**2016**	**2015**
		Note	**$**	**$**	**$**	**$**
	3 Revenue analysis					
	(a) Rates, levies and charges					
	The rate, levies and charges break-down is an example only and should be customised to suit council's operations. For Aboriginal councils it will be more appropriate to refer to a "community levy" rather than "rates"					
	General rates / Community levy *(depending on council)*		5,116,713	4,864,383	5,116,713	4,864,383
	Separate rates		307,035	-	307,035	-
	Water		1,357,098	1,308,700	1,357,098	1,308,700
	Water consumption, rental and sundries		347,424	522,889	347,424	522,889
	Sewerage		521,984	500,416	521,984	500,416
	Sewerage trade waste		51,181	15,520	51,181	15,520
	Waste management		-	294,972	-	294,972
	Garbage charges		503,308	478,376	503,308	478,376
	Total rates and utility charge revenue		8,204,743	7,985,256	8,204,743	7,985,256
	Less: Discounts		(662,061)	(616,280)	(662,061)	(616,280)
	Less: Pensioner remissions		(61,056)	(65,939)	(61,056)	(65,939)
			7,481,626	7,303,037	7,481,626	7,303,037
	(b) Fees and charges					
	The fees and charges break-down provides examples of fees and charges (but is not an exhaustive list) and should be customised to suit council's operations.					
	Retirement home fees		1,800,000	1,500,000	-	-
	Building and development fees		273,330	321,000	273,330	321,000
	Infringements		29,456	38,452	29,456	38,452
	Licences and registrations		67,561	68,752	67,561	68,752
	Bank and post office commissions		39,741	38,000	39,741	38,000
	Airport landing fees		69,451	68,451	69,451	68,451
	Other fees and charges		21,654	29,666	21,654	29,666
			2,301,193	2,064,321	501,193	564,321
	(c) Rental income					
AASB 140.75(f)	Investment property rental		7,400	7,400	7,400	7,400
	Other rental income		3,000	3,000	3,000	3,000
			10,400	10,400	10,400	10,400
AASB 118.35(b)	**(d) Interest received**					
	Interest received from term deposits		266,793	232,785	266,793	232,785
	Other sources		-	-	48,600	51,300
	Interest from overdue rates and utility charges		34,653	52,810	34,653	52,810
			301,446	285,595	350,046	336,895
AASB 118.35(b)	**(e) Sales revenue**					
	The suggested sales revenue break-down is suggested only and should be customised to suit council's operations.					
AASB 118.35(b)	**Sale of services**					
AASB 111.39(a)	Contract and recoverable works		479,717	380,038	479,717	380,038
	Child care centre		29,456	28,791	29,456	28,791
	Motor vehicle repairs		17,564	16,987	17,564	16,987
			526,737	425,816	526,737	425,816
AASB 118.35(b)	**Sale of goods**					
	Nursery		50,540	43,278	50,540	43,278
	Post office		23,458	22,652	23,458	22,652
	Service station		39,265	38,254	39,265	38,254
			113,263	104,184	113,263	104,184
	Total sales revenue		640,000	530,000	640,000	530,000
AASB 111.40	The amount recognised as revenue for contract revenue during the financial year is the amount receivable in respect of invoices issued during the period. There are no contracts in progress at the year end. The contract work carried out is not subject to retentions.					
	(f) Profit from investments					
	Profit from joint ventures	34	54,286	36,571	54,286	36,571
			54,286	36,571	54,286	36,571
	(g) Other income					
AASB 118.35(b)	Dividend		-	-	102,674	107,200
ATSI Councils - 40 year lease	Gain on revaluation of finance leases (Note 14)		16,787	-	16,787	-
	Other income		971,989	973,714	971,989	973,714
			988,776	973,714	1,091,450	1,080,914

Source Reference	**Tropical Council**					
	Notes to the financial statements					
	For the year ended 30 June 2016					
AASB 101.77, 97			**Consolidated**		**Council**	
			2016	**2015**	**2016**	**2015**
		Note	**$**	**$**	**$**	**$**
AASB 1004.12, 18(a)	**4 Grants, subsidies, contributions and donations**					
	(a) Recurrent					
	General purpose grants		833,040	830,094	833,040	830,094
	State government subsidies and grants		1,150,987	336,789	1,150,987	336,789
	Commonwealth government subsidies and grants		1,225,000	334,898	1,225,000	334,898
	Donations		996	-	996	-
	Contributions		20,822	21,340	20,822	21,340
			3,230,845	1,523,121	3,230,845	1,523,121
	(b) Capital					
	State government subsidies and grants		487,342	330,099	487,342	330,099
	Contributions		690,472	17,430	690,472	17,430
ATSI Councils - 40 year lease	Contributions - finance lease assets recognised in respect of newly built houses		59,764	-	59,764	-
			1,237,578	347,529	1,237,578	347,529

AASB 1004.60 & 61

Conditions over contributions

AASB 1004 defines contributions as "non-reciprocal transfers to the entity". A "non-reciprocal transfer" is defined in AASB 1004 as "a transfer in which the entity receives assets or services or has liabilities extinguished without directly giving approximately equal value in exchange to the other party or parties to the transfer." Therefore, in relation to grants, only non-reciprocal grants will be disclosed in the following notes.

The requirement to separately disclose grants for services versus grants for capital purposes (i.e. infrastructure) is not mandated in local government legislation or Australian Accounting Standards. However, this breakdown will significantly assist Council in preparing their Financial Sustainability Statements.

AASB 1004.60(a),(b) & (d)

Contributions recognised as income during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:

			2016	2015	2016	2015
	Non-reciprocal grants for expenditure on services *(if applicable)*		-	-	-	-
	Non-reciprocal grants for expenditure on infrastructure *(if applicable)*		-	10,750	-	10,750
			-	10,750	-	10,750

AASB 1004.60(e)

Contributions recognised as income during a previous reporting period that were obtained in respect of the current reporting period:

			2016	2015	2016	2015
	Non-reciprocal grants for expenditure on services *(if applicable)*		-	-	-	-
	Non-reciprocal grants for expenditure on infrastructure *(if applicable)*		-	4,843	-	4,843
			-	4,843	-	4,843

		Note	2016	2015	2016	2015
	5 Capital income					
AASB Framework.78 & 80 and AASB 101.34	**Gain / loss on disposal of non-current assets**					
	Proceeds from the sale of property, plant and equipment		1,885,093	187,487	1,885,093	187,487
	Less: Book value of property, plant and equipment disposed of		(1,825,172)	(59,797)	(1,825,172)	(59,797)
			59,921	127,690	59,921	127,690
	Proceeds from sale of land and improvements		156,000	-	156,000	-
	Less: Carrying value of land sold		(113,200)	-	(113,200)	-
			42,800	-	42,800	-
	Provision for restoration of land					
	Discount rate adjustment to refuse restoration provision	24	8,248	-	8,248	-
			8,248	-	8,248	-
AASB 116 AUS 39.1 & 40.1	**Revaluations**					
	Revaluation up of property, plant and equipment reversing previous revaluation down	18	314,214	-	321,831	-
	Revaluation up of investment property	17	56,000	-	56,000	-
			370,214	-	377,831	-
	Total capital income		481,183	127,690	488,800	127,690

Source Reference	Tropical Council Notes to the financial statements For the year ended 30 June 2016					
AASB 101.77, 97			Consolidated		Council	
			2016	2015	2016	2015
		Note	$	$	$	$
	6 Employee benefits					
	Total staff wages and salaries		4,728,303	4,283,060	3,477,759	3,383,060
	Councillors' remuneration		146,175	138,091	146,175	138,091
	Annual, sick and long service leave entitlements		631,625	656,415	631,625	656,415
	Superannuation	32	345,729	337,833	345,729	337,833
			5,851,832	5,415,399	4,601,288	4,515,399
	Other employee related expenses		196,420	177,045	196,420	177,045
			6,048,252	5,592,444	4,797,708	4,692,444
	Less: Capitalised employee expenses		(169,209)	(398,283)	(169,209)	(398,283)
			5,879,043	5,194,161	4,628,499	4,294,161

Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.

	2016	2015	2016	2015
Total Council employees at the reporting date:				
Elected members	7	7	7	7
Administration staff	35	31	14	14
Depot and outdoors staff	44	44	44	44
Total full time equivalent employees	86	82	65	65

7 Materials and services

As a guide, councils should show separately any component of 'materials and services' which exceeds 10% of the total or which is individually likely to be of significance to users.

Source Reference		Note	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
	Advertising and marketing		239,862	118,240	209,862	118,240
	Administration supplies and consumables		581,723	441,258	530,712	398,140
AASB 1054.10	Audit of annual financial statements by the Auditor-General of Queensland		22,015	20,769	22,015	20,769
	Communications and IT		790,167	713,177	721,049	604,231
	Consultants		243,100	121,876	243,100	121,876
	Contractors		1,102,179	884,532	1,102,179	884,532
	Donations paid		18,317	18,581	18,317	18,581
AASB 140.75(f)(ii)	Investment property expenses (property generating income)		5,999	5,297	5,999	5,297
AASB 140.75(f)(iii)	Investment property expenses (property not generating income)		1,482	1,031	1,482	1,031
	Power		302,861	278,749	282,543	258,746
	Repairs and maintenance		963,102	802,549	849,860	701,548
AASB 117.35(c)	Rentals - operating leases		12,449	12,449	12,449	12,449
	Subscriptions and registrations		193,017	241,065	193,017	241,065
	Travel		599,048	323,601	599,048	323,601
	Other materials and services		230,140	223,488	193,828	186,557
			5,305,461	4,206,662	4,985,460	3,896,663
	8 Finance costs					
AASB 7.20	Finance costs charged by the Queensland Treasury Corporation		709,925	921,854	709,925	921,854
	Finance costs relating to other bank loans		3,276	-	3,276	-
	Bank charges		26,665	27,652	26,665	27,652
	Impairment of debts		1,974	632	1,974	632
	Interest on finance leases		20,279	21,034	20,279	21,034
	Quarry rehabilitation		3,784	3,327	3,784	3,327
	Refuse restoration		67,422	65,452	67,422	65,452
			833,325	1,039,951	833,325	1,039,951
AASB 116.48	**9 Depreciation and amortisation**					
	Depreciation of non-current assets					
	Land improvements		849	914	849	914
	Buildings		101,875	89,029	90,626	78,213
	Major plant		146,434	127,546	146,434	127,546
	Other plant and equipment		264,952	175,445	240,840	152,909
	Road, drainage and bridge network		2,690,151	3,029,011	2,690,151	3,029,011
	Water		392,976	404,468	392,976	404,468
	Sewerage		148,259	148,259	148,259	148,259
	Other infrastructure assets		12,577	17,311	12,577	17,311
		18	3,758,073	3,991,983	3,722,712	3,958,631
	Amortisation of intangible assets					
	Software	20	3,000	3,000	3,000	3,000
	Total depreciation and amortisation		3,761,073	3,994,983	3,725,712	3,961,631

Source Reference	**Tropical Council**
	Notes to the financial statements
	For the year ended 30 June 2016

Source Reference		Note	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
AASB 101.77, 97						
	10 Capital expenses					
AASB 136.126(a)	**Loss on impairment**					
	Non-current assets classified as held for sale		10,000	-	10,000	-
	Property, plant and equipment					
	Total impairment losses		10,000	-	10,000	-
	Impairment loss offset against asset revaluation surplus		-	-	-	-
	Impairment loss treated as expense		10,000	-	10,000	-

AASB 136.130 — The loss on impairment of assets classified as held for sale arises because on transfer of land from property, plant and equipment it is no longer measured at its fair value but at fair value less disposal costs (note 15). The impairment loss of $10,000 is the estimated amount of the disposal costs.

Source Reference		Note	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
	Provision for restoration of land	24				
	Discount rate adjustment to refuse restoration provision		-	26,517	-	26,517
	Discount rate adjustment to quarry rehabilitation liability		-	7,617	-	7,617
			-	34,134	-	34,134

The discount rate adjustment to the quarry rehabilitation liability was adjusted against expenses as there was an insufficient asset revaluation surplus in the relevant asset class.

Source Reference		Note	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
AASB 116.40	**Revaluation decrement**					
	Revaluation down of property, plant and equipment	18	-	314,214	-	314,214
			-	314,214	-	314,214
ATSI Councils - 40 year lease	Loss on transfer of assets via finance lease					
	Book value of property, plant and equipment transferred		2,826,153	-	2,826,153	-
	Less: Initial recognition of finance leases		461,430	-	461,430	-
			2,364,723	-	2,364,723	-
	Total capital expenses		2,374,723	348,348	2,374,723	348,348
AASB 107.45	**11 Cash and cash equivalents**					
	Cash at bank and on hand		2,235,156	1,528,922	1,860,330	1,187,278
	Deposits at call		3,500,000	1,000,000	3,500,000	1,000,000
	Term deposits		-	1,750,000		1,750,000
	Less bank overdraft		-	(2,400)	-	(2,400)
	Balance per Statement of Cash Flows		5,735,156	4,276,522	5,360,330	3,934,878

Councils cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:

Source Reference		Note	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
AASB 107.48	Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:					
	Unspent government grants and subsidies		-	10,750	-	10,750
	Unspent loan monies		-	262,266	-	262,266
	*Internally imposed expenditure restrictions at the reporting date:					
	Future capital works		146,000	46,000	146,000	46,000
	Future asset replacement		1,939,332	1,156,332	1,939,332	1,156,332
	Future constrained works		1,522,864	832,392	1,522,864	832,392
	Future recurrent expenditure		197,800	112,800	197,800	112,800
	Total unspent restricted cash		3,805,996	2,420,540	3,805,996	2,420,540

* These restrictions were previously allocated as reserves

Not mandatory — Cash and deposits at call are held in the National Australia Bank in normal term deposits and business cheque accounts. The bank currently has a short term credit rating of A1+ and long term rating of AA-.

Source Reference	**Tropical Council**					
	Notes to the financial statements					
	For the year ended 30 June 2016					
AASB 101.77, 97			**Consolidated**		**Council**	
			2016	**2015**	**2016**	**2015**
		Note	**$**	**$**	**$**	**$**
AASB 101.78(b)	**12 Trade and other receivables**					
	Debtors should include GST where applicable.					
	Current					
	Rateable revenue and utility charges		278,568	392,112	278,712	392,256
	Water charges not yet levied		39,824	36,043	39,824	36,043
	Housing rental		95,464	67,500	95,464	67,500
	Other debtors		839,486	318,412	839,486	318,412
AASB 139.63	Less impairment		-	(3,547)	-	(3,547)
	GST recoverable		7,639	31,593	7,639	31,593
	Loans and advances to controlled entities and associates		-	-	45,000	45,000
AASB 101.78(b)	Prepayments		121,929	15,949	121,929	15,949
			1,382,910	858,062	1,428,054	903,206
	Non-current					
	Loans and advances to community organisations		150,000	150,000	150,000	150,000
	Loans and advances to controlled entities and associates		-	-	720,000	765,000
			150,000	150,000	870,000	915,000

AASB 7.36 &37

Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.

Loans relate to advances made to various sporting bodies. These loans arise from time to time and are subject to negotiated interest rates. The credit risk on these loans is considered low.

AASB7.16	Movement in accumulated impairment losses (other debtors) is as follows:					
	Opening balance at 1 July		3,547	1,323	3,547	1,323
	Impairment Debts written off during the year		3,547	-	3,547	-
	Additional impairments recognised		-	2,224	-	2,224
	Impairments reversed		-	-	-	-
	Closing Balance at 30 June		-	3,547	-	3,547
AASB 102.36 & Aus36.1	**13 Inventories**					
	Inventories held for sale					
	Miscellaneous saleable items		1,000	1,500	1,000	1,500
	Supermarket stock		250	-	250	-
	Other trading stocks		250	-	250	-
			1,500	1,500	1,500	1,500
AASB 102.Aus9.1	**Inventories held for distribution**					
	Quarry and road materials		957	210,500	957	210,500
	Plant and equipment stores		1,500	8,006	1,500	8,006
			2,457	218,506	2,457	218,506
	Land purchased for development and sale		230,000	230,000	230,000	230,000
	Total inventories		233,957	450,006	233,957	450,006

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2016

AASB 101.77, 97

	Note	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
14 Other financial assets					
Current					
Finance leases		20,090	-	20,090	-
		20,090	-	20,090	-
Non-current					
Finance leases		512,991	-	512,991	-
		512,991	-	512,991	-

AASB117.47(a)

A reconciliation between the gross investment in the lease and the fair value of lease payments is as follows:

	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
Gross minimum lease payments receivable:				
Not later than one year	20,090	-	20,090	-
Later than one year but not later than five years	80,360	-	80,360	-
Later than five years	698,128	-	698,128	-
	798,578	-	798,578	-
Add: Estimated contingent rent	542,383	-	542,383	-
Less: Present value adjustment	(807,880)	-	(807,880)	-
Fair value of lease payments	533,081	-	533,081	-
The fair value of lease payments are receivable as follows:				
Not later than one year	20,090	-	20,090	-
Later than one year but not later than five years	75,246	-	75,246	-
Later than five years	437,744	-	437,744	-
	533,081	-	533,081	-
Movements in finance leases were as follows:				
Opening balance	-	-	-	-
Add: Initial recognition of new leases	521,194	-	-	-
Less: Lease receipts	(4,900)	-	-	-
Add: Gain on revaluation	16,787	-	-	-
Closing balance	533,081	-	-	-

The calculation of fair value has included an estimate of average annual CPI increases of (insert rate used for current year, and prior year if applicable) and a discount rate of (insert rate used for current year, and prior year if applicable.

AASB 5.30 & 41

15 Non-current assets classified as held for sale

	Note	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
Council has decided to sell land previously used as a depot as it is no longer required. It has been placed with real estate agents and is expected to be sold within one year.		100,000	-	100,000	-
Internal transfer from land and improvements		100,000	-	100,000	-
Impairment adjustment in period	10	(10,000)	-	(10,000)	-
		90,000	-	90,000	-

The land is valued at the lower of carrying value and fair value less cost to sell.

AASB 136.130 (f)

Note 19 describes the valuation techniques that were used to determine the fair value of the land, which is categorised as a level 2 valuation. Disposal costs were estimated based on commission rates charged by the real estate agents that have been engaged and legal costs quoted by council's solicitors.

16 Investments

Source Reference		Note	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
AASB 127.10	Interest in controlled entity Tropical Sunset Retirement Home Pty Ltd		-	-	1,080,000	1,080,000
AASB 131.38	XYZ Events Pty Ltd (Joint venture)	34	1,015,715	972,849	1,015,715	972,849
			1,015,715	972,849	2,095,715	2,052,849

AASB 7.29(b)

The shares in the Tropical Sunset Retirement Home Pty Ltd are not traded on an active market and their fair value cannot be ascertained reliably. Accordingly they are shown at cost.

Council's interest in the joint venture is measured using the equity method.

AASB 101.77, 97

	Note	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $

Note: Where council produces consolidated financial statements and council financial statements, as shown in this model, then the "council" financial statements are separate financial statements under AASB 127 *Separate Financial Statements.* That standard requires council to account for subsidiaries, joint ventures and associates using cost or in accordance with AASB 9, in the separate financial statements. In this illustrative set of financial statements this has not been applied in the joint venture that has been illustrated because of the confusion that will arise for the majority of councils, which simply refer to the "council' column when preparing financial statements. Those councils that prepare consolidated financial statements and have a joint venture or associate will need to ensure that AASB 127 is complied with when preparing the separate financial statements. For example if the cost of the joint venture was $852,000 then note 16 would appear as follows:

16 Investments

	Note	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
Interest in controlled entity Tropical Sunset Retirement Home Pty Ltd		-	-	1,080,000	1,080,000
Joint venture	34	1,015,715	972,849	852,000	852,000
		1,015,715	972,849	1,932,000	1,932,000

The shares in the Tropical Sunset Retirement Home Pty Ltd are not traded on an active market and their fair value cannot be ascertained reliably. Accordingly they are shown at cost.

Council's interest in the joint venture is measured using the equity method in the consolidated financial statements and at cost in council's separate financial statements.

Source Reference	Tropical Council
	Notes to the financial statements
	For the year ended 30 June 2016

AASB 101.77, 97

AASB 140

17 Investment property

It is a requirement of AASB 140 that investment property held at fair value is revalued each year (refer Note 1.Q) and that the increment / decrement is taken to the Statement of Comprehensive Income in profit or loss. While Tropical shows a $0 revaluation adjustment in 2015, in practice a council must undertake a revaluation each year in order to comply with AASB 140.

Pursuant to accounting standard AASB 140 *Investment Property* , property that is being constructed or developed for future use as investment property is now classified as investment property rather than as property, plant and equipment. Investment property under construction is measured at fair value, unless fair value cannot be reliably determined for an individual property (in which case the property concerned is measured at cost until fair value can be reliably determined).

AASB 140 defines investment property as "...held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:
(a) use in the production or supply of goods or services or for administrative purposes...."
Therefore councils need to determine the purpose for which land or buildings are held before classifying them as investment property.
Land and buildings that are held for community housing, for example are not held primarily for rental and therefore should not be classified as investment property.

Source Reference		Note	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
AASB 140.76	Fair value at beginning of financial year		420,000	420,000	420,000	420,000
	Revaluation adjustment to the income account	5	56,000	-	56,000	-
	Transfer of land held for unascertained future purposes from property, plant and equipment		14,400	-	14,400	-
	Fair value at end of financial year		490,400	420,000	490,400	420,000

Investment property comprises:
- residential property which is rented out
- the 'Big Window' buildings and plant
- land which is held for future development or an undetermined future use.

Investment property does not include community housing.

AASB140.75

All investment property was valued at fair value by J Long Valuers, an independent professionally qualified valuation firm, as at 30 June 2016. J Long Valuers have extensive experience in valuing properties of this nature in the Tropical Shire and surrounding areas. Further information about the valuation techniques used to derive fair value are included in note 19.

AASB 140.75(f)(i)

Income from investment property is shown in Note 3(c). Expenses in respect of investment property are shown in Note 7.

AASB140 .8(e)

At reporting date there was no property being constructed or developed for future use as investment property.

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2016

18 Property, plant and equipment

AASB 116.73

Consolidated - 30 June 2016	Note	Land and improvements	Buildings	Major plant	Other plant and equipment	Road, drainage and bridge network	Water	Sewerage	Other infrastructure assets	Work in progress	Total
Basis of measurement		Fair Value	Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
Asset values		$	$	$	$	$	$	$	$	$	$
Opening gross value as at 1 July 2015		4,050,985	5,722,838	2,211,181	2,254,214	78,630,365	23,086,180	7,070,212	186,203	762,102	123,974,280
Additions*		-	30,435	301,428	120,976	-	-	-	44,117	1,300,258	1,797,214
Disposals	5	(113,200)	(2,826,153)	(154,210)	(62,197)	-	(2,332,641)	-	-	-	(5,488,401)
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	26	110,250	42,618	-	-	1,025,511	(30,195)	-	-	-	1,148,184
Revaluation adjustment to income (capital income)	5	-	-	-	-	314,214	-	-	-	-	314,214
Assets classified as held for sale	15	(100,000)	-	-	-	-	-	-	-	-	(100,000)
Assets transferred to investment property	17	(14,400)	-	-	-	-	-	-	-	-	(14,400)
Transfers between classes			-	-	-	412,584	803,572	-	-	(1,216,156)	-
Closing gross value as at 30 June 2016		3,933,635	2,969,738	2,358,399	2,312,993	80,382,674	21,526,916	7,070,212	230,320	846,204	121,631,091
Accumulated depreciation and impairment											
Opening balance as at 1 July 2015		6,076	1,813,032	659,845	1,130,143	30,527,153	7,929,207	3,511,411	91,562	-	45,668,429
Depreciation provided in period	9	849	101,875	146,434	264,952	2,690,151	392,976	148,259	12,577	-	3,758,073
Depreciation on disposals	5	-	-	(26,107)	(85,449)	-	(612,320)	-	-	-	(723,876)
Revaluation adjustment to asset revaluation surplus	26	-	646	-	-	(1,104,603)	(15,810)	-	-	-	(1,119,767)
Impairment adjustment to asset revaluation surplus	26	-		-	-	-	-	-	-	-	-
Impairment adjustment to Income	10	-		-		-	-	-	-	-	-
Assets transferred to investment property	17	-	-	-	-	-	-	-	-	-	-
Transfers between classes		-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2016		6,925	1,915,553	780,172	1,309,646	32,112,701	7,694,053	3,659,670	104,139	-	47,582,859
Consolidated book value as at 30 June 2016		3,926,710	1,054,185	1,578,227	1,003,347	48,269,973	13,832,863	3,410,542	126,181	846,204	74,048,232
Residual value		3,921,610	800,000	453,970	78,000	-	-	-	-	-	-
Range of estimated useful life in years		Land: Not depreciated. Improvements : 7 - 40	40 - 100	12	2 - 20	5 - 100	20 - 80	20 - 60	20 - 40	-	-

AASB 136.126

Current-year financial sustainability statement

Additions comprise:

	$	$	$	$	$	$	$	$	$	$
Renewals									1,002,650	1,002,650
Other additions		30,435	301,428	120,976				44,117	297,608	794,564
Total additions	-	30,435	301,428	120,976	-	-	-	44,117	1,300,258	1,797,214
	-	-	-	-	-	-	-	-	-	-

18 Property, plant and equipment

 # Note these two figures must agree

Source Reference

Tropical Council
Notes to the Financial Statements
For the year ended 30 June 2016

AASB 116.73

Consolidated - 30 June 2015	Note	Land and improvements	Buildings	Major plant	Other plant and equipment	Road, drainage and bridge	Water	Sewerage	Other infrastructure assets	Work in progress	Total
Basis of measurement		Fair Value	Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
Asset values		$	$	$	$	$	$	$	$		$
Opening gross value as at 1 July 2014		3,998,485	5,607,626	1,983,254	1,888,126	77,420,964	23,065,805	7,070,212	180,955	419,543	121,634,970
Adjustment to opening value	37	-	-	-	-	1,600,023	-	-	-	-	1,600,023
Additions		-	120,888	272,500	535,028	-	-	-	5,248	1,586,308	2,519,972
Disposals	5	-	-	(183,400)	(168,940)	-	-	-	-	-	(352,340)
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	26	52,500	(5,676)	138,827	-	-	(27,296)	-	-	-	158,355
Revaluation adjustment to income (capital income)	5	-	-	-	-	(1,586,700)	-	-	-	-	(1,586,700)
Assets classified as held for sale	15	-	-	-	-	-	-	-	-	-	-
Assets transferred to investment property	17	-	-	-	-	-	-	-	-	-	-
Transfers between classes		-	-	-	-	1,196,078	47,671	-	-	(1,243,749)	-
Closing gross value as at 30 June 2015		4,050,985	5,722,838	2,211,181	2,254,214	78,630,365	23,086,180	7,070,212	186,203	762,102	123,974,280
Accumulated depreciation and impairment											
Opening balance as at 1 July 2014		5,162	1,723,691	594,976	1,142,916	28,474,384	7,529,026	3,363,152	74,251	-	42,907,558
Adjustment to opening value	37	-	-	-	-	296,244	-	-	-	-	296,244
Depreciation provided in period	9	914	89,029	127,546	175,445	3,029,011	404,468	148,259	17,311	-	3,991,983
Depreciation on disposals	5	-		(104,325)	(188,218)	-	-	-	-	-	(292,543)
Revaluation adjustment to asset revaluation surplus	26	-	312	41,648	-	-	(4,287)	-	-	-	37,673
Impairment adjustment to asset revaluation surplus	26	-	-	-	-	-	-	-	-	-	-
Impairment adjustment to income		-	-	-	-	-	-	-	-	-	-
Revaluation adjustment to income	5	-	-	-	-	(1,272,486)	-	-	-	-	(1,272,486)
Transfers between classes		-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2015		6,076	1,813,032	659,845	1,130,143	30,527,153	7,929,207	3,511,411	91,562	-	45,668,429
Consolidated book value as at 30 June 2015		4,044,909	3,909,806	1,551,336	1,124,071	48,103,212	15,156,973	3,558,801	94,641	762,102	78,305,851
Residual value		4,015,920	800,000	452,701	850,000	23,487,016	-	-	-	-	-
Range of estimated useful life in years		Land: Not depreciated. Improvements : 7 - 40	40 - 100	12	2 - 20	5 - 100	20 - 80	20 - 60	20 - 40	-	-

AASB 136.126

Source Reference

18 Property, plant and equipment

Tropical Council

Notes to the Financial Statements

For the year ended 30 June 2016

AASB 116.73

AASB 136.126

Council - 30 June 2016	Note	Land and improvements	Buildings	Major plant	Other plant and equipment	Road, drainage and bridge network	Water	Sewerage	Other infrastructure assets	Work in progress	Total
Basis of measurement		Fair Value	Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
Asset values		$	$	$	$	$	$	$	$	$	$
Opening gross value as at 1 July 2015		2,948,485	5,182,038	2,211,181	1,816,214	78,630,365	23,086,180	7,070,212	186,203	762,102	121,892,980
Additions		-	30,435	301,428	120,976	-	-	-	44,117	1,300,258	1,797,214
Disposals	5	(113,200)	(2,826,153)	(154,210)	(62,197)	-	(7,332,641)	-	-	-	(10,488,401)
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	26	47,508	21,632	-	-	1,025,511	(30,195)	-	-	-	1,064,456
Revaluation adjustment to income (capital income)	5	7,617	-	-	-	314,214	-	-	-	-	321,831
Assets classified as held for sale	15	(100,000)	-	-	-	-	-	-	-	-	(100,000)
Assets transferred to investment property	17	(14,400)	-	-	-	-	-	-	-	-	(14,400)
Transfers between classes		-	-	-	-	412,584	803,572	-	-	(1,216,156)	-
Closing gross value as at 30 June 2016		2,776,010	2,407,952	2,358,399	1,874,993	80,382,674	16,526,916	7,070,212	230,320	846,204	114,473,680
Accumulated depreciation and impairment											
Opening balance as at 1 July 2015		6,076	1,791,504	659,845	1,086,407	30,527,153	7,929,207	3,511,411	91,562	-	45,603,165
Depreciation provided in period	9	849	90,626	146,434	240,840	2,690,151	392,976	148,259	12,577	-	3,722,712
Depreciation on disposals	5	-	-	(26,107)	(85,449)	-	(5,612,320)	-	-	-	(5,723,876)
Revaluation adjustment to asset revaluation surplus	26	-	646	-	-	(1,104,603)	(15,810)	-	-	-	(1,119,767)
Impairment adjustment to asset revaluation surplus	26	-		-	-	-	-	-	-	-	-
Impairment adjustment to income	10	-		-		-	-	-	-	-	-
Assets classified as held for sale	15	-	-	-	-	-	-	-	-	-	-
Assets transferred to investment property	17	-	-	-	-	-	-	-	-	-	-
Transfers between classes		-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2016		6,925	1,882,776	780,172	1,241,798	32,112,701	2,694,053	3,659,670	104,139	-	42,482,234
Total written down value as at 30 June 2016		2,769,085	525,176	1,578,227	633,195	48,269,973	13,832,863	3,410,542	126,181	846,204	71,991,446
Residual value		2,769,085	250,000	453,970	136,000	-	-	-	-	-	
Range of estimated useful life in years		Land: Not depreciated. Improvements : 7 - 40	40 - 100	12	2 - 20	5 - 100	10 - 60	20 - 60	20 - 40	-	

Current-year financial sustainability statement

Additions comprise:

	Land and improvements	Buildings	Major plant	Other plant and equipment	Road, drainage and bridge network	Water	Sewerage	Other infrastructure assets	Work in progress	Total
	$	$	$	$	$	$	$	$	$	$
Renewals			162,450	75,200					765,000	1,002,650
Other additions		30,435	138,978	45,776				44,117	535,258	794,564
Total additions	-	30,435	301,428	120,976	-	-	-	44,117	1,300,258	1,797,214
	-	-	-	-	-	-	-	-	-	-

Source Reference

Tropical Council
Notes to the Financial Statements
For the year ended 30 June 2016

AASB 116.73

Council - 30 June 2015	Note	Land and improvements	Buildings	Major plant	Other plant and equipment	Road, drainage and bridge	Water	Sewerage	Other infrastructure assets	Work in progress	Total
Basis of measurement		Fair Value	Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
Asset values		$	$	$	$	$	$	$	$		$
Opening gross value as at 1 July 2014		2,948,485	5,087,626	1,983,254	1,464,126	77,420,964	23,065,805	7,070,212	180,955	419,543	119,640,970
Adjustment to opening value	37	-	-	-	-	1,600,023	-	-	-	-	1,600,023
Additions		-	120,888	272,500	521,028	-	-	-	5,248	1,586,308	2,505,972
Disposals	5	-	-	(183,400)	(168,940)	-	-	-	-	-	(352,340)
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	26	-	(26,476)	138,827	-	-	(27,296)	-	-	-	85,055
Revaluation adjustment to income (capital income)	5	-	-	-	-	(1,586,700)	-	-	-	-	(1,586,700)
Assets classified as held for sale	15	-	-	-	-	-	-	-	-	-	-
Assets transferred to investment property	17	-	-	-	-	-	-	-	-	-	-
Transfers between classes		-	-	-	-	1,196,078	47,671	-	-	(1,243,749)	-
Closing gross value as at 30 June 2015		2,948,485	5,182,038	2,211,181	1,816,214	78,630,365	23,086,180	7,070,212	186,203	762,102	121,892,980
Accumulated depreciation and impairment											
Opening balance as at 1 July 2014		5,162	1,713,291	594,976	1,121,716	28,474,384	7,529,026	3,363,152	74,251	-	42,875,958
Adjustment to opening value	37	-	-	-	-	296,244	-	-	-	-	296,244
Depreciation provided in period	9	914	78,213	127,546	152,909	3,029,011	404,468	148,259	17,311	-	3,958,631
Depreciation on disposals	5	-	-	(104,325)	(188,218)	-	-	-	-	-	(292,543)
Revaluation adjustment to asset revaluation surplus	26	-	-	41,648	-	-	(4,287)	-	-	-	37,361
Revaluation adjustment to income	5	-	-	-	-	(1,272,486)		-	-	-	(1,272,486)
Impairment adjustment to asset revaluation surplus (AASB 136.126)	26	-	-	-	-	-	-	-	-	-	-
Impairment adjustment to income		-	-	-	-	-	-	-	-	-	-
Assets classified as held for sale		-	-	-	-	-	-	-	-	-	-
Assets transferred to investment property		-	-	-	-	-	-	-	-	-	-
Transfers between classes		-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2015		6,076	1,791,504	659,845	1,086,407	30,527,153	7,929,207	3,511,411	91,562	-	45,603,165
Total written down value as at 30 June 2015		2,942,409	3,390,534	1,551,336	729,807	48,103,212	15,156,973	3,558,801	94,641	762,102	76,289,815
Residual value		2,942,409	250,000	452,701	128,000	23,487,016	-	-	-	-	
Range of estimated useful life in years		Land: Not depreciated. Improvements : 7 - 40	40 - 100	12	2 - 20	5 - 100	20 - 80	20 - 60	20 - 40	-	

AASB 116. 74(b)

18 Property, plant and equipment

AASB116 para 74 (b) requires financial statements to disclose the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction. In previous versions of Tropical, work in progress has been disclosed in a separate note, but it has now been included in the above note as it forms part of property, plant and equipment. Many other illustrative accounts also include WIP with property, plant and equipment.

Important information about impairment of local government assets

Many local government assets are unique, with no active market. The fair value of those assets is calculated using a cost based method known as depreciated replacement cost. Due to the way that AASB 136 *Impairment* calculates impairment, assets that are measured in this way will never be impaired. Instead the fair value of the asset at 30 June should reflect any "impaired" condition. Local Government Bulletin 16/2011 provides specific guidance on this issue.

However, assets that are measured at cost or fair value calculated using another method (eg market value) may be impaired in accordance with AASB 136.

AASB 13.91-99

19 Fair Value Measurements

Early adoption of AASB 2015-7

This note reflects the disclosure requirements contained in AASB 13 Fair Value Measurement and AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, as they apply to Tropical Council. Each Council will need to tailor this disclosure to their specific circumstances. The standard requires disclosure about the fair value measurement wherever another standard requires or permits fair value measurements or disclosures about fair value measurements or measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements. In this set of Financial Statements statements the disclosures have been placed after the property, plant and equipment note, however councils can place this disclosure elsewhere in their financial statement notes since it relates to more than just property, plant and equipment.

(i) Recognised fair value measurements

Council measures and recognises the following assets at fair value on a recurring basis:

Investment Property

Property, plant and equipment

- Land and improvement
- Buildings
- Major Plant
- Road, drainage and bridge network
- Water Infrastructure
- Sewerage Infrastructure
- Other infrastructure assets

Council does not measure any liabilities at fair value on a recurring basis.

AASB13.97

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes.

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in note 22 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flows at balance date (level 2).

The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature (Level 2).

AASB13.93(a), (d)

Council also has assets measured at fair value on a non-recurring basis as a result of being reclassified as assets held for sale. These comprise land previously used as a depot as disclosed in note 15. A description of the valuation techniques and the inputs used to determine the fair value of this land is included below under the heading "Land (level 2)".

In accordance with AASB 13 fair value measurements are categorised on the following basis:

- Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Fair value based on inputs that are directly or indirectly observable for the asset or liability (level 2)
- Fair value based on unobservable inputs for the asset and liability (level 3)

AASB13.93

The following table categorises fair value measurements as either level 2 or level 3 in accordance with AASB 13. Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as level 1.

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

The table presents the Council's assets and liabilities measured and recognised at fair value at 30 June 2016.

Source Reference

AASB13.93(a),(b)

Tropical Council
Notes to the financial statements
For the year ended 30 June 2016

Consolidated

At 30 June 2016	Note	Level 2 (Significant other observable inputs) $		Level 3 (Significant unobservable inputs) $		Total $	
		2016	2015	2016	2015	2016	2015
Recurring fair value measurements							
Investment Property	17						-
Rental property		185,000	145,000	-		330,000	145,000
The "Big Window"		-		205,100	205,100	205,100	205,100
Land		100,300	69,900	-		170,200	69,900
Land and improvement	18	3,926,710	4,044,909	-	-	7,971,619	4,044,909
Buildings	18						-
- Non-Specialised Buildings		952,509	3,808,130		-	4,760,639	3,808,130
- Specialised Buildings				101,676	101,676	101,676	101,676
Major Plant	18	1,578,227	1,551,336	-	-	3,129,563	1,551,336
Road, drainage and bridge network	18	-	-	48,269,973	48,103,212	48,269,973	48,103,212
Water Infrastructure	18	-	-	13,832,863	15,156,973	13,832,863	15,156,973
Sewerage Infrastructure	18	-	-	3,410,542	3,558,801	3,410,542	3,558,801
Other infrastructure assets	18	-	-	126,181	94,641	126,181	94,641
		6,742,746	9,619,275	65,946,335	67,220,403	82,308,356	76,839,678
Non-recurring fair value measurements							
Land held for sale	15	90,000	-	-	-	90,000	-

Council

At 30 June 2016	Note	Level 2 (Significant other observable inputs) $		Level 3 (Significant unobservable inputs) $		Total $	
		2016	2015	2016	2015	2016	2015
Recurring fair value measurements							
Investment Property	17						
Rental property		185,000	145,000	-	-	185,000	145,000
The "Big Window"		-	-	205,100	205,100	205,100	205,100
Land		100,300	69,900	-	-	100,300	69,900
Land and improvement	18	2,769,085	2,942,409	-	-	2,769,085	2,942,409
Buildings	18						-
- Non-Specialised Buildings		423,500	3,288,858	-	-	423,500	3,288,858
- Specialised Buildings		-	-	101,676	101,676	101,676	101,676
Major Plant	18	1,578,227	1,551,336		-	1,578,227	1,551,336
Road, drainage and bridge network	18	-	-	48,269,973	48,103,212	48,269,973	48,103,212
Water	18	-	-	13,832,863	15,156,973	13,832,863	15,156,973
Sewerage	18	-	-	3,410,542	3,558,801	3,410,542	3,558,801
Other infrastructure assets	18	-	-	126,181	94,641	126,181	94,641
		5,056,112	7,997,503	65,946,335	67,220,403	71,002,447	75,217,906
Non-recurring fair value							
Land held for sale	15	90,000	-	-	-	90,000	-

Where an asset class covers both Level 2 and Level 3 (e.g. buildings), it should be disaggregated into subclasses (e.g. specialised and non-specialised) and be disclosed on separate lines. The subsequent disclosure should explain why it is considered a Level 2 or 3 and the different basis of valuation and relevant inputs.

Further disclosure in relation to identified asset classes need only be provided for material asset classes. Minor asset classes (such as other infrastructure assets and major plant in this example) could potentially be excluded from further note disclosure on the bais of materiality.

AASB13.93(d)

(ii) Valuation techniques used to derive fair values for level 2 and level 3 valuations

Specific valuation techniques used to value Council assets comprise:

Rental Property (level 2)

AASB116.77

Council obtains independent valuations at least every 3 years for all rental properties. The last valuation was undertaken by J Long Valuers as at 30 June 2016.

Council's rental properties are all residential properties in areas with regular sales of comparable properties. Therefore they were valued using the sales comparison approach. Sales prices of comparable residential properties in close proximity are adjusted for differences in key attributes such as property size (level 2). The most significant input into this approach is price per square metre of land, price per square metre of living area and number of bedrooms.

The "Big Window" (level 3)

AASB116.77

The "Big Window" comprises a number of unique buildings that are leased out under operating lease. The valuation was derived by J Long Valuers at 30 June 2016 after considering a range of different calculations based on the following:

- current prices for properties of a different nature, in close proximity to the "Big window", and recent prices of similar properties in other areas, adjusted to reflect differences.

- discounted cash flow projections based on reliable estimates of future cash flows

- the replacement cost of the buildings adjusted for depreciation

The resulting estimate of fair value has been included in level 3. The table below describes the significant unobservable inputs used in this valuation together with a description of the valuation's sensitivity to changes in those inputs.

AASB13.93(d) & (h)(i)

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value	Change in fair value arising from 1% increase in input	Change in fair value arising from 1% decrease in input
Discount rate	3.5-4.5%(4%)	The higher the discount rate, the lower the fair value.	-$ 11,841	$ 12,986
Capitalisation rate	4.3-4.7%(4.4%)	The higher the capitalisation rate and expected vacancy rate, the lower the fair value	-$ 32,500	$ 53,121
Expected vacancy rate	8-9% (8.5%)		-$ 4,992	$ 4,992
Rental growth rate	2.5-4%(3.5%)	The higher the rental growth rate, the higher the fair value.	$ 12,523	-$ 9,750
Condition rating(remaining useful life)	new-5.5 (100%-0%)	The higher the condition rating, the lower the fair value.	-$ 2,005	$ 2,005
Residual value	$0 - $15,000	The higher the residual value the higher the fair value.	A $1,000 increase in residual value will increase fair value by $50	A $1,000 decrease in residual value will decrease fair value by $50

Land (level 2)

AASB13.93, AASB 116.77

Land fair values were determined by independent valuer, J Long Valuers effective 30 June 2016. Level 2 valuation inputs were used to value land in freehold title as well as land used for special purposes, which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Land classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less cost to sell at the time of reclassification. The fair value of the land was determined using the sales comparison approach described in the preceding paragraph.

Source Reference

Buildings (level 2 and 3)

AASB13.93, AASB 116.77

The fair value of buildings were also were determined by independent valuer, J Long Valuers effective 30 June 2016. Where there is a market for Council building assets, fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach were price per square metre.

Where Council buildings are of a specialist nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential including allowances for preliminaries and professional fees. The gross current values have been derived from reference to market data for recent projects and costing guides issued by the Australian Institute of Quantity Surveyors, Rawlinson's (Australian Construction Handbook). Where a depth in market can be identified, the net current value of a building asset is the difference between the market value of the asset as a whole (including land) and the market value of the land component. Where there is no depth of market, the net current value of a building asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset.

Where council has not early adopted AASB 2015-7, then quantitive information on significant unobservable inputs for level 3 fair value measurements need to be specified eg. The average cost of construction used to calculate the gross current value of Council's buildings was $23.10/sqm for non-specialised buildings and $28.25/sqm for specialised buildings.

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component, residual value at the time the asset is considered to be no longer available for use and the condition of the asset. Condition was assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability, utilisation and obsolescence.

While the unit rates based on square metres can be supported by market evidence (level 2), the estimates of residual value, useful life, pattern of consumption and asset condition that are used to calculate accumulated depreciation comprise unobservable inputs (level 3). Where these other inputs are significant to the valuation the overall valuation has been classified as level 3.

Where council has not early adopted AASB 2015-7, then a sensivity analysis and description of relationships between significant inputs, for level 3 fair value measurements, needs to be included eg. The valuation's sensitivity to these inputs is summarised below:

AASB13.93(d) & (h)(i)

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value	Change in fair value arising from 1% increase in input	Change in fair value arising from 1% decrease in input
Condition rating(useful life)	new-5.5 (100%-0%)	The higher the condition rating, the lower the fair value.	-$ 2	$ 2
Residual value	$0 - $20,000	The higher the residual value the higher the fair value.	A $1,000 increase in residual value will increase fair value by $50	A $1,000 decrease in residual value will decrease fair value by $50

Where unit rates per square metres cannot be supported by market evidence, councils should consider including an additional unobservable input in the above table for construction rate. For example:

Construction Rate	0-10%	The higher the construction rate the higher the fair value	A 1% increase in construction rate will increase fair value by $XXXXXX	A 1% decrease in construction rate will decrease fair value by $XXXXXX

AASB 13.27

Tropical council has presented land and buildings on the basis that present se reflects highest and best use but each Council needs to consider such disclosures on a case by case basis - refer AASB 13 para 27.

Major plant (Level 2)

AASB13.93, AASB 116.77

The fair value of major plant is measured at current market value as at 30 June 2016 as independently determined by XAB and Associates, Registered Valuers. Fair value was derived by reference to market based evidence including observable historical second hand sales data for specialised earth-moving equipment of similar age, condition and specification. The key assumptions used in assessing the condition included site condition; type of usage; major mechanical component condition; and machine hours. The fair value takes into account transport costs to transport the plant to market, but does not include transaction costs.

Infrastructure assets (level 3)

All Council infrastructure assets were fair valued using written down current replacement cost. This valuation comprises the asset's current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

CRC was measured by reference to the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. Where existing assets were over designed, had excess capacity, or were redundant an adjustment was made so that the resulting valuation reflected the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output within the council's planning horizon.

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on a "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks. The DRC was determined using methods relevant to the asset class as described under individual asset categories below.

1(a) Road, drainage and bridge network - calculation of current replacement cost

Roads

AASB13.93, AASB 116.77

Current replacement cost

Council categorises its road infrastructure into urban and rural roads and the further sub-categorises these into sealed and unsealed roads. Urban roads are managed in segments of 200m, while rural roads are managed in 2km segments. All road segments are then componentised into formation, pavement and seal (where applicable). Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

CRC was calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations. Council assumes that pavements are constructed to depths of x cms for high traffic areas and y cms for lower traffic locations. Council also assumes that all raw materials can be sourced from the local Tropicana Quarry with haulage rates of between $x and $y per tonne depending on the location of the segment being valued. For internal construction estimates, material and services prices were based on existing supplier contract rates or supplier price lists and labour wage rates were based on Council's Enterprise Bargaining Agreement (EBA). All direct costs were allocated to assets at standard usage quantities according to recently completed similar projects. Where construction is outsourced, CRC was based on the average of completed similar projects over the last few years.

The last full valuation of road infrastructure was undertaken effective 30 June 2012. CRC at 30 June 2016 was determined by Council engineers using the ABS Producers' Price Index "Roads and Bridges Construction - Queensland (3101) A2333727L" which was x.x%. A full valuation of sealed roads and associated infrastructure is planned in 2017.

Accumulated depreciation

In determining the level of accumulated depreciation, roads were disaggregated into significant components which exhibited different useful lives.

A consumption assessment was undertaken based on four Austroads pavement health indices, each expressed as a percentage and incorporated into the World Bank's HDM deterioration model to provide an estimate of current health, the proportion of health remaining and the remaining useful lives of the assets. The four health indices used were:

1) The Pavement Health Roughness Index (PHNI), which is a function of both the surface roughness and of lane average annual daily traffic (AADT). Perfect health (as indicated by roughness) is retained for all traffic levels up to a roughness of 40 NAASRA (National Association of Australian State Road Authorities) per roughness counts per kilometre.

2) The Pavement Health Rutting Index (PHRI), which is a function of mean rut depth, annual rainfall and lane AADT. Perfect health (as indicated by rutting) is retained for all levels of traffic and rainfall until mean rut depth is 2mm.

3) The Surface Health Cracking Index (SHCI), which is a function of the percentage area of cracking, the annual rainfall and the lane-AADT. A larger percentage cracking and annual rainfall combined with high traffic levels causes a migration of base and sub base material resulting in damage to the underlying pavement from the ingress of water.

4) The Surface Health Texture Index (SHTI), which is a function of the percentage of road affected by texture distresses, rainfall and lane AADT. The index covers surface distresses caused by ravelling and stripping, leading to the loss of stone, which affects the waterproofing provided by the road surface.

Estimated useful lives and residual values are disclosed in note 18.

AASB13.93, AASB 116.77

Bridges

Current replacement cost

A full valuation of bridges assets was undertaken by independent valuers, Australian Fair Valuers (AFV), effective 30 June 2016. Each bridge is assessed individually, with the valuation varying according to the material type used for construction, the deck area, condition and size. Construction estimates were determined on a similar basis to roads.

AASB13.93, AASB 116.77

Accumulated depreciation

In determining the level of accumulated depreciation, remaining useful lives were calculated based on condition assessments. The condition assessments were made using a seven point scale with 0 being the lowest and 6 being the highest. A 0 condition assessment indicates an asset with a very high level of remaining service potential. 6 represents an asset at the end of its useful life.

Estimated useful lives and residual values are disclosed in note 18.

Drainage infrastructure

Current replacement cost

A full valuation of drainage infrastructure was undertaken by independent valuers, GZD, effective 30 June 2016. Similar to roads, drainage assets are managed in segments of 200m; pits, pipes and channels being the major components.

Consistent with roads, Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment and that a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials. Where drainage assets are located underground and physical inspection is not possible, the age, size and type of construction material, together with current and planned maintenance records are used to determine the fair value at reporting date. Construction estimates were determined on a similar basis to sewerage.

Accumulated depreciation

In determining the level of accumulated depreciation, drainage assets were disaggregated into significant components which exhibited different useful lives.

Estimates of expired service potential and remaining useful lives were determined on a straight line basis based on industry standard practices and past experience, supported by maintenance programs.

Estimated useful lives and residual values are disclosed in note 18.

1(b) Roads, drainage and Bridge network – Sensitivity of valuation to unobservable inputs

Where council has not early adopted AASB 2015-7, this additional disclosure is required.

As detailed above Council's roads, drainage and bridge network has been valued using written down current replacement cost. This method utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon years of experience, different judgements could result in a different valuation. The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Significant unobservable input	Relationship of unobservable inputs to fair value
Number of Labour hours	The higher the labour hours, the higher the fair value
Standard material usage quantities	The higher the usage quantities, the higher the fair value
Condition rating (useful life)	The higher the condition rating, the lower the fair value.
Remaining useful life	The longer the remaining useful life, the higher the fair value.
Residual value	The higher the residual value the higher the fair value.

2(a) Water, Sewerage and Other Infrastructure – Calculation of written down current replacement cost

AASB13.93, AASB 116.77

Waste Landfill Cells (Other Infrastructure)

Current replacement cost

Waste landfill cells fair values were determined by Council engineers effective 30 June 2016. CRC was calculated by reference to landfill cell area and volume specifications, estimated labour and material inputs, services costs, and overhead allocations. Material and services costs were determined by reference to existing supplier contracts and labour costs by reference to Council's EBA

Accumulated depreciation

Accumulated depreciation was determined through assessment of the remaining air space for each landfill cell, which was also used to determine percentage cell capacity used in the year.

Water and Sewerage

AASB13.93, AASB 116.77

Current replacement cost

Water and sewerage infrastructure fair values were determined by independent valuers, Carpo (Qld) Pty Ltd effective 30 June 2016. CRC was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

The Council region is split into **4** distinct areas based on geographic (coastal / rural / mountainous) and environmental factors (sand; acid sulphate soil; soft rock; and hard rock). Council assumes that these factors are consistent across each of these **4** regions and that costs of labour are consistent within each of these regions, depending on the materials used.

Carpo's cost models were derived from the following sources:
• Carpo database
• Schedule rates for construction of asset or similar assets
• Cost curves derived by Carpo
• Building Price Index tables
• Recent contract and tender data
• Rawlinson's Rates for building and construction, and
• Suppliers' quotations

Factors taken into account in determining replacement costs included:
• Development factors - the area in which development takes place (e.g. rural areas would have little or no restoration requirements, whereas a high density area would have large amounts of high quality footpaths, road pavements and associated infrastructure that would require reinstatement, and would also require traffic control).
• Soil factors - The types of soil or other surface material (e.g. areas where soil is sandy are difficult to excavate and would require shoring while areas where the soil is generally free of rock would not present any great difficulty for excavation).
• Depth factors - The depth of the trench (e.g. trenching above 1.5m requires shoring/ trench cage which increases costs and slows production).

Valuation unit rates (replacement costs) were increased by 20% to allow for project overheads including survey, environmental and investigation costs (6%), engineering design (5%), planning (3%) and project management (6%).

Accumulated depreciation

In determining accumulated depreciation, assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted (i.e. for active assets), the assets were allocated a condition assessment rating of between 1 and 5, which was used to estimate remaining useful life - 1 being excellent with a remaining useful life of 95% and 5 being unserviceable with a remaining useful life of 5%. The higher the condition rating, the lower the fair value.

Where site inspections were not conducted (i.e. for passive assets and active assets for which no site inspections were undertaken), the remaining useful life was calculated on an age basis after taking into consideration current and planned maintenance records.

For wastewater gravity mains the assumption that the pipes will be relined was adopted. The fair value for sewer gravity mains was determined as follows:

- For all pipes, replacement cost was determined based on replacement by trench excavation, useful life was determined as the pipe useful life plus the reline useful life, and the pipe fair value was based on age.
- Where pipes have been relined, the total pipe useful life was determined as the pipe age when the reline occurred plus the reline life.
- The relining of pipes was valued at reline rates and depreciated over the reline life (70 years). The reline fair value was based on age.

2(b) Water and Sewerage Infrastructure – Sensitivity of valuation to unobservable inputs

Where council has not early adopted AASB 2015-7, this additional disclosure is required.

The method used to value councils' water and sewerage assets utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon years of experience, different judgements could result in a different valuation. The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Significant unobservable input	Relationship of unobservable inputs to fair value
Number of Labour hours	The higher the labour hours, the higher the fair value
Standard material usage quantities	The higher the usage quantities, the higher the fair value
Condition rating (useful life)	The higher the condition rating, the lower the fair value.
Remaining useful life	The longer the remaining useful life, the higher the fair value.
Residual value	The higher the residual value the higher the fair value.

(iii) Changes in Fair Value Measurements using significant unobservable inputs (level 3)

AASB13.93(e)

The changes in level 3 assets with recurring fair value measurements are detailed in Note 17 (Investment Property) and note 18 (property, plant and equipment) and Note 5 (Capital Income). However, since the non specialised buildings disclosed in those notes comprise both level 2 and level 3 assets, the movement in level 3 non specialised buildings are detailed below. There have been no transfers between level 1,2 or 3 measurements during the year.

Changes in non specialised buildings (Level 3)	**Consolidated**	**Council**
	$	**$**
Opening gross value as at 1 July 2015	4,770,129	4,758,338
Additions	30,435	30,435
Disposals	(2,826,153)	(2,826,153)
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	42,618	21,632
Revaluation adjustment to income (capital income)	-	-
Closing gross value as at 30 June 2016	**2,017,029**	**1,984,252**
Accumulated depreciation and impairment		
Opening balance as at 1 July 2015	1,812,852	1,791,324
Depreciation provided in period	101,855	90,606
Depreciation on disposals	-	-
Revaluation adjustment to asset revaluation surplus	646	646
Accumulated depreciation as at 30 June 2016	**1,915,353**	**1,882,576**
Consolidated book value as at 30 June 2016	**101,676**	**101,676**

Where there are material transfers into or out of level 3 of the fair value hierarchy, the reasons for those transfers must be disclosed. Otherwise, these disclosures are not required as they are adequately covered by the PP&E movements reconciliation disclosed in Note 18.

AASB13.93(i)

AASB 13 requires the fair value of non-financial assets to be calculated based on their "highest and best use". If the highest and best use of a non-financial asset differs from its current use then this must be disclosed together with an explanation for why the asset is being used in a manner that differs from its highest and best use.

(iv) Valuation processes

AASB 13.93(g)

Council's valuation policies and procedures are set by the finance committee of the executive management team which comprises the Chief Executive Officer, Chief Finance Officer, Director of Finance and Director of Internal Audit. They are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information. Council's current policy for the valuation of property, plant and equipment and investment property (recurring fair value measurements) is set out in note 1R and 1Q respectively. Non-recurring fair value measurements are made at the point of reclassification by a registered valuer.

AASB 138.118 - 128

20 Intangible assets

In the following example, intangible assets only comprise internally generated software recognised at cost. Therefore the only movement for the year is amortisation. The note should be customised to suit councils' operations by referring to the disclosure requirements in AASB 138.118 - 128. For example, if impairment has been recognised then impairment losses need to be separately disclosed.

	Note	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
Software					
Opening gross carrying value		30,000	30,000	30,000	30,000
Additions					
Disposals					
Software under development					
Transfers from software under development					
Closing gross carrying value		30,000	30,000	30,000	30,000
Accumulated amortisation					
Opening balance		6,000	3,000	6,000	3,000
Amortisation in the period		3,000	3,000	3,000	3,000
Closing balance		9,000	6,000	9,000	6,000
Net carrying value at end of financial year		21,000	24,000	21,000	24,000
The software has a finite life estimated at 10 years.					
Straight line amortisation has been used with no residual value.					
Total intangible assets		21,000	24,000	21,000	24,000

AASB 138. 57 & 118

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2016

21 Trade and other payables

Accounting for GST
Creditors should include GST where applicable. The net amount owing to or from ATO in respect of GST should also be shown under trade and other payables, if a liability, or trade and other receivables, if an asset.

AASB101.69 & AASB 119.8 - 16 & 128 - 130

Classification of employee benefits
AASB 101 para 69 says "An entity shall classify a liability as current when:
(a) it expects to settle the liability in its normal operating cycle;
(b) it holds the liability primarily for the purpose of trading;
(c) the liability is due to be settled within twelve months after the reporting period; or
(d) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period… .
An entity shall classify all other liabilities as non-current."

With reference to paragraph (d), Tropical has been prepared on the basis that the Tropical Council does have an unconditional right to defer settlement of the liability for at least 12 months by choosing, for example, not to approve a leave application. Therefore Tropical shows leave that will probably not be taken within 12 months of the reporting date as a non-current liability.

If a council considers it does not have an unconditional right to defer settlement of the liability for at least 12 months, then the non-current portion would still be discounted, but it would be classified as a current liability, with disclosure of how much of the current liability is not expected to be taken within 12 months.

On-costs such as further leave entitlement accruing during leave, employer's contribution, etc., should be included in the calculation of the liability. These on- costs should reflect the real on-costs incurred by the Council.

		Consolidated		Council	
		2016	2015	2016	2015
	Note	$	$	$	$
Current					
Creditors and accruals		523,770	731,036	523,770	731,037
Annual leave		285,863	428,339	285,863	428,339
Sick leave		98,323	118,308	98,323	118,308
Other entitlements		20,813	25,144	20,813	25,144
		928,769	1,302,827	928,769	1,302,828
Non-current					
Annual leave					
		-	-	-	-

AASB 7.8

22 Borrowings

	Note	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
Current					
Loans - Queensland Treasury Corporation		2,682,337	986,582	2,682,337	986,582
Loans - other		15,000	22,000	15,000	22,000
Finance leases	23	18,010	17,221	18,010	17,221
		2,715,347	1,025,803	2,715,347	1,025,803
Non-current					
Loans - Queensland Treasury Corporation		6,988,273	10,934,286	6,988,273	10,934,286
Loans - other		24,313	35,153	24,313	35,153
Finance leases	23	424,468	442,478	424,468	442,478
		7,437,054	11,411,917	7,437,054	11,411,917

Not mandatory

Loans - Queensland Treasury				
Opening balance at beginning of	11,920,868	12,286,423	11,920,868	12,286,423
Loans raised	-	550,000	-	550,000
Principal repayments	(2,250,258)	(915,555)	(2,250,258)	(915,555)
Book value at end of financial year	9,670,610	11,920,868	9,670,610	11,920,868

AASB 7.25 & 29

The QTC loan market value at the reporting date was $9,491.673. This represents the value of the debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.

Not mandatory

	Note	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
Loans - other					
Opening balance at beginning of financial year		57,153	-	57,153	-
Loans raised		-	79,153	-	79,153
Repayments		(17,840)	(22,000)	(17,840)	(22,000)
Book value at end of financial year		39,313	57,153	39,313	57,153

AASB 7.14(a)
AASB 116.74 (a)

No assets have been pledged as security by the Council for any liabilities, however all loans are guaranteed by the Queensland Government.

AASB 123.8 and Aus 26.1, AASB 7.18

All borrowings are in $A denominated amounts and carried at amortised cost, interest being expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary from 31 December 2016 to 31 December 2021 (Available from QTC Maturity Analysis). There have been no defaults or breaches of the loan agreement during the period.

Principal and interest repayments are made *quarterly/semi annually/annually* in arrears.

AASB 107. 50(a)

On 30 October 2015, an overdraft facility with (insert name of financial institution) was approved with a limit of $500,000. This facility remained fully undrawn at 30 June 2016 and is available for use in the next reporting period.

Source Reference

AASB 117.31

23 Finance leases

Not mandatory

	Movements in finance lease during the reporting period were as follows:				
	Balance at beginning of financial year	668,750	706,250	668,750	706,250
	Payments made in the period	(37,500)	(37,500)	(37,500)	(37,500)
	Minimum lease payments	631,250	668,750	631,250	668,750
AASB 117.31(b)	The above minimum lease payments are payable as follows:				
	Not later than one year	37,500	37,500	37,500	37,500
	Later than 1 year but not later than 5 years	150,000	150,000	150,000	150,000
	Later than 5 years	443,750	481,250	443,750	481,250
	Total minimum lease payments	631,250	668,750	631,250	668,750
	Less: Future finance charges	(188,772)	(209,051)	(188,772)	(209,051)
	Lease liability recognised in the financial statements	442,478	459,699	442,478	459,699
	Classified as:				
	Current	18,010	17,221	18,010	17,221
	Non-current	424,468	442,478	424,468	442,478
		442,478	459,699	442,478	459,699
	The present value of above minimum lease payments are payable as follows:				
	Not later than one year	36,741	36,741	36,741	36,741
	Later than 1 year but not later than 5 years	131,559	131,559	131,559	131,559
	Later than 5 years	274,178	291,399	274,178	291,399
		442,478	459,699	442,478	459,699

AASB 117.31(e)

The balance of the lease contract is for a period of 17 years. The interest rate was fixed at the inception of the lease at 4.58%. Under the terms of the lease, the Council has the option to acquire the asset for 40% of its agreed value on expiry of the lease.

AASB 117.31(a)

The carrying value of the leased assets is as follows:

Plant and equipment		425,000	450,000	425,000	450,000

Source Reference		Note	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
AASB 137.84 & 85	**24 Provisions**					
	Current					
	Long service leave		183,409	38,000	183,409	38,000
			183,409	38,000	183,409	38,000
	Non-current					
	Quarry rehabilitation		67,443	66,391	67,443	66,391
	Refuse restoration		1,242,012	1,182,838	1,242,012	1,182,838
	Long service leave		66,922	565,231	66,922	565,231
			1,376,377	1,814,460	1,376,377	1,814,460

Details of movements in provisions:

The following is a break-down of the movement in provisions as required by AASB 137.84. The provision of comparative information is not required by AASB 137.

Source Reference		Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
AASB 137.84	**Quarry rehabilitation**				
	Balance at beginning of financial year	66,391	55,447	66,391	55,447
	Increase in provision due to unwinding of discount	3,784	3,327	3,784	3,327
	Increase/(decrease) in provision due to change in discount rate	(2,732)	7,617	(2,732)	7,617
	Balance at end of financial year	67,443	66,391	67,443	66,391

AASB 137.85 This is the present value of the estimated cost of restoring the quarry site to a useable state at the end of its useful life. The projected cost is $720,000 and this cost is expected to be incurred in 2051.

Source Reference		Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
AASB 137.84	**Refuse restoration**				
	Balance at beginning of financial year	1,182,838	1,090,869	1,182,838	1,090,869
	Increase in provision due to unwinding of discount	67,422	65,452	67,422	65,452
	Increase (decrease) in provision due to change in discount rate	(8,248)	26,517	(8,248)	26,517
	Balance at end of financial year	1,242,012	1,182,838	1,242,012	1,182,838

AASB 137.85 This is the present value of the estimated cost of restoring the refuse disposal site to a useable state at the end of its useful life. The projected cost is $1,843,000 and this cost is expected to be incurred in 2022 after closing the site in 2018 and allowing a period for settlement.

Source Reference		Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
AASB 137.84	**Long service leave**				
	Balance at beginning of financial year	603,231	572,813	603,231	572,813
	Long service leave entitlement arising	118,207	107,077	118,207	107,077
	Long Service entitlement extinguished	(404,473)	(18,325)	(404,473)	(18,325)
	Long Service entitlement paid	(66,634)	(58,334)	(66,634)	(58,334)
	Balance at end of financial year	250,331	603,231	250,331	603,231

	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
25 Other liabilities				
Developer contributions	350,821	-	350,821	-
	-	-	-	-
	350,821	-	350,821	-

This liability reflects cash contributions from developers for which the related service obligations have yet to be fulfilled by Council (refer Note 1.l)

Source Reference

AASB 116.77(f)

26 Asset revaluation surplus

	Note	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
Movements in the asset revaluation surplus were as follows:					
Balance at beginning of financial year		3,533,826	3,413,144	3,378,838	3,331,144
Net adjustment to non-current assets at end of period to reflect a change in					
Land and improvements		110,250	52,500	47,508	-
Buildings		41,972	(5,988)	20,986	(26,476)
Major plant		-	97,179	-	97,179
Road, drainage and bridge network		2,130,114	-	2,130,114	-
Water		(14,385)	(23,009)	(14,385)	(23,009)
Impairment:					
Land and improvements		-	-	-	-
Buildings			-		-
Water		-	-	-	-
Change in value of future rehabilitation cost:					
Land and improvements		2,732	-	2,732	-
Balance at end of financial year		5,804,509	3,533,826	5,565,793	3,378,838

	Note	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
Asset revaluation surplus analysis					
The closing balance of the asset revaluation surplus comprises the following asset categories:					
Land and improvements		292,982	232,500	98,252	180,000
Buildings		516,972	722,464	495,986	642,976
Major plant		85,000	182,179	85,000	182,179
Road, drainage and bridge network		3,377,522	873,274	3,377,522	873,274
Water		985,615	976,991	985,615	976,991
Sewerage		479,000	479,000	479,000	479,000
Other infrastructure assets		67,418	67,418	44,418	44,418
		5,804,509	3,533,826	5,565,793	3,378,838

Source Reference	
	Tropical Council
	Notes to the financial statements
	For the year ended 30 June 2016

Not mandatory

27 Retained surplus/(deficiency)

This note is not mandatory and would be useful if a council wanted to provide extra information, in addition to that already disclosed in the Statement of Changes in Equity, to explain movements in retained surplus as a consequence of reserves transfers.

Movements in the retained surplus were as follows:					
Retained surplus/(deficit) at beginning of financial year		64,182,933	64,365,745	63,870,384	64,151,345
Adjustment to opening balance	37		1,303,779		1,303,779
Adjusted opening balance		64,182,933	65,669,524	63,870,384	65,455,124
Net result attributable to Council		(1,426,292)	(1,582,127)	(1,461,495)	(1,680,276)
Transfers (to)/ from capital reserves for future capital project funding, or from reserves funds that have been expended or closed:	29				
Future capital works reserve		46,000	-	46,000	-
Asset replacement reserve		1,156,332	32,903	1,156,332	32,903
Constrained works reserve		832,392	175,433	832,392	175,433
Transfers (to) recurrent reserves for future project funding, or from reserves funds that have been expended:					
Recurrent expenditure reserve		112,800	(112,800)	112,800	(112,800)
Retained surplus at end of financial year		64,904,165	64,182,933	64,556,413	63,870,384

28 Unused this year

Unused this year

AASB 101.77 & 78(e)

29 Reserves

Council's cash and cash equivalents are subject to a number of internal restrictions that limit the amount that is available for discretionary or future use. In prior years council accounted for these restrictions using a system of reserves.

On 10 May 2016, council passed a resolution to close all existing reserves and account for these restrictions using an internal management accounting system.

The internal restrictions that have been placed on council's cash and cash equivalents are now disclosed in Note 11.

Reserves held for funding future capital expenditure				
Future capital works reserve	-	46,000	-	46,000
Asset replacement reserve	-	1,156,332	-	1,156,332
Constrained works reserve	-	832,392	-	832,392
	-	2,034,724	-	2,034,724
Reserves held for funding future recurrent expenditure				
Future recurrent expenditure reserve	-	112,800	-	112,800
	-	112,800	-	112,800
Total reserves	-	2,147,524	-	2,147,524

		Consolidated		Council	
		2016	2015	2016	2015
	Note	$	$	$	$
Movements in capital reserves:					
Future capital works reserve					
Balance at beginning of financial year		46,000	46,000	46,000	46,000
Transfer from retained surplus for future expenditure		100,000	-	100,000	-
Transfer to the retained surplus/capital due to the closure of the reserve		(146,000)	-	(146,000)	-
Balance at end of financial year		-	46,000	-	46,000
Asset replacement reserve					
Balance at beginning of financial year		1,156,332	1,189,235	1,156,332	1,189,235
Transfer from retained surplus for future expenditure		783,000	57,000	783,000	57,000
Transfer to the retained surplus/capital due to the closure of the reserve		(1,939,332)	(89,903)	(1,939,332)	(89,903)
Balance at end of financial year		-	1,156,332	-	1,156,332

Source Reference

Constrained works reserve				
Balance at beginning of financial year	832,392	1,007,825	832,392	1,007,825
Transfer from retained surplus for future expenditure	690,472	10,750	690,472	10,750
Transfer to the retained surplus/capital due to the closure of the reserve	(1,522,864)	(186,183)	(1,522,864)	(186,183)
Balance at end of financial year	-	832,392	-	832,392

Movements in recurrent reserves:

Future recurrent expenditure reserve				
Balance at beginning of financial year	112,800	-	112,800	-
Transfer from retained surplus for future expenditure	85,000	197,500	85,000	197,500
Transfer to retained surplus	(197,800)	(84,700)	(197,800)	(84,700)
Balance at end of financial year	-	112,800	-	112,800

30 Commitments for expenditure

AASB 117.35

Operating leases

Minimum lease payments in relation to non-cancellable operating leases are as follows:

Within one year	60,000	60,000	60,000	60,000
One to five years	21,000	21,000	21,000	21,000
Later than five years				
	81,000	81,000	81,000	81,000

AASB101.114

Contractual commitments

Contractual commitments at end of financial year but not recognised in the financial statements are as follows:

Garbage collection contract (expires 3 August 2016)	744,621	-	744,621	-
Cleaning contractors	13,216	22,656	13,216	22,656
	757,837	22,656	757,837	22,656

Council should include commitments that it has made to the joint venture organisation. [AASB 12.23]

AASB 137.86 - 92

31 Contingent liabilities

Councils should obtain the relevant information for these notes from LGM Queensland and Local Government Workcare.

Details and estimates of maximum amounts of contingent liabilities are as follows:

Local Government Mutual

The Council is a member of the local government mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or it is unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution is to the total pool contributions in respect to any year that a deficit arises.

As at 30 June 2016 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is $120,000.

AASB 119

32 Superannuation

The following note is based on advice received from LGSuper on 26 February 2016.

The Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB119 *Employee Benefits* .

The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

The scheme has three elements referred to as:

The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund
The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments; and

The Accumulation Benefits Fund (ABF)

The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the *Local Government Act 2009* .

Council does not have any employees who are members of the CDBF and, therefore, is not exposed to the obligations, assets or costs associated with this fund.

The Regional DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

To ensure the ongoing solvency of the Regional DBF, the scheme's trustee can vary the rate of contributions from relevant local government employers subject to advice from the scheme's actuary. As at the reporting date, no changes had been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

Any amount by which the fund is over or under funded would only affect future benefits and contributions to the Regional DBF, and is not an asset or liability of the Council. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

As at the reporting date, the assets of the scheme are sufficient to meet the vested benefits.

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date."

In the 2015 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

Under the Local Government Act 2009 the trustee of the scheme has the power to levy additional contributions on councils which have employees in the Regional DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

AASB 119.148(d)(v)

There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Tropical Council made less than 4% of the total contributions to the plan in the 2015-16 financial year.

OR if council contributes greater than 4% of total contributions to the plan, Council will need to disclose the following:

There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Tropical Council made <insert percentage>% of the total contributions to the plan for the 2015-16 financial year.

The next actuarial investigation will be conducted as at 1 July 2018.

	Note	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	6	345,729	337,833	345,729	337,833

Source Reference	

Tropical Council
Notes to the financial statements
For the year ended 30 June 2016

AASB 117.56

33 Operating lease income

17

The Council has leased the Big Window to an operator. The minimum lease receipts are as follows:

Not later than one year	70,000	-	70,000	-
One to five years	280,000	-	280,000	-
Later than five years	1,050,000	-	1,050,000	
	1,400,000	-	1,400,000	-

34 Joint venture

AASB 12 requires the following information to be disclosed for each of the Council's material joint ventures. In these Financial Statements statements Council has only one joint venture which, for the purposes of illustration, is assumed to be material.

AASB 12.21(a)

The Council has a 33.3% (2014 - 33.3%) joint venture interest in XYZ Events Pty Ltd, the principal activity of which is to provide a venue for public functions and entertainment. XYZ's principal place of business is 22 George Street, Sunnyville, Queensland. In accordance with ownership interest Council holds 33.3% voting rights in the company.

AASB 11.16 & 24, AASB 12.21(b) (i)

XYZ Events Pty Ltd is a limited liability company and as such there is a legal seperation between the parties to the joint arrangement and the company itself. There is no contractual or other arrangement, or circumstances which indicate that council, or any of the joint venturers, have rights to the assets or obligations for the liabilities of the company. Council accounts for this joint venture using the equity method.

AASB 12.B12, B13 & B14

The following information has been extracted from XYZ Events Pty Ltd's financial statements which were prepared in accordance with Australian Accounting Standards. A profit distribution of $11,420 was made in this financial year (2014 $7,150).

XYZ Events Pty Ltd:		
Revenue	481,769	392,105
Expenses	(318,748)	(282,282)
Profit or loss from continuing operations	163,021	109,823
Post-tax profit or loss from discontinued operations	-	-
Profit (loss) for the year	163,021	109,823
Other comprehensive income for the year	-	-
Total comprehensive income for the year	163,021	109,823

AASB 12.B13

The above profit (loss) for the year includes:

Depreciation and amortisation	17,524	15,523
interest income	20,000	21,000
interest expense	-	-
income tax expense	-	-

Current assets	498,480	315,748
Non-current assets	2,649,492	2,673,096
Total assets	3,147,973	2,988,844
Current liabilities	96,147	66,090
Non-current liabilities	1,631	1,288
Total liabilities	97,778	67,378
Net assets	3,050,195	2,921,465

AASB 12.B13

The above amounts include:

Cash and cash equivalents	12,900	7,569
Current financial liabilities (excluding trade and other payables and provisions)	-	-
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-

AASB 12.B14(b)

The company's net assets reconcile to to the carrying amount of the investment as follows:

Net assets		3,050,195	2,921,465
Ownership interest in the joint venture		33%	33%
other adjustments (specify)			
Carrying amount of the Council's interest in the joint venture	16	1,015,715	972,848

The movement in the carrying amount of the Council's investment in the joint venture is as follows:

#Carrying amount at the beginning of the financial year		972,849	943,428
Share of profit (loss)	3(f)	54,286	36,571
Distribution received		(11,420)	(7,150)
Carrying amount at the end of financial year		1,015,715	972,849

AASB 11.C3
AASB 11.C5

As identified in Note 1.G the method of accounting for the Council's investment in XYZ Events Pty Ltd changed this year.
In accordance with the transitional provisions of AASB 11 the opening balance of the investment at 1July 2014 was determined by aggregating all previously proportionately consolidated assets and liabilities of XYZ Events Pty Ltd. This is the deemed cost of the investment at initial recognition and was calculated as follows:

Council's share of assets and liabilities at 30 June 2014:

Current assets	98,233
Non-current assets	850,621
Total assets	948,854
Current liabilities	4,890
Non-current liabilities	536
Total liabilities	5,426
Net assets	943,428

Local government legislation

	Note	Consolidated 2016 $	Consolidated 2015 $	Council 2016 $	Council 2015 $
35 Trust funds					
Trust funds held for outside parties					
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities		73,058	33,258	73,058	33,258
Security deposits		13,902	32,381	13,902	32,381
		86,960	65,639	86,960	65,639

The Council performs only a custodial role in respect of these monies. As these funds cannot be used by the Council, they are not brought to account in these financial statements.

Funds held in trust by outside parties					
Ove Arup		10,000	10,000	10,000	10,000
		10,000	10,000	10,000	10,000

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2016

AASB 1054.16

36 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities

Net result	(1,426,292)	(1,582,127)	(1,461,495)	(1,680,276)
Non-cash items:				
Depreciation and amortisation	3,761,073	3,994,983	3,725,712	3,961,631
Revaluation adjustments	(370,214)	314,214	(377,831)	314,214
Impairment of property plant and equipment	10,000	-	10,000	-
Change in future rehabilitation and restoration costs	62,958	102,913	62,958	102,913
Gain on revaluation of finance leases	(16,787)	-	(16,787)	-
	3,447,030	4,412,110	3,404,052	4,378,758
Investing and development activities:				
Net (profit)/loss on disposal of non-current assets	(102,721)	(127,690)	(102,721)	(127,690)
Loss on transferring assets via finance lease	2,364,723	-	2,364,723	-
Capital grants and contributions	(1,237,578)	(347,529)	(1,237,578)	(347,529)
Profit retained in joint venture	(42,866)	(29,421)	(42,866)	(29,421)
	981,558	(504,640)	981,558	(504,640)
Financing activities:	-	-	-	-
	-	-	-	-
Changes in operating assets and liabilities:				
(Increase)/ decrease in receivables	(524,848)	(346,533)	(524,848)	(69,225)
(Increase)/decrease in inventory	216,049	1,994	216,049	1,994
Increase/(decrease) in payables	(374,058)	120,691	(374,059)	120,722
Increase/(decrease) in liabilities	350,821	-	350,821	-
Increase/(decrease) in other provisions	(352,900)	352,900	(352,900)	30,418
	(684,936)	129,052	(684,937)	83,909
Net cash inflow from operating activities	2,317,360	2,454,395	2,239,178	2,277,751
Reconciliation of net cash inflow from operating activities to Statement of Cash Flows	-	-	-	-

AASB 108.49

37 Correction of error

In the process of valuing the Council's assets at 30 June 2016, it was discovered that certain roads had been omitted from previous financial reports. This error has been corrected by adjusting the opening balances at 1 July 2014 and the comparative amounts for 2014-15. The adjustments are as follows:

	As at 30 June 2015	As at 1 July 2014	As at 30 June 2015	As at 1 July 2014
Gross value of roads added	1,600,023	1,600,023	1,600,023	1,600,023
Accumulated depreciation	(318,559)	(296,244)	(318,559)	(296,244)
Net value	1,281,464	1,303,779	1,281,464	1,303,779

	Period ended 30 June 2016	Period ended 30 June 2015	Period ended 30 June 2016	Period ended 30 June 2015
Increase in depreciation charge	-	22,315	-	22,315
Decrease in net result attributable to council	-	22,315	-	22,315
Increase in property, plant and equipment	-	1,281,464	-	1,281,464
Increase in retained surplus	-	1,281,464	-	1,281,464

The depreciation charge for the period ended 30 June 2015 was calculated after the error was discovered and therefore did not need correction.

AASB 101.40A

A restated Statement of Financial Position has been included in the financial statements as at 1 July 2014.

Correction of prior year errors in relation to initial recognition/derecognition of assets should be adjusted against retained surplus and not against asset revaluation surplus.

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2016

AASB 108.28 - 31

38 Changes in accounting policy

This note will only be used if council needs to disclose the quantitative effect of changes in accounting policies. If it is not relevant it should be deleted.

AASB 110.19 - 22

39 Events after the reporting period

There were no material adjusting events after the balance date *(if applicable)* .

On 1 August 2016 the Council entered into a refuse disposal contract with XYZ Waste Ltd. Under this contract XYZ Waste Ltd will take responsibility for management of the Council's waste disposal facility and collection and disposal of all domestic and trade waste in the Council area for a period of ten years. The fee payable to XYZ Waste Limited depends on the amount of waste generated, and is estimated to be in the region of $80 million over the ten year period. Forty-seven employees ceased to be employed by the Council and became employees of XYZ Waste Limited as a result of the arrangement.

Severe weather conditions that occur after the end of the financial year and affect infrastructure and other assets will need to be disclosed as a post balance date event. Where the conditions occur before balance date, councils need to assess assets, including road assets, for impairment at balance date.

In September 2016 the following roads, bridges and infrastructure were damaged by flooding. The flooding also caused severe disruption to council operations. At the time of signing these financial statements the financial effect of the flooding could not be reliably estimated, however all assets are insured and Council expects the rectification costs to be covered by that insurance:

William Happy Bridge
West portion of Sunshine Road
Council chambers.

Source Reference

AASB 7.31 - 42 **40 Financial instruments**

AASB 7.32 Tropical Council has exposure to the following risks arising from financial instruments:
- credit risk
- liquidity risk
- market risk

This note provides information (both qualitative and quantitative) to assist statement users evaluate the significance of financial instruments on the Council's financial position and financial performance, including the nature and extent of risks and how the Council manages these exposures.

Financial risk management

AASB 7.33 Tropical Council is responsible for the establishment and oversight of the risk management framework, together with developing and monitoring risk management policies.

Council's risk committee / management *(as appropriate)* approves policies for overall risk management, as well as specifically for managing credit, liquidity and market risk.

The Council's risk management policies are established to identify and analyse the risks faced, to set appropriate limits and controls and to monitor these risks and adherence against limits. The Council aims to manage volatility to minimise potential adverse effects on the financial performance of the Council.

Tropical Council does not enter into derivatives.

If these policies have changed since the prior period, these changes must be disclosed (AASB 7.33 (c))

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. These obligations arise principally from the Council's investments and receivables from customers.

AASB 7.33(a) Exposure to credit risk is managed through regular analysis of credit counterparty ability to meet payment obligations. The carrying amount of financial assets represents the maximum credit exposure.

The following paragraph would need to be amended for Councils with non-category 1 powers:

AASB 7.33(b) Investments in financial instruments are required to be made with Queensland Treasury Corporation (QTC) or similar state/ commonwealth bodies or financial institutions in Australia, in line with the requirements of the *Statutory Bodies Financial Arrangements Act 1982* .

AASB 7.36(b) No collateral is held as security relating to the financial assets held by Tropical Council.

AASB 7.36(a) The following table represents the maximum exposure to credit risk based on the carrying amounts of financial assets at the end of the reporting period:

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2016

		Note	Consolidated		Council	
			2016	2015	2016	2015
	Financial assets		$	$	$	$
	Cash and cash equivalents	11	5,735,156	4,276,522	5,360,330	3,934,878
	Receivables - rates	12	278,568	392,112	278,712	392,256
	Receivables - other	12	1,132,413	600,001	1,897,413	1,410,001
	Other financial assets	14	533,081	0	533,081	0
	Other credit exposures					
AASB 7 B10(c)	Guarantees	31	120,000	120,000	120,000	120,000
	Total financial assets		7,799,218	5,388,635	8,189,536	5,857,135

Cash and cash equivalents

AASB 7.33(a) The Council may be exposed to credit risk through its investments in the QTC Cash Fund and QTC Working Capital Facility. The QTC Cash Fund is an asset management portfolio that invests with a wide range of high credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed. Working Capital Facility deposits have a duration of one day and all investments are required to have a minimum credit rating of "A-", therefore the likelihood of the counterparty having capacity to meet its financial commitments is strong.

Other financial assets

AASB 7.36 (c) Other investments are held with financial institutions, which are rated AAA to AA- [*update as applicable*] based on rating agency [insert name of ratings agency] ratings, and whilst not capital guaranteed, the likelihood of a credit failure is assessed as remote (if applicable).

Trade and other receivables

The following paragraph does not apply to Aboriginal shire councils:

AASB 7.33(b) In the case of rate receivables, the Council has the power to sell the property to recover any defaulted amounts. In effect this power protects the Council against credit risk in the case of defaults.

AASB 7.33(b) In other cases, the Council assesses the credit risk before providing goods or services and applies normal business credit protection procedures to minimise the risk.

AASB 7.34(c) By the nature of the Councils operations, there is a geographical concentration of risk in the Council's area. Because the area is largely (*e.g. agricultural/mining*), there is also a concentration in the (*e.g. agricultural/mining*) sector.

AASB 7.38

Source Reference

AASB 7.37

Ageing of past due receivables and the amount of any impairment is disclosed in the following table:

	Consolidated		Council	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Not past due	1,396,277	977,913	2,161,421	1,788,057
Past due 31-60 days	13,456	13,000	13,456	13,000
Past due 61-90 days	1,248	1,200	1,248	1,200
More than 90 days	0	0	0	0
Impaired	0	0	0	0
Total	1,410,981	992,113	2,176,125	1,802,257

AASB 7.37 (b)

For impaired financial assets the factors the Council considered when imparing the asset need to be disclosed.

AASB 7 .39

Liquidity risk

AASB 7.33(a), 34 & 39(c)

Liquidity risk is the risk that the Council will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Tropical Council is exposed to liquidity risk through its normal course of business and through its borrowings with QTC and other financial institutions (if applicable)).

AASB 7.39(c)

The Council manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in note 22. The following lines of credit were available at the end of the reporting period:

AASB 107.50(a)

	Consolidated		Council	
	2016	**2015**	**2016**	**2015**
	$	$	$	$
Overdraft - QTC working capital facility	500,000	500,000	500,000	500,000
Available at 30 June	500,000	500,000	500,000	500,000

AASB 7.39(a)

The following table sets out the liquidity risk in relation to financial liabilities held by the Council. It represents the remaining contractual cashflows (principal and interest) of financial liabilities at the end of the reporting period, excluding the impact of netting agreements:

Source Reference

Consolidated

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	$	$	$	$	$
2016					
Trade and other payables	523,770	-	-	523,770	523,770
Loans - QTC	2,682,337	2,400,398	4,900,535	9,983,270	9,670,610
Loans - other	15,000	10,500	18,303	43,803	39,313
Finance leases	18,010	222,666	214,050	454,726	442,478
	3,239,117	2,633,564	5,132,888	11,005,569	10,676,171
2015					
Trade and other payables	731,036	-	-	731,036	731,036
Loans - QTC	986,582	4,863,529	6,818,757	12,668,868	11,920,868
Loans - other	22,000	8,000	31,029	61,029	57,153
Finance leases	17,221	198,456	276,022	491,699	459,699
	1,756,839	5,069,985	7,125,808	13,952,632	13,168,756

Council

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	$	$	$	$	$
2016					
Trade and other payables	523,770	-	-	523,770	523,770
Loans - QTC	2,682,337	2,400,398	4,900,535	9,983,270	9,670,610
Loans - other	15,000	10,500	18,303	43,803	39,313
Finance leases	18,010	222,666	214,050	454,726	442,478
	3,239,117	2,633,564	5,132,888	11,005,569	10,676,171
2015					
Trade and other payables	731,037	-	-	731,037	731,037
Loans - QTC	986,582	4,863,529	6,818,757	12,668,868	11,920,868
Loans - other	22,000	8,000	31,029	61,029	57,153
Finance leases	17,221	198,456	276,022	491,699	459,699
	1,756,840	5,069,985	7,125,808	13,952,633	13,168,757

AASB 7.B10A

The outflows in the above table are not expected to occur significantly earlier or for significantly different amounts than indicated in the table.

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2016

AASB 7.40

Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Council's income or the value of its holdings of financial instruments.

Interest rate risk

AASB 7.40

Tropical Council is exposed to interest rate risk through investments and borrowings with QTC *and other financial institutions (if applicable)).*

The Council has access to a mix of variable and fixed rate funding options through QTC so that interest rate risk exposure can be minimised.

Sensitivity

Sensitivity to interest rate movements is shown for variable financial assets and liabilities based on the carrying amount at reporting date.

AASB 7.40(a) & (b)

The following interest rate sensitivity analysis depicts what effect a reasonably possible change in interest rates (assumed to be 1%) would have on the profit and equity, based on the carrying values at the end of the reporting period. The calculation assumes that the change in interest rates would be held constant over the period.

	Net carrying amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
Consolidated	**$**	**$**	**$**	**$**	**$**
2016					
QTC cash fund	3,500,000	35,000	(35,000)	35,000	(35,000)
Other investments	-	-	-	-	-
Loans - QTC*	9,670,610	-	-	-	-
Loans - other	39,313	(393)	393	(393)	393
Net total		34,607	(34,607)	34,607	(34,607)
2015					
QTC cash fund	2,750,000	27,500	(27,500)	27,500	(27,500)
Other investments		-	-	-	-
Loans - QTC*	11,920,868	-	-	-	-
Loans - other	57,153	(572)	572	(572)	572
Net total		26,928	(26,928)	26,928	(26,928)

Source Reference

Council	Net carrying amount $	Effect on Net Result 1% increase $	Effect on Net Result 1% decrease $	Effect on Equity 1% increase $	Effect on Equity 1% decrease $
2016					
QTC cash fund	3,500,000	35,000	(35,000)	35,000	(35,000)
Other investments		-	-	-	-
Loans - QTC*	9,670,610	-	-	-	-
Loans - other	39,313	(393)	393	(393)	393
Net total		34,607	(34,607)	34,607	(34,607)
2015					
QTC cash fund	2,750,000	27,500	(27,500)	27,500	(27,500)
Other investments		-	-	-	-
Loans - QTC*	11,920,868	-	-	-	-
Loans - other	57,153	(572)	572	(572)	572
Net total		26,928	(26,928)	26,928	(26,928)

The following statements may be included as required based on the Council's portfolio with QTC:

In relation to the QTC loans held by the Council, the following has been applied: *(include as applicable)*

QTC Fixed Rate Loan - financial instruments with fixed interest rates which are carried at amortised cost are not subject to interest rate sensitivity.

*QTC Generic Debt Pool - the generic debt pool products approximate a fixed rate loan. There is a negligible impact on interest sensitivity from changes in interest rates for generic debt pool borrowings.

QTC Client Specific Pool - client specific pool products are often rebalanced to a target benchmark duration. This partially exposes clients to the level of interest rates at the time of rebalancing. Sensitivity on these products is provided by QTC through calculating the interest effect over the period.

The sensitivity analysis provided by QTC is currently based on a 1% change but this is subject to change.

AASB 7.21 **Fair value**

AASB 7.29(a) In the case of financial instuments, disclosures of fair value are not required when the carrying value is a reasonable approximation of fair value, such as cash and cash equivalents, short term payables/receivables.

The fair value of trade and other receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is *discussed below/ disclosed in Note 22.*

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2016

QTC applies a book rate approach in the management of debt and interest rate risk, to limit the impact of market value movements to clients' cost of funding. The book value represents the carrying value based on amortised cost using the effective interest method.

The following table may be omitted where fair value disclosures for each class of financial assets and financial liabilities are sufficiently disclosed elsewhere (refer Notes 11, 14 and 22). In these Tropical Council Financial Statements Statements the relevant disclosures about the fair value of financial instruments have been made in the other notes, therefore dollar values have not been included in this table.

AASB 7.25

	Note	2016		2015	
		Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Consolidated		$	$	$	$
Financial assets					
QTC cash fund					
Other investments					
Financial liabilities					
Loans - QTC					
Loans - Other					
Council					
Financial assets					
QTC cash fund					
Other investments					
Financial liabilities					
Loans - QTC					
Loans - Other					

AASB 7.29(a)

Disclosures of fair value are not required when the carrying value is a reasonable approximation of fair value, such as cash and cash equivalents, short term payables/receivables.

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2016

41 National Competition Policy

Councils with significant business activities will need to make the appropriate disclosures for those activities in the annual report.

S32 - 36 *Local Government Regulation 2012*

Disclosures about business activities to which the Competitive Code of Conduct applies, must be made in the annual financial statements

A "business activity" of a local government is any activity that involves trading in goods or services.

The code of competitive conduct (CCC) **must** be applied to the following business activities:

(a) A building certifying activity that:
(i) involves performing building certifying functions within the meaning of the Building Act, section 8; and
(ii) is prescribed under a regulation*.

*Section 38 of the *Local Government Regulation 2012* lists the local government's whose activities are prescribed building certifying activities

(b) A roads activity, other than a roads activity for which business in conducted only through a sole supplier arrangement, that involves:
(i) the construction or maintenance of state controlled roads for which the local government submits an offer to carry out work in response to a tender invitation.
(ii) construction or road maintenance on another local government's roads which the local government has put out to tender.

Each local government **may** elect to apply a Code of Competitive Conduct (CCC) to any other identified business activities. However, for any with **current expenditure of $325,000 or more**, the local government must decide, by resolution each year, whether to apply the CCC to that activity.

In general, applying the competitive code of conduct means that the competitive neutrality principle is applied to the business activity.

Under the competitive neutrality principle, an entity that is conducting a business activity in competition with the private sector should not enjoy a net advantage over competitors only because the entity is in the public sector.

The competitive neutrality principle may be applied by commercialisation or full cost pricing. This includes removing any competitive advantage or disadvantage, where possible, and charging for goods and services at full cost.

In addition the cost of performing community service obligations, less any revenue received from carrying out those obligations, must be treated as revenue for the business activity.

A community service obligation is an obligation the local government imposes on a business activity that is not in it's commercial interest. For example, giving a concession to pensioners.

A local government's financial statements must contain an activity statement for each business activity to which the CCC applies.

Business activities to which the code of competitive conduct is applied

The Tropical Council applies the competitive code of conduct to the following activities:

Roads
Water and sewerage
Waste management
Plant operations

This requires the application of full cost pricing, identifying the cost of community service obligations (CSO) and eliminating the advantages and disadvantages of public ownership within that activity.

The CSO value is determined by Council, and represents an activities cost(s) which would not be incurred if the primary objective of the activities was to make a profit. The Council provides funding from general revenue to the business activity to cover the cost of providing non-commercial community services or costs deemed to be CSO's by the Council.

The following activity statements are for activities subject to the competitive code of conduct:

	Roads	Water and sewerage	Waste management	Plant operations
	2016	2016	2016	2016
	$	$	$	$
Revenue for services provided to the Council	704,191	30,000	-	854,604
Revenue for services provided to external clients	-	2,103,460	801,481	-
Community service obligations	-	25,000	-	-
	704,191	2,158,460	801,481	854,604
Less : Expenditure	617,975	2,119,793	702,381	945,278
Surplus/(deficit)	86,216	38,667	99,100	(90,674)

Description of CSO's provided to business activities:

Activities	CSO description	Net cost $
Water and sewerage	For providing free services to public areas	25,000

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2016

Not mandatory **42 Controlled entities that have not been consolidated**

Tropical council has a number of controlled entities that are not consolidated because their size and nature means that they are not material to council's operations.

A summary of those entities, their net assets and results for the year ended 30 June 2016 follows:

Controlled Entities - Financial Results:

Controlled Entity	Ownership Interest	Revenue		Expenses		Profit / (Loss)		Assets		Liabilities	
		2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Happy plants pty ltd	100%	100	120	95	85	5	35	15	6	0	0
Council Development trust	100%	250	10	95	95	240	-85	2500	3600	2300	3500
Art Gallery	100%	60	6	40	30	20	-24	5	6	0	0
Mayor's Flood Appeal	Nil	300	500	425	356	-125	144	19	144	0	0
Tropical Economic Development Council	30%	500	500	250	250	250	250	500	250	0	0

Happy plants provides plants at or close to cost to community groups such as community gardens and groups undertaking replanting within the Tropical Council area.

The Council Development trust's main purpose is to attract economic development and jobs to the Tropical Shire. The Tropical Economic Development Council has a similar purpose

The Art Gallery promotes local artists and provides art based activities for adults and children in the council area. It is funded primarily through State funding and commission on art sales.
The Mayor's Flood Appeal raises funds to assist people with emergency assistance during and after floods

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2016

43 Tied grants by project

Not mandatory

This note is *not* required under local government legislation or Australian Accounting Standards and is therefore optional. Historically some councils, in particular Aboriginal shire councils, have included it in their annual financial statements by listing the various special purpose projects for which they need to provide separate acquittals.

Councils that prepare this note to satisfy requirements for audited grant acquittals may be required to prepare the note on a cash, rather than an accruals, basis. Therefore the note should disclose whether it has been prepared on a cash or accruals basis.

If this note is included it should reconcile with other information disclosed in the financial statements and notes.

The total grants balance as at 30/6/16 will *not* reconcile with the externally imposed restrictions upon cash, disclosed in note 11 if:
- Note 43 is prepared on a cash basis, and / or
- if any grants in Note 43 are overspent as at 30/6/16 i.e. a negative balance.

Therefore, if this note is prepared on a cash basis, the amount of unspent grants and subsidies disclosed in note 11 should agree to total grants as at 30/6/16 after excluding overspent grants and adjusting for any year end creditors and accruals.

The following note has been prepared on a cash basis.

	Balance 01/07/15 $	Revenue $	Expense $	Transfers between grants $	Balance 30/06/2016 $
Commonwealth government grants					
Organisation *(insert name)*					
(insert name of program/project)	0	0	0	0	0
(insert name of program/project)	0	0	0	0	0
Total	0	0	0	0	0
Organisation *(insert name)*					
(insert name of program/project)	0	0	0	0	0
(insert name of program/project)	0	0	0	0	0
Total	0	0	0	0	0
Total - Commonwealth government	0	0	0	0	0
State government grants					
Organisation *(insert name)*					
(insert name of program/project)	0	0	0	0	0
(insert name of program/project)	0	0	0	0	0
Total	0	0	0	0	0
Organisation *(insert name)*					
(insert name of program/project)	0	0	0	0	0
(insert name of program/project)	0	0	0	0	0
Total	0	0	0	0	0
Total - State government	0	0	0	0	0
Other grant providers					
Organisation *(insert name)*					
(insert name of program/project)	0	0	0	0	0
(insert name of program/project)	0	0	0	0	0
Total	0	0	0	0	0
Organisation *(insert name)*					
(insert name of program/project)	0	0	0	0	0
(insert name of program/project)	0	0	0	0	0
Total	0	0	0	0	0
Total - Other grant providers	0	0	0	0	0
Total grants	0	0	0	0	0
Add back negative (ie overspent) grants	0	0	0	0	0
Unspent grant revenue	0	0	0	0	0

Tropical Council
Financial statements
For the year ended 30 June 2016

Management Certificate
For the year ended 30 June 2016

These general purpose financial statements have been prepared pursuant to sections 176 and 177 of the *Local Government Regulation 2012* (the Regulation) and other prescribed requirements.

In accordance with section 212(5) of the Regulation we certify that:

(i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and

(ii) the general purpose financial statements, as set out on pages x to x, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's and the consolidated entity's transactions for the financial year and financial position at the end of the year.

____________________________________	____________________________________
Mayor	**Chief Executive Officer**
Name	**Name**
Date: ______/______/______	Date:______/______/_______

Brisbane City Council
Financial statements
For the year ended 30 June 2016

Management Certificate
For the year ended 30 June 2016

These general purpose financial statements have been prepared pursuant to sections 168 and 169 of the *City of Brisbane Regulation 2012* (the Regulation) and other prescribed requirements.

In accordance with section 202(5) of the Regulation we certify that:

(i) the prescribed requirements of the *City of Brisbane Act 2010* and *City of Brisbane Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and

(ii) the general purpose financial statements, as set out on pages x to x, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's and the consolidated entity's transactions for the financial year and financial position at the end of the year.

____________________________________	____________________________________
Lord Mayor	**Chief Executive Officer**
Name	**Name**
Date: ______/______/______	Date:______/______/_______

Tropical Council
Financial statements
For the year ended 30 June 2016

Management Certificate
For the year ended 30 June 2016

These general purpose financial statements have been prepared pursuant to sections 176 and 177 of the *Local Government Regulation 2012* (the Regulation) and other prescribed requirements.

In accordance with section 212(5) of the Regulation we certify that:

(i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and

(ii) the general purpose financial statements, as set out on pages x to x, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.

____________________________________	____________________________________
Mayor	**Chief Executive Officer**
Name	**Name**
Date: ______/______/______	Date:______/______/_______

Tropical Council

Current Year Financial Sustainability Statement

Certificate of Accuracy - for the Current Year Financial Sustainability Statement

Independent Auditor's Report (Current Year Financial Sustainability Statement)

Tropical Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2016

Measures of Financial Sustainability	How the measure is calculated	Actual - Consolidated	Actual - Council	Target
Council's performance at 30 June 2016 against key financial ratios and targets:				
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-160%	-166%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	27%	27%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	37%	44%	not greater than 60%

Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the Financial Management (Sustainability) Guideline 2013. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2016.

This example statement contains the minimum information that is required by section 178 (1) of the Local Government Regulation 2012. Councils can change the way in which this information is presented, however the operating surplus, asset sustainability and net financial liabilities ratios must all be calculated in accordance with the financial management (sustainability) guideline issued by the Department of Infrastructure, Local Government and Planning. The current-year financial sustainability statement must be given to the Auditor-General for auditing.

The current-year financial sustainability statement that is given to the auditor-general must be accompanied by a signed certificate in the form below:

Certificate of Accuracy
For the year ended 30 June 2016

This current-year financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the regulation).

In accordance with Section 212(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.

________________________________ ________________________________

Mayor
Name

Date: ______/______/______

Chief Executive Officer
Name

Date:______/______/_______

The following certificate is applicable to Brisbane City Council:

Certificate of Accuracy
For the year ended 30 June 2016

This current-year financial sustainability statement has been prepared pursuant to Section 170 of the *City of Brisbane Regulation 2012* (the regulation).

In accordance with Section 202(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.

________________________________ ________________________________

Lord Mayor
Name

Date: ______/______/______

Chief Executive Officer
Name

Date:______/______/_______

Tropical Council

Long Term Financial Sustainability Statement - Unaudited

Certificate of Accuracy - for the Long Term Financial Sustainability Statement

Tropical Council
Long-Term Financial Sustainability Statement
Prepared as at 30 June 2016

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2016	31 June 2017	31 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024
				Projected for the years ended							
Consolidated											
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	-160%								
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	27%								
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	37%								
Council											
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	-166%								
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	27%								
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	44%								

Tropical Council's Financial Management Strategy

Example 1

Council measures revenue and expenditure trends over time as a guide to future requirements and to make decisions about the efficient allocation of resources to ensure the most effective provision of services. Council ensures that its financial management strategy is prudent and that its long-term financial forecast shows a sound financial position whilst also being able to meet the community's current and future needs.

Example 2

Council aims to operate within a set of conservative guide-posts to ensure we are financially sustainable in the short, medium and long term. As part of our financial strategy, we have adopted seven key financial performance indicators to guide our financial health. In addition to the financial indicators, we have the above three sustainability indicators that have been set by the Department of Infrastructure, Local Government and Planning to help monitor the long-term sustainability of all councils across Queensland. Throughout the financial year, these indicators are calculated and reported on monthly at Council meetings, as part of a full suite of financial reports. Should there be any deviation outside these parameters, the executive management and Council will be fully informed and may take corrective action as required.
The table below summarises how we performed against set targets for the seven key financial performance indicators established in our financial strategy. In summary, we achieved or bettered six of the financial targets, performing strongly in our ability to generate cash from day-to-day operations, meeting all financial commitments in the financial year, and keeping debt to conservative and manageable levels. This was achieved while maintaining community services and making ongoing investment in community infrastructure. Our operating result in this period was adversely affected by the impacts of water reform and this issue is outlined in more detail in the coming pages.

This example statement contains the minimum information that is required by section 178(2) of the Local Government Regulation 2012. Councils can change the way in which this information is presented, however the operating surplus, asset sustainability and net financial liabilities ratios must all be calculated in accordance with the financial management (sustainability) guideline issued by the Department of Infrastructure, Local Government and Planning. The long-term financial sustainability statement must be given to the Auditor-General for information.

The long-term financial sustainability statement that is given to the auditor-general must be accompanied by a signed certificate in the form below:

Certificate of Accuracy
For the long-term financial sustainability statement prepared as at 30 June 2016

This long-term financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the regulation).

In accordance with Section 212(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated.

______________________	______________________
Mayor	**Chief Executive Officer**
Name	**Name**
Date: ______/______/______	Date:______/______/_______

The following certificate is applicable to Brisbane City Council:

Certificate of Accuracy
For the long-term financial sustainability statement prepared as at 30 June 2016

This long-term financial sustainability statement has been prepared pursuant to Section 170 of the *City of Brisbane Regulation 2012* (the regulation).

In accordance with Section 202(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.

______________________	______________________
Lord Mayor	**Chief Executive Officer**
Name	**Name**
Date: ______/______/______	Date:______/______/_______

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