



Tropical Council

Financial Statements

for the year ended 30 June 2020

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. Tropical includes some disclosures which are not material, this is for completeness of common disclosures and not an indication that immaterial disclosures are required. Councils should also ensure if they have any material transactions that are not illustrated in Tropical then they are included in their financial statements by referring to the requirements of the relevant Accounting Standard. Refer to AASB Practice Statement 2 *Making Materiality Judgements*, AASB 101 Presentation of Financial Statements and AASB 108 Changes in Accounting Policies, Accounting Estimates and Errors for guidance in relation to the materiality assessment.

Monday, 22 June 2020

Key to colour coding	
New requirements	Aqua writing
Commentary	
Formulas (Microsoft Excel version)	
Provisional / Early advice	

Tropical Council

Financial statements

For the year ended 30 June 2020

Foreword

The Tropical Council illustrative financial statements (Tropical) are produced by the Department of Local Government, Racing and Multicultural Affairs (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 and further guidance can be found in AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and Practice Statement 2 Making Materiality Judgements. Tropical includes some disclosures which are not material, this is for completeness of common disclosures and not an indication that immaterial disclosures are required.

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 2019-20 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 (comprising 4 primary financial statements, accounting policies and notes)
- a current-year financial sustainability statement; and
- a long-term financial sustainability statement

All of these financial statements are illustrated in the Tropical Council illustrative financial statements.

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 2019-20

Application to all Queensland local governments

The Tropical Council illustrative financial statements for the year ended 30 June 2020 (Tropical) have been designed to cater for all Queensland local governments and include the common transactions and balances and therefore do not illustrate all potential balances, transactions and scenarios which may exist in Local Government.

Tropical usability features (Microsoft Excel Version only)

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.

Tropical Council

Financial statements

For the year ended 30 June 2020

Commentary

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

The financial statements given to the Auditor-General must be accompanied by a management certificate in the approved form. The certificate is given by the Mayor and CEO, stating that in their opinion, the financial statements have been prepared in accordance with the prescribed requirements and present a true and fair view of the Council's transactions for the financial year and financial position at the end of the year.

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://www.dilgp.qld.gov.au/about-ilgp/news-media-and-events/local-government-bulletins.html>

Feedback

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

Department of Local Government, Racing and Multicultural Affairs

Governance and Capability

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Tropical Council

Financial statements

For the year ended 30 June 2020

Simplification checklist

Councils should consider whether their financial statements are presented in a clear, concise reader-friendly way.

The following checklist may assist councils to improve the readability of the financial statements through applying this new flexibility:

1. Have notes and note references that are not material been removed?

These illustrative statements contain many notes that may not be material for your council. They should be removed from your council's financial statements.

2. Have policy notes been co-located with the relevant note disclosure?

This will enable the reader to view all the information required to interpret that note in the one place.

3. Is the information presented in plain english?

The reader may not have accounting knowledge so use plain english language where possible.

4. Does the note present council's policy position or simply repeat an accounting standard's requirements?

If the note simply repeats the standard's requirements it may not be required, or could be reworded in a simpler way to reflect your council's policy position.

5. Does the note repeat information that is already presented elsewhere in the financial statements?

Eliminating duplication will make your statements easier to read. Where appropriate you should provide a cross reference rather than repeating disclosure.

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Financial statements

For the year ended 30 June 2020

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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. Similarly 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.

Management Certificate
Independent Auditor's Report (General Purpose Financial Statements)
Current Year Financial Sustainability Statement
Certificate of Accuracy - for the Current Year Financial Sustainability Statement
Independent Auditor's Report (Current Year Financial Sustainability Statement)
Unaudited Long Term Financial Sustainability Statement
Certificate of Accuracy - for the Long Term Financial Sustainability Statement

Tropical Council
Statement of Comprehensive Income
For the year ended 30 June 2020

AASB 101.85
AASB 101.82(a)
AASB 15 / AASB 1058

	Note	Consolidated		Council	
		2020	2019	2020	2019
		\$	\$	\$	\$
Income					
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
Sales revenue	3(c)	640,000	530,000	640,000	530,000
Grants, subsidies, contributions and donations	3(d)	3,230,845	1,523,121	3,230,845	1,523,121
		<u>13,653,664</u>	<u>11,420,479</u>	<u>11,853,664</u>	<u>9,920,479</u>
Capital revenue					
Grants, subsidies, contributions and donations	3(d)	1,237,578	347,529	1,237,578	347,529
Total capital revenue		<u>1,237,578</u>	<u>347,529</u>	<u>1,237,578</u>	<u>347,529</u>
Rental income	20	70,400	70,400	70,400	70,400
Interest received	4(a)	301,446	285,595	350,046	336,895
Profit from equity accounted investment	15	54,286	36,571	54,286	36,571
Other income	4(b)	928,776	913,714	1,031,450	1,020,914
Other capital income	5	481,183	127,690	488,800	127,690
Total income		<u>16,727,333</u>	<u>13,201,978</u>	<u>15,086,224</u>	<u>11,860,478</u>
Expenses					
Recurrent expenses					
Employee benefits	6	(5,879,043)	(5,194,161)	(4,628,499)	(4,294,161)
Materials and services	7	(5,269,913)	(4,244,335)	(4,950,224)	(3,934,024)
Finance costs	8	(1,013,069)	(1,039,951)	(1,013,069)	(1,039,951)
Depreciation and amortisation					
Property, plant and equipment	17	(3,758,073)	(3,991,983)	(3,722,712)	(3,958,631)
Intangible assets	18	(3,000)	(3,000)	(3,000)	(3,000)
Right of use assets	20	(430,671)	-	(430,671)	-
		<u>(16,353,769)</u>	<u>(14,473,430)</u>	<u>(14,748,175)</u>	<u>(13,229,767)</u>
Capital expenses	9	(2,374,723)	(348,348)	(2,374,723)	(348,348)
Total expenses		<u>(18,728,492)</u>	<u>(14,821,778)</u>	<u>(17,122,898)</u>	<u>(13,578,115)</u>
Net result		<u>(2,001,159)</u>	<u>(1,619,800)</u>	<u>(2,036,674)</u>	<u>(1,717,637)</u>
Other comprehensive income					
Items that will not be reclassified to net result					
Increase / (decrease) in asset revaluation surplus	17	2,267,951	120,682	2,184,223	47,694
Items that may be subsequently reclassified to net result					
[insert details if Councils have any of these items]					
Total other comprehensive income for the year		<u>2,267,951</u>	<u>120,682</u>	<u>2,184,223</u>	<u>47,694</u>
Total comprehensive income for the year		<u>266,792</u>	<u>(1,499,118)</u>	<u>147,549</u>	<u>(1,669,943)</u>

AASB 7.20
AASB 101.82(c)
AASB 101.85

AASB 101.85 & 99

AASB 101.82(b)
AASB 116.48

AASB 101.81A(a)

AASB 101.82A(a)
AASB 101.7
AASB 116. Aus 39.1, Aus 40.1

AASB 101.82A(b)

AASB 101.81A(b)

AASB 101.81A(c)

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

The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

Source Reference

AASB 101.10(b), 81A - 105

AASB 101.92

AASB 101.97

Not mandatory

Financial Management
(sustainability) Guideline 2013

AASB Framework.78 & 80

AASB Framework.74
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Tropical Council

Statement of Comprehensive Income

For the year ended 30 June 2020

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

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

Capital revenue and expenses

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.

A separation between capital and recurrent revenue and expenditure is suggested to assist in calculating the operating surplus ratio as described in the Financial Management (Sustainability) Guideline 2013. This Guideline is published by the Department of Local Government, Racing and Multicultural Affairs.

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/Disaster Recovery Funding Arrangements (NDRRA/DRFA) should be consistently classified with related expenditure. For example, expenditure on repairs and maintenance (from NDRRA/DRFA funds) would result in an equivalent amount disclosed for recurrent revenue, or for capital works an equivalent amount would be disclosed as capital revenue.

Disclosure of gains and losses on disposal of assets

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.

Where the net gain / loss on disposal is a gain, this amount should be reported in Income as a gain (separate to revenue).

Disclosure of Other Comprehensive Income for Equity Accounting Investments

Where Council has an equity accounted investment (associate or joint venture) with Other Comprehensive Income, Councils share of that other comprehensive income is reflected in the relevant section of the Statement of Other Comprehensive Income.

Tropical Council
Statement of Financial Position
as at 30 June 2020

		Consolidated			Council		
	Note	2020 \$	2019 \$	1 July 2018 * \$	2020 \$	2019 \$	1 July 2018 * \$
Current assets							
AASB 101.54(i)	10	6,185,156	4,276,522	4,131,951	5,810,330	3,934,878	3,862,951
AASB 101.54(h)	11	1,198,459	777,662	1,018,744	1,243,603	822,806	1,147,444
AASB 101.54(g)	12	233,957	450,006	452,000	233,957	450,006	452,000
AASB 15.105	19	161,232	-	-	161,232	-	-
AASB 101.54(d)	13	238,024	83,585	-	238,024	83,585	-
	20	20,090	-	-	20,090	-	-
		8,036,918	5,587,775	5,602,695	7,707,236	5,291,275	5,462,395
AASB 5. 38 & 40	14	90,000	-	-	90,000	-	-
Total current assets		8,126,918	5,587,775	5,602,695	7,797,236	5,291,275	5,462,395
Non-current assets							
AASB 101.54(h)	11	150,000	150,000	183,780	870,000	915,000	910,050
AASB 101.54(d)	20	512,991	-	-	512,991	-	-
AASB 101.54(e)	15	1,015,715	972,849	955,000	2,095,715	2,052,849	2,035,000
AASB 101.54(b)	16	490,400	420,000	420,000	490,400	420,000	420,000
AASB 101.54(a)	17	73,623,232	78,305,851	80,031,191	71,566,446	76,289,815	78,068,791
AASB 16.47(a)	20	2,339,992	-	-	2,339,992	-	-
AASB 101.54(c)	18	21,000	24,000	27,000	21,000	24,000	27,000
Total non-current assets		78,153,329	79,872,700	81,616,971	77,896,543	79,701,664	81,460,841
Total assets		86,280,247	85,460,475	87,219,666	85,693,779	84,992,939	86,923,236
Current liabilities							
AASB 101.54(k)	21	814,260	647,038	1,182,136	814,260	646,727	1,182,106
AASB 15.105	19	524,421	-	-	524,421	-	-
AASB 101.54(m)	22	2,697,337	1,025,803	1,072,716	2,697,337	1,025,803	1,072,716
AASB 16.47(b)	20	531,995	-	-	531,995	-	-
AASB 101.54(l)	24	567,595	584,647	28,000	567,595	584,647	28,000
	25	800,821	150,000	-	800,821	150,000	-
Total current liabilities		5,936,429	2,407,488	2,282,852	5,936,429	2,407,177	2,282,822
Non-current liabilities							
AASB 101.54(k)	21	-	-	-	-	-	-
AASB 15.105	19	223,394	-	-	223,394	-	-
AASB 101.54(m)	22	7,012,586	11,411,917	11,919,957	7,012,586	11,411,917	11,919,957
AASB 16.47(b)	20	1,913,280	-	-	1,913,280	-	-
AASB 101.54(l)	24	1,376,377	1,814,460	1,691,129	1,376,377	1,814,460	1,691,129
Total non-current liabilities		10,525,637	13,226,377	13,611,086	10,525,637	13,226,377	13,611,086
Total liabilities		16,462,066	15,633,865	15,893,938	16,462,066	15,633,554	15,893,908
Net community assets		69,818,182	69,826,610	71,325,728	69,231,714	69,359,385	71,029,328
Community equity							
		5,801,777	3,533,826	3,413,144	5,563,061	3,378,838	3,331,144
		64,016,405	66,292,784	67,912,584	63,668,653	65,980,547	67,698,184
Total community equity		69,818,182	69,826,610	71,325,728	69,231,714	69,359,385	71,029,328

AASB 101.40A,
AASB101.10(f)

* 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 2018. Details are disclosed in Note 32. The third Statement of Financial Position (i.e. as at 1 July 2018) should ONLY be used if council has applied an accounting policy retrospectively or has made a retrospective restatement of items due to a change in accounting policy or error in its financial statements or has reclassified items in its financial statements.

Councils may choose to present the right of use assets arising under AASB 16 with PPE rather than as a separate line item in the statement of financial position. The ROU classes should be shown as a separate classes of assets if material.

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

The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

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

**Statement of Changes in Equity
For the year ended 30 June 2020**

Consolidated		Asset revaluation surplus	Retained surplus	Total
		\$	\$	\$
Balance as at 1 July 2019		3,533,826	66,292,784	69,826,610
Adjustment on initial application of AASB 15 / AASB 1058		-	(275,220)	(275,220)
Adjustment on initial application of AASB 16		-	-	-
Restated balance at 1 July 2019		3,533,826	66,017,564	69,551,390
Net result		-	(2,001,159)	(2,001,159)
Other comprehensive income for the year				
Increase / (decrease) in asset revaluation surplus		2,267,951	-	2,267,951
Share of comprehensive income of equity accounted investments		-	-	-
AASB 101.106 (a)	Total comprehensive income for the year	2,267,951	(2,001,159)	(8,428)
Balance as at 30 June 2020		5,801,777	64,016,405	69,818,182
Balance as at 1 July 2018		3,413,144	66,613,662	70,026,806
AASB 101.110	Effect of correction of error	32	1,303,779	1,303,779
Adjustment on initial application of AASB 9		-	(4,857)	(4,857)
Restated balances at 1 July 2018		3,413,144	67,912,584	71,325,728
Net result		-	(1,619,800)	(1,619,800)
Other comprehensive income for the year				
Increase / (decrease) in asset revaluation surplus		120,682	-	120,682
Share of comprehensive income of equity accounted investments		-	-	-
AASB 101.106 (a)	Total comprehensive income for the year	120,682	(1,619,800)	(1,499,118)
Balance as at 30 June 2019		3,533,826	66,292,784	69,826,610

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
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Tropical Council

Statement of Changes in Equity

For the year ended 30 June 2020

Council		Asset revaluation surplus	Retained Surplus	Total
		\$	\$	\$
	Balance as at 1 July 2019	3,378,838	65,980,547	69,359,385
	Adjustment on initial application of AASB 15 / AASB 1058	-	(275,220)	(275,220)
	Adjustment on initial application of AASB 16	-	-	-
	Restated balance at 1 July 2019	3,378,838	65,705,327	69,084,165
	Net operating surplus	-	(2,036,674)	(2,036,674)
	Other comprehensive income for the year			
	Increase / (decrease) in asset revaluation surplus	2,184,223	-	2,184,223
	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	2,184,223	(2,036,674)	147,549
	Balance as at 30 June 2020	5,563,061	63,668,653	69,231,714
	Balance as at 1 July 2018	3,331,144	66,394,405	69,725,549
AASB 101.110	Effect of correction of error	32	1,303,779	1,303,779
AASB 108.28(f)	Adjustment on initial application of AASB 9	-	(4,857)	(4,857)
	Restated balances at 1 July 2018	3,331,144	67,698,184	71,029,328
	Net operating surplus	-	(1,717,637)	(1,717,637)
	Other comprehensive income for the year			
	Increase / (decrease) in asset revaluation surplus	47,694	-	47,694
	Share of comprehensive income of associates	-	-	-
AASB 101.106 (a)	Total comprehensive income for the year	47,694	(1,717,637)	(1,669,943)
	Balance as at 30 June 2019	3,378,838	65,980,547	69,359,385

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

The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

Reconciliation between Statement of Changes in Equity and Statement of Financial Position	0	0	0
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Guidance relating to statement of changes in equity

If Councils choose to illustrate the movement in each reserve in the Statement of Changes in Equity then there is no requirement for a reserve reconciliation in the notes. Tropical has been prepared on this basis and therefore there is no reserve or retained earnings reconciliation included in the notes to the accounts.

Tropical has adopted AASB 15 / 1058 and AASB 16 using that the modified retrospective approach has been used and therefore comparatives have not been adjusted and adjustments have been processed on 1 July 2019. If Council has not used this approach then relevant disclosures are included in AASB 108 and the relevant transition section of the adopted standard.

Tropical Council

Statement of Cash Flows

For the year ended 30 June 2020

	Note	Consolidated		Council	
		2020	2019	2020	2019
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		15,546,471	13,107,660	13,791,471	11,652,486
Payments to suppliers and employees		(13,368,061)	(9,321,295)	(11,797,517)	(8,111,265)
		2,178,410	3,786,365	1,993,954	3,541,221
Dividend received		-	-	102,674	107,200
Interest received		301,446	285,595	350,046	336,895
Borrowing costs		(1,013,069)	(1,039,951)	(1,013,069)	(1,039,951)
Net cash inflow (outflow) from operating activities	30	<u>1,466,787</u>	<u>3,032,009</u>	<u>1,433,605</u>	<u>2,945,365</u>
Cash flows from investing activities					
Payments for property, plant and equipment		(1,797,214)	(2,519,972)	(1,797,214)	(2,505,972)
Payments for intangible assets		-	-	-	-
Proceeds from sale of property plant and equipment		4,867,246	187,487	4,867,246	187,487
Net cash inflow (outflow) from investing activities		<u>3,070,032</u>	<u>(2,332,485)</u>	<u>3,070,032</u>	<u>(2,318,485)</u>
Cash flows from financing activities					
Proceeds from borrowings		-	629,153	-	629,153
Repayment of borrowings		(2,285,319)	(1,184,106)	(2,285,319)	(1,184,106)
Repayments made on leases (principal only)		(342,866)	-	(342,866)	-
Net cash inflow (outflow) from financing activities		<u>(2,628,185)</u>	<u>(554,953)</u>	<u>(2,628,185)</u>	<u>(554,953)</u>
Net increase (decrease) in cash and cash equivalent held		<u>1,908,634</u>	<u>144,571</u>	<u>1,875,452</u>	<u>71,927</u>
Cash and cash equivalents at the beginning of the financial year		<u>4,276,522</u>	<u>4,131,951</u>	<u>3,934,878</u>	<u>3,862,951</u>
Cash and cash equivalents at end of the financial year	10	<u>6,185,156</u>	<u>4,276,522</u>	<u>5,810,330</u>	<u>3,934,878</u>

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

The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

Reconciliation of Statement of Cash Flows to Cash and cash equivalents	-	-	-	-
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AASB 107 does 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 cashflows relating to interest (including on leases) and dividends as operating activities.

Tropical Council

Notes to the financial statements

For the year ended 30 June 2020

The Tropical Council Illustrative Financial Statements are designed to cover the most common disclosures of relevance to Queensland local governments, some of which may not be 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.

AASB 101.31

Furthermore, the following underlined additions to paragraph 31 of AASB 101 *Presentation of Financial Statements*, 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. This is the case even if the Australian Accounting Standard contains a list of specific requirements or describes them as minimum requirements."

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.

AASB 101.31 states "An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in Australian Accounting Standards is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance."

AASB101.117-
133

1 Significant accounting policies

AASB
101.138(a)

1.A Basis of preparation

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

AASB 1054.7-9

These general purpose financial statements are for the period 1 July 2019 to 30 June 2020. They are prepared in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012 (City of Brisbane Act 2010 and City of Brisbane Regulation 2012)*.

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

These financial statements comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Council is a not-for-profit entity for financial reporting purposes and complies with Australian Accounting Standards as applicable to not-for-profit entities.

AASB 101.117
(a), .118

These financial statements have been prepared under the historical cost convention except for the revaluation of certain classes of property, plant and equipment and investment property.

Councils should amend the sentence above as applicable to refer to any other assets (e.g. financial assets) which are held at fair value.

AASB 101.51(b)

1.B Basis of consolidation

Council and its controlled entities together form the consolidated entity, the financial statements of controlled entities are included in the consolidated financial statements where material by size or nature, from the date when control commences until the date when control ceases.

Transactions between Council and entities controlled by Council have been eliminated when preparing consolidated accounts. In addition, the accounting policies of controlled entities have been adjusted on consolidation where necessary, to ensure the 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 15.

Information about controlled entities that have not been consolidated, because they are not considered material, is included in Note 37.

Tropical Council

Notes to the financial statements

For the year ended 30 June 2020

AASB 108.28

1.C New and revised Accounting Standards adopted during the year

When preparing this note, councils should review new and amended AASB Standards and Interpretations that apply to 2019-20 to consider their relevance and impact. The information belows shows the new standards which are likely to be relevant to Councils and the associated transition disclosures. The illustrative note below should be amended to suit each Council.

Tropical adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2019, the standards which had an impact on reported position, performance and cash flows were those relating to revenue and leases.

Refer to the change in accounting policy note 33 for transition disclosures for AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of NFP Entities* and AASB 16 *Leases*.

Where there has been material impacts to Councils reported position, performance or cash flows on adoption of a standard then relevant disclosures should be included in the changes in accounting policy note. These disclosures are noted in AASB 108.28 or if applicable, the transition provisions of the adopted standard.

AASB 108.30

1.D Standards issued by the AASB not yet effective

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 illustrative financial 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

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2020, these standards have not been adopted by Council and will be included in the financial statements on their effective date. Where the standard is expected to have a significant impact for Council then further information has been provided in this note.

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 that could be applicable to Councils (December 2019).

Councils should not 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 2019 and Councils will also need to consider any new or amended standards that are issued after this date but prior to signing of the financial statements.

	Effective for NFP annual report periods beginning on or after:
AASB 17 <i>Insurance Contracts</i>	1 January 2021
AASB 1059 <i>Service Concession Arrangements: Grantors</i>	1 January 2020
AASB 2018-6 <i>Amendments to Australian Accounting Standards - Definition of a Business</i>	1 January 2020
AASB 2018-7 <i>Amendments to Australian Accounting Standards - Definition of Material</i>	1 January 2020
AASB 2019-3 <i>Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform</i>	1 January 2020
AASB 2014-10 <i>Sale or Contribution of Assets between and Investor and its Associate or Joint Venture</i> (amended by AASB 2015-10 and AASB 2017-5)	1 January 2022

Tropical Council

Notes to the financial statements

For the year ended 30 June 2020

AASB 101.122-
133

1.E Estimates and judgements

Councils make a number of judgements, estimates and assumptions in preparing these financial statements. These are based on the best information available to Council at the time, however due to the passage of time, these assumptions may change and therefore the recorded balances may not reflect the final outcomes. The significant judgements, estimates and assumptions relate to the following items and specific information is provided in the relevant note:

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

- Investment Property (Note 16)
- Valuation and depreciation of property, plant and equipment (Note 17)
- Impairment of property, plant and equipment (Note 9)
- Provisions (Note 24)
- Contingent liabilities (Note 28)
- Financial instruments and financial liabilities (note 36)
- Revenue (Note 3)

AASB 101.51(e)

1.F 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". ASIC Class Order 2016/191 may provide some assistance to Councils in determining an appropriate level of rounding.

AASB 101.51(d)

The financial statements are in Australian dollars and have been rounded to the nearest \$1, except for note 37: controlled entities that have not been consolidated.

AASB 101.41

Comparative information is generally restated for reclassifications, errors and changes in accounting policies unless permitted otherwise by transition rules in a new Accounting Standard.

AASB 1058.27a

1.G Volunteer services

Council should provide details about their dependence on volunteer services received, where significant, regardless of whether they have been recognised in the Statement of Comprehensive Income. If volunteer services are not recognised then Councils should consider providing the rationale for why not, e.g. not material, would not be purchased if not donated or cannot be reliably measured.

AASB 101.117

1.H Taxation

Council is exempt from income tax, however council is subject to Fringe Benefits Tax, Goods and Services Tax ('GST') and payroll tax on certain activities. The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

Notes to the financial statements

For the year ended 30 June 2020

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.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

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. Councils need to ensure that the names of functions in this disclosure match those disclosed in note 2(a)

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 2020

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									
\$	\$	\$	\$	\$	\$	\$							
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	(1,537,476)	-	25,000	(1,512,476)	1,635,670	5,643,271	10,196,843
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	(8,992,976)	-	588,495	(8,404,481)	(4,950,372)	(4,206,598)	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	(15,588,406)	(2,374,723)	840,543	(17,122,586)	(4,618,862)	(2,036,362)	85,693,779
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	(17,194,312)	(2,374,723)	840,543	(18,728,492)	(4,576,042)	(2,001,159)	86,280,247

Year ended 30 June 2019

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									
\$	\$	\$	\$	\$	\$	\$							
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	9,324,819
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	(6,624,296)	-	664,000	(5,960,296)	(4,159,764)	(4,108,693)	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	(12,972,947)	(1,521,528)	916,048	(13,578,427)	(2,173,421)	(1,717,949)	84,992,939
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	(14,268,798)	(1,469,028)	916,048	(14,821,778)	(2,127,772)	(1,619,800)	85,460,475

Note: 1. Councils may choose to present information net of inter-function eliminations
2. Councils need to ensure that the totals reconcile to the relevant notes in the financial statements.

Notes to the financial statements
For the year ended 30 June 2020

AASB 15.115 /
AASB 15.119 /
AASB 1058.26

	Note	Consolidated 2020		Council	
		AASB 15 \$	AASB 1058 \$	AASB 15 \$	AASB 1058 \$
3 Revenue					
Revenue recognised at a point in time					
Rates, levies and charges (excluding those related to services)	3a	-	7,481,626	-	7,481,626
Grants, subsidies, donations and contributions	3d	347,724	1,274,558	347,724	1,274,558
Infringements	3b	-	29,456	-	29,456
Fees and charges (excluding infringements)	3b	1,816,103	-	237,390	-
Sale of goods and services	3c	640,000	-	640,000	-
Other [specify if material]					
		<u>2,803,827</u>	<u>8,785,640</u>	<u>1,225,114</u>	<u>8,785,640</u>
Revenue recognised over time					
Grants and subsidies	3d	1,608,563	-	1,608,563	-
Fees and charges (excluding infringements)	3b	455,634	-	234,347	-
Revenue relating to grants for assets controlled by Council	3d	-	1,237,578	-	1,237,578
Other [specify if material]					
		<u>2,064,197</u>	<u>1,237,578</u>	<u>1,842,910</u>	<u>1,237,578</u>
Total revenue		<u>4,868,024</u>	<u>10,023,218</u>	<u>3,068,024</u>	<u>10,023,218</u>

This breakdown has been applied based on Tropical's transactions - Councils will need to consider whether the revenue streams are within the scope of AASB 15 (i.e. arising from a contract with a customer) or AASB 1058 and show a breakdown based on their material revenue streams.

The line items in the sub-notes below should reflect a relevant breakdown for Council based on their material revenue streams - the line items included in Tropical are not mandatory.

(a) Rates, levies and charges

2020 accounting policy: Rates and annual charges are recognised as revenue when the council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

2019 accounting policy: Rates are recognised as revenue at the start of the rating period. If a ratepayer pays their rates before the start of the rating period, they are recognised as revenue when they are received.

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"

	Note	Consolidated		Council	
		2020 \$	2019 \$	2020 \$	2019 \$
General rates / Community levy (<i>depending on council</i>)		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		<u>8,204,743</u>	<u>7,985,256</u>	<u>8,204,743</u>	<u>7,985,256</u>
Less: Discounts		(662,061)	(616,280)	(662,061)	(616,280)
Less: Pensioner remissions		(61,056)	(65,939)	(61,056)	(65,939)
		<u>7,481,626</u>	<u>7,303,037</u>	<u>7,481,626</u>	<u>7,303,037</u>

AASB 15.115 /
AASB 15.119 /
AASB 1058.26

(b) Fees and charges

2020 accounting policy: Revenue arising from fees and charges is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases, the customer is required to pay on arrival, for example caravan parks. There is no material obligation for Council in relation to refunds or returns.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

Revenue from infringements is recognised on issue of infringement notice after applying the expected credit loss model relating to impairment of receivables for initial recognition of statutory receivables.

2019 accounting policy: Fees and charges are recognised when council is unconditionally entitled to those funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.

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
	<u>2,301,193</u>	<u>2,064,321</u>	<u>501,193</u>	<u>564,321</u>

Notes to the financial statements

For the year ended 30 June 2020

AASB 15.115 /
AASB 15.119

(c) Sales revenue

Sale of goods revenue is recognised when the customer has taken delivery of the goods. Revenue from services is recognised when the service is rendered.

Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. This revenue and the associated costs are recognised by reference to the stage of completion of the contract activity based on costs incurred at the reporting date. 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. There are no contracts in progress at the year end. The contract work carried out is not subject to retentions.

The suggested sales revenue break-down is suggested only and should be customised to suit council's operations.

	Note	Consolidated		Council	
		2020	2019	2020	2019
		\$	\$	\$	\$
Sale of services					
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
		<u>526,737</u>	<u>425,816</u>	<u>526,737</u>	<u>425,816</u>
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
		<u>113,263</u>	<u>104,184</u>	<u>113,263</u>	<u>104,184</u>
Total sales revenue		<u>640,000</u>	<u>530,000</u>	<u>640,000</u>	<u>530,000</u>

AASB 15.115 /
AASB 15.119 /
AASB 1058.26

(d) Grants, subsidies, contributions and donations

Councils will need to consider which standard (AASB 15 or AASB 1058) their grant income falls within. AASB 15 is relevant where the contract is enforceable and contains sufficiently specific performance obligations, if not then AASB 1058 is the applicable standard.

Refer to the Queensland Audit Office blog <https://www.qao.qld.gov.au/blog/income-not-profit-entities-aasb-15-aasb-1058-overview> for further guidance.

2020 accounting policy:

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligations is satisfied.

The performance obligations are varied based on the agreement but include [provide details of performance obligations within AASB 15 grants e.g. events, vaccinations]. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit

Grant income under AASB 1058

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received

Capital grants

Capital grants received to enable Council to acquire or construct an item of property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

Where assets are donated or purchased for significantly below fair value, the revenue is recognised when the asset is acquired and controlled by the Council.

2019 accounting policy: Grants, subsidies, donations and contributions that are non-reciprocal in nature are recognised as revenue when Council obtains control over them, which is usually upon receipt of funds. Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled. In 2019, Council did not have any reciprocal grants.

AASB 1058

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

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 generally within the scope of AASB 1058 since there is no enforceable performance obligation associated with them and therefore the infrastructure charges are recognised as revenue when received.

Councils will need to consider when control of the asset is obtained to ensure recognition of the asset is in the correct period.

Notes to the financial statements
For the year ended 30 June 2020

	Note	Consolidated		Council	
		2020	2019	2020	2019
		\$	\$	\$	\$
(i) 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
		<u>3,230,845</u>	<u>1,523,121</u>	<u>3,230,845</u>	<u>1,523,121</u>

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.

(ii) Capital

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.

State government subsidies and grants	487,342	330,099	487,342	330,099
Contributions	692,972	18,480	692,972	18,480
Contributions - finance lease assets recognised in respect of newly built houses	59,764	-	59,764	-
Total capital grants, subsidies, contributions and donations	<u>1,240,078</u>	<u>348,579</u>	<u>1,240,078</u>	<u>348,579</u>
Less: discount allowed developer contributions	<u>2,500</u>	<u>1,050</u>	<u>2,500</u>	<u>1,050</u>
	<u>1,237,578</u>	<u>347,529</u>	<u>1,237,578</u>	<u>347,529</u>

ATSI Councils - 40 year lease

Not mandatory

Not mandatory

AASB 1058.37

For transparency and accountability to Council stakeholders, the Department is recommending that Councils include any discounts given to developers on infrastructure charges.

(iii) Conditions over grants

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.

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:

Grants for expenditure on services <i>(if applicable)</i>	-	-	-	-
Grants for expenditure on infrastructure <i>(if applicable)</i>	-	10,750	-	10,750
	<u>-</u>	<u>10,750</u>	<u>-</u>	<u>10,750</u>

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

Grants for expenditure on services <i>(if applicable)</i>	-	-	-	-
Grants for expenditure on infrastructure <i>(if applicable)</i>	-	4,843	-	4,843
	<u>-</u>	<u>4,843</u>	<u>-</u>	<u>4,843</u>

4 Interest and other income**a Other income**

Dividends are recognised when they are declared.

Dividend		-	-	102,674	107,200
Gain on revaluation of finance leases	20	16,787	-	16,787	-
Other income		911,989	913,714	911,989	913,714
		<u>928,776</u>	<u>913,714</u>	<u>1,031,450</u>	<u>1,020,914</u>

AASB 118.35(b)
ATSI Councils - 40 year lease

AASB 7.20

b Interest received

Interest received from term deposits is accrued over the term of the investment.

Interest received from term deposits		248,360	215,242	248,360	215,242
Other sources		-	-	48,600	51,300
Finance income on the net investment in the lease		18,433	17,543	18,433	17,543
Interest from overdue rates and utility charges		34,653	52,810	34,653	52,810
		<u>301,446</u>	<u>285,595</u>	<u>350,046</u>	<u>336,895</u>

**Notes to the financial statements
For the year ended 30 June 2020**

	Note	Consolidated		Council	
		2020 \$	2019 \$	2020 \$	2019 \$
5 Capital income					
Gain / loss on disposal of non-current assets					
Proceeds from the sale of property, plant and equipment		4,824,446	187,487	1,885,093	187,487
Less: Carrying value of property, plant and equipment disposed of	17	(4,764,525)	(59,797)	(1,825,172)	(59,797)
		<u>59,921</u>	<u>127,690</u>	<u>59,921</u>	<u>127,690</u>
Proceeds from sale of land and improvements		156,000	-	156,000	-
Less: Carrying value of land sold	17	(113,200)	-	(113,200)	-
		<u>42,800</u>	<u>-</u>	<u>42,800</u>	<u>-</u>
Provision for restoration of land	24				
Discount rate adjustment to refuse restoration provision		8,248	-	8,248	-
		<u>8,248</u>	<u>-</u>	<u>8,248</u>	<u>-</u>
If the restoration relates to an asset in Councils books which is being carried at revalued amount then the discount rate adjustment is taken to the revaluation reserve where there is sufficient reserve for that class of assets rather than being included in revenue or expenses.					
Revaluations					
Revaluation increment of property, plant and equipment reversing previous revaluation decrement	17	314,214	-	321,831	-
Revaluation increment / decrement relating to investment property	16	56,000	-	56,000	-
		<u>370,214</u>	<u>-</u>	<u>377,831</u>	<u>-</u>
Total capital income		<u>481,183</u>	<u>127,690</u>	<u>488,800</u>	<u>127,690</u>
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	29	345,729	337,833	345,729	337,833
		<u>5,851,832</u>	<u>5,415,399</u>	<u>4,601,288</u>	<u>4,515,399</u>
Other employee related expenses		196,420	177,045	196,420	177,045
		<u>6,048,252</u>	<u>5,592,444</u>	<u>4,797,708</u>	<u>4,692,444</u>
Less: Capitalised employee expenses		(169,209)	(398,283)	(169,209)	(398,283)
		<u>5,879,043</u>	<u>5,194,161</u>	<u>4,628,499</u>	<u>4,294,161</u>
Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.					
Total Council employees at the reporting date:		2018	2017	2018	2017
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		<u>86</u>	<u>82</u>	<u>65</u>	<u>65</u>
7 Materials and services					
These line items are not mandatory (except for expenses relating to short-term leases, leases of low value assets (where either of the exceptions have been used) and variable lease expense relating to usage). Councils should use appropriate headings to reflect their transactions. 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.					
Advertising and marketing		239,862	118,240	209,862	118,240
Administration supplies and consumables		581,723	441,258	530,712	398,140
Audit of annual financial statements by the Auditor-General of Queensland *		22,015	20,769	22,015	20,769
Communications and IT		841,616	713,177	772,498	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
Power		302,861	278,749	282,543	258,746
Repairs and maintenance		963,102	801,222	849,860	699,909
Rentals - operating leases (2019 only)		-	51,449	-	51,449
Subscriptions and registrations		193,017	241,065	193,017	241,065
Travel		499,130	323,601	499,442	323,601
Other materials and services		262,991	229,816	226,679	192,885
		<u>5,269,913</u>	<u>4,244,335</u>	<u>4,950,224</u>	<u>3,934,024</u>
* Total audit fees quoted by the Queensland Audit Office relating to the 2019-20 financial statements are \$22,500 (2019: \$21,000)					
8 Finance costs					
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		32,186	26,060	32,186	26,060
* Impairment of receivables		11,667	2,224	11,667	2,224
Interest on leases		184,809	21,034	184,809	21,034
Unwinding of discount on provisions	24	71,206	68,779	71,206	68,779
		<u>1,013,069</u>	<u>1,039,951</u>	<u>1,013,069</u>	<u>1,039,951</u>

Notes to the financial statements
For the year ended 30 June 2020

		Consolidated		Council	
	Note	2020	2019	2020	2019
		\$	\$	\$	\$
9 Capital expenses					
Impairment loss					
AASB 136.126(a) Non-current assets classified as held for sale	14	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 14). The impairment loss of \$10,000 is the estimated amount of the disposal costs.					
AASB 101.122-133	Key judgements and estimates:				
	In assessing impairment, management estimates the recoverable amount of each asset, based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.				
AASB 101.122	Councils to insert specific details of their own key judgements made, as appropriate. Disclosure should be sufficiently detailed for the reader to understand the significance and potential impact on the financial statements.				
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.					
Interpretation 1	If the restoration relates to an asset in Councils books which is being carried at revalued amount then the discount rate adjustment is taken to the revaluation reserve where there is sufficient reserve for that class of assets rather than being included in revenue or expenses.				
AASB 116.40					
Revaluation decrement					
Revaluation down of property, plant and equipment	17	-	314,214	-	314,214
		-	314,214	-	314,214
Loss on transfer of assets via finance lease					
Book value of property, plant and equipment transferred	17	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 107.6 & 45					
10 Cash and cash equivalents					
Cash and cash equivalents in the statement of cash flows include cash on hand, all cash and cheques received 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 cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.					
Cash at bank and on hand		2,685,156	1,528,922	2,310,330	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		6,185,156	4,276,522	5,810,330	3,934,878
Council's 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:					
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:					
AASB 107.48 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
Waste levy refund received in advance		-	150,000	-	150,000
Total unspent restricted cash		3,805,996	2,570,540	3,805,996	2,570,540
Cash and deposits at call are held in the Australia Bank in term deposits and business cheque accounts. The bank currently has a short term credit rating of A1+ and long term rating of AA-.					
Not mandatory					
Cash at bank and on hand at 30 June 2020 includes \$0 received from the State government to mitigate the direct impacts on households of the State Waste Levy, which comes into effect from 1 July 2019. This money has been set aside to help fund the Council's 2020-21 Levy expense.					
In accordance with the <i>Local Government Act 2009</i> and <i>Local Government Regulation 2012</i> , a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties. Funds held in the trust account 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). 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 since Council has no control over the assets.					

Notes to the financial statements
For the year ended 30 June 2020

Local government legislation

	Note	Consolidated		Council	
		2020	2019	2020	2019
		\$	\$	\$	\$
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
		<u>86,960</u>	<u>65,639</u>	<u>86,960</u>	<u>65,639</u>
Some funds belonging to Council are held in the trust funds of third parties. These include grants for water and sewerage infrastructure.					
Funds held in trust by outside parties					
Ove Arup		10,000	10,000	10,000	10,000
		<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

If a term deposit has an initial term greater than 3 months, then it should be shown as a financial asset rather than cash and cash equivalent.

AASB 101.78(b)

11 Receivables

Receivables, loans and advances are amounts owed to council at year end. They are recognised at the amount due at the time of sale or service delivery or advance. Settlement of receivables is required within 30 days after the invoice is issued. Terms for loans and advances are usually a maximum of five years with interest charged at non-commercial rates. Security is not normally obtained.

Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. All known bad debts were written-off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue.

AASB 7.21
AASB 136.59 & 63

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.

Subsequent recoveries of amounts previously written off in the same period are recognised as finance costs in the Statement of Comprehensive Income.

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 rate receivables.

Debtors should include GST where applicable.

AASB 101.78(b)

Receivables	Consolidated		Council	
	2020	2019	2020	2019
Current				
Rates and charges	278,568	392,112	278,712	392,256
Statutory Charges	133,040	75,582	133,040	75,582
Grants	623,301	249,873	623,301	249,873
Lease Receivables	6,700	675	6,700	675
Other debtors	169,371	67,824	169,371	67,824
	<u>1,210,980</u>	<u>786,066</u>	<u>1,211,124</u>	<u>786,210</u>
Less: Loss Allowance	<u>(12,521)</u>	<u>(8,404)</u>	<u>(12,521)</u>	<u>(8,404)</u>
	<u>1,198,459</u>	<u>777,662</u>	<u>1,198,603</u>	<u>777,806</u>

AASB 7.35H

Movement in accumulated impairment losses (other debtors) is as follows:

AASB7.42P

Opening balance at 1 July	8,404	1,323	8,404	1,323
Adjustment to opening balance upon application of AASB 9* (a)	-	4,857	-	4,857
Less: Debts written off during the year	(7,550)	-	(7,550)	-
Additional impairments recognised	11,667	2,224	11,667	2,224
Less: Impairments reversed	-	-	-	-
Closing Balance at 30 June	<u>12,521</u>	<u>8,404</u>	<u>12,521</u>	<u>8,404</u>

If impairment of receivables is not material, then Councils should state that fact and remove the reconciliation table. Tropical has included the table for completeness to illustrate the requirement in AASB 9.

Refer also to Note 35 for further information about credit risk.

Interest is charged on outstanding rates (9.83% per annum from 1 July 2019, previously 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
Current

Loans and advances to controlled entities and associates	-	-	45,000	45,000
	<u>-</u>	<u>-</u>	<u>45,000</u>	<u>45,000</u>

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
	<u>150,000</u>	<u>150,000</u>	<u>870,000</u>	<u>915,000</u>

Total Current & Non-Current

	<u>1,586,483</u>	<u>1,011,247</u>	<u>2,351,627</u>	<u>1,821,391</u>
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Loans relate to advances made to various sporting bodies. These loans arise from time to time and are subject to negotiated interest rates which are below market rates. The credit risk on these loans is considered low. The loans in place are at call.

Notes to the financial statements

For the year ended 30 June 2020

12 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 except for land where the costs are allocated to the relevant parcel.

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.

	Note	Consolidated		Council	
		2020 \$	2019 \$	2020 \$	2019 \$
Inventories held for sale					
Miscellaneous saleable items		1,000	1,500	1,000	1,500
Supermarket stock		250	-	250	-
Other trading stocks		250	-	250	-
		<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>
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
		<u>2,457</u>	<u>218,506</u>	<u>2,457</u>	<u>218,506</u>
Land purchased for development and sale		230,000	230,000	230,000	230,000
Total inventories		<u>233,957</u>	<u>450,006</u>	<u>233,957</u>	<u>450,006</u>

13 Other assets

Water charges not yet levied		39,824	36,043	39,824	36,043
GST recoverable		7,639	31,593	7,639	31,593
Contract cost assets	a	68,632	-	68,632	-
Prepayments		121,929	15,949	121,929	15,949
		<u>238,024</u>	<u>83,585</u>	<u>238,024</u>	<u>83,585</u>
a Contract cost assets					
Costs to fulfil a contract		<u>68,632</u>		<u>68,632</u>	

The contract cost asset relates to the costs to recruit employees for specific grant programs and material developed to promote the programs. The costs will be expensed as each program unit is conducted and the performance obligation for that unit is completed.

Costs to fulfil a contract

Where costs are incurred to fulfil a contract, they are accounted for under the relevant accounting standard (if appropriate), otherwise if the costs relate directly to a contract, the costs generate or enhance resources of Council that will be used to satisfy performance obligations in the future and the costs are expected to be recovered then they are capitalised as contract costs assets and released to the statement of comprehensive income on a systematic basis consistent with the transfer to the customer of the goods or services to which the asset relates.

Tropical has only capitalised costs to fulfil a contract, however if Council has capitalised costs to obtain a contract or any other costs under AASB 15 then a further breakdown should be provided. Explanations about any judgements made in capitalisation and the basis for amortising the costs should be provided by Council.

14 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 within 12 months. 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.

Council has decided to sell land previously used as a depot as it is no longer required.	17	100,000	-	100,000	-
Internal transfer from land and improvements		100,000	-	100,000	-
Impairment adjustment in period	9	(10,000)	-	(10,000)	-
		<u>90,000</u>	<u>-</u>	<u>90,000</u>	<u>-</u>

The fair value of the land was determined using the sales comparison approach. 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. The land 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.

Notes to the financial statements

For the year ended 30 June 2020

15 Investments

	Note	Consolidated		Council	
		2020 \$	2019 \$	2020 \$	2019 \$
Subsidiaries					
Interest in controlled entity Tropical Sunset Retirement Home Pty Ltd	15a	-	-	1,080,000	1,080,000
Equity accounted investments					
XYZ Events Pty Ltd (Joint venture)	15b	1,015,715	972,849	1,015,715	972,849
ABC Waste Management (Associate)	15b	-	-	-	-
		<u>1,015,715</u>	<u>972,849</u>	<u>2,095,715</u>	<u>2,052,849</u>

AASB 127.10
AASB 127.10
AASB 131.38

a Subsidiaries

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.

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.

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.

AASB 127.10 &
AASB 7.30

AASB 12.7(a),
AASB 10.IG18

AASB 12.10(a)(ii)
&12

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, equity accounting or in accordance with AASB 9, in the separate financial statements.

Tropical has applied equity accounting in the separate financial statements. Councils should ensure separate financial statements (where prepared) reflect the chosen measurement method, i.e. cost, fair value or equity accounting.

AASB 12 requires the following information to be disclosed for each of the Council's material joint ventures and associates. In these illustrative financial statements Council has only one joint venture which, for the purposes of illustration, is assumed to be material. Tropical does not have any joint operations, if Council has joint arrangements which are classified as joint operations rather than joint ventures then refer to AASB 12 for relevant disclosures.

b. Equity accounted investments

The Council has a 33.3% (2019 - 33.3%) voting and ownership 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. Council classifies XYZ Events Pty Ltd as a joint venture and therefore applies equity accounting in these financial statements.

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 (2017 \$7,150).
XYZ Events Pty Ltd:

Revenue	481,769	392,105
Expenses	(318,748)	(282,282)
Profit or loss from continuing operations	<u>163,021</u>	<u>109,823</u>
Post-tax profit or loss from discontinued operations	-	-
Profit (loss) for the year	<u>163,021</u>	<u>109,823</u>
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>163,021</u>	<u>109,823</u>

AASB 11.16 & 24,
AASB 12.21(b) (i)
AASB 12.B12, B13
& B14

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	-	-

AASB 12.B13

XYZ Events Pty Ltd:

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

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 the carrying amount of the investment as follows:

Net assets	3,050,195	2,921,465
Ownership interest in the joint venture	33.3%	33.3%
other adjustments (specify)		
Carrying amount of the Council's interest in the joint venture	<u>1,015,715</u>	<u>972,848</u>

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)	54,286	36,571
Distribution received	(11,420)	(7,150)
Carrying amount at the end of financial year	<u>1,015,715</u>	<u>972,849</u>

Notes to the financial statements

For the year ended 30 June 2020

16 Investment property

AASB 140

It is a requirement of AASB 140 that the carrying amount of investment property held at fair value is compared to fair value each year to ensure that the carrying amount is not materially different from fair value and that the increment / decrement arising from any material difference is taken to the Statement of Comprehensive Income as income or expense. While Tropical shows a \$0 revaluation adjustment in 2020, in practice a council may have a movement each year based on the comparison of the carrying amount of investment properties and their fair value.

Councils need to determine the purpose for which land or buildings are held before classifying them as investment property since there is a scope exemption in AASB 140 where Council holds a property for strategic purpose and to provide a social service.

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.

Tropical only has investment property which is an owned asset, if Council has investment property that is a right of use asset (e.g. sub-lease) then the disclosures in this note should be presented separately for owned property and right of use assets since they are two different classes of investment property.

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. Investment property does not include community housing or other property held to provide a social service.

AASB 140 para 5-20

Investment property is initially recognised at cost (including transaction costs) and subsequently at fair value. Where investment property is acquired for significantly below fair value it is recorded at fair value on initial recognition.

AASB 140 Para 35

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

AASB 140.76

	Note	Consolidated		Council	
		2020 \$	2019 \$	2020 \$	2019 \$
Owned investment property					
Fair value at beginning of financial year		420,000	420,000	420,000	420,000
Revaluation adjustment to income	5	56,000	-	56,000	-
Transfer of land held for unascertained future purposes from property, plant and equipment	17	14,400	-	14,400	-
Fair value at end of financial year		<u>490,400</u>	<u>420,000</u>	<u>490,400</u>	<u>420,000</u>

Investment property comprises:

- rental property
- the 'Big Window' buildings and plant
- land which is held for future development or an undetermined future use.

AASB 101.122-133

Key judgements and estimates:

Using the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long term vacancy rate.

AASB 101.122

Councils to insert specific details of their own key judgements made, as appropriate. Disclosure should be sufficiently detailed for the reader to understand the significance and potential impact on the financial statements.

How we determined the fair value of rental property

Council obtains independent valuations from a professional valuer at least every 3 years for all rental properties. The last valuation was undertaken by J Long Valuers as at 30 June 2019. In the interim years, Council compares the carrying amount of investment property to its fair value using relevant market information and indices and records a revaluation movement where the two values are materially different.

AASB140.75 (e)

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. 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.

Notes to the financial statements

For the year ended 30 June 2020

AASB 13.93 (d)

How we determined the fair value of the "Big Window"

The "Big Window" comprises a number of unique buildings that are leased out under operating lease. Because of its unique nature the "Big window" is difficult to value and a number of assumptions and judgements must be made. The last valuation was derived by J Long Valuers, independent professional valuers, at 30 June 2019 (\$205,100). J Long Valuers have considerable experience valuing similar investments and made the valuation after considering a range of different calculations based on the following:

AASB140.75 (e)

- 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 is classed as a level 3 valuation under AASB 13 because it is based on a number of "unobservable" inputs. 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%)	The higher the rental growth rate, the higher the fair value.	-\$ 4,992	\$ 4,992
Rental growth rate	2.5-4%(3.5%)	The higher the condition rating, the lower the fair value.	\$ 12,523	-\$ 9,750
Condition rating(remaining useful life)	new-5.5 (100%-0%)	The higher the residual value the higher the fair value.	-\$ 2,005	\$ 2,005
Residual value	\$0 - \$15,000	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	

How we determined the fair value of land

AASB13.93

Land fair values were determined by independent valuer, J Long Valuers effective 30 June 2019. They were valued using the sales comparison approach. Sales prices of comparable land sites in close proximity were adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

17 Property, plant and equipment

Consolidated - 30 June 2020

Basis of measurement

Fair value category

Asset values

Opening gross value as at 1 July 2019

Additions:

- Renewals

- Other additions

Disposals

Revaluation adjustment to other comprehensive income(asset revaluation surplus)

Revaluation adjustment to income (capital income)

Assets classified as held for sale

Assets transferred to investment property

Transfer to right of use asset (former assets under finance lease)

Transfers between classes

Closing gross value as at 30 June 2020

Accumulated depreciation and impairment

Opening balance as at 1 July 2018

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Impairment adjustment to asset revaluation surplus

Impairment adjustment to Income

Assets classified as held for sale

Assets transferred to investment property

Transfers between classes

Accumulated depreciation as at 30 June 2020

Consolidated book value as at 30 June 2020

Range of estimated useful life in years

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
	Fair Value	Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
	Level 2	Levels 2 & 3	Level 2		Level 3	Level 3	Level 3	Level 3		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	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
	-	-	-	-	-	-	-	-	1,002,650	1,002,650
	-	30,435	301,428	120,976	-	-	-	44,117	297,608	794,564
5,9	(113,200)	(2,826,153)	(154,210)	(62,197)	-	(2,332,641)	-	-	-	(5,488,401)
26	110,250	42,618	-	-	1,025,511	(30,195)	-	-	-	1,148,184
5	-	-	-	-	314,214	-	-	-	-	314,214
14	(100,000)	-	-	-	-	-	-	-	-	(100,000)
16	(14,400)	-	-	-	-	-	-	-	-	(14,400)
	-	-	-	(425,000)	-	-	-	-	-	(425,000)
	-	-	-	-	412,584	803,572	-	-	(1,216,156)	-
	3,933,635	2,969,738	2,358,399	1,887,993	80,382,674	21,526,916	7,070,212	230,320	846,204	121,206,091
	6,076	1,813,032	659,845	1,130,143	30,527,153	7,929,207	3,511,411	91,562	-	45,668,429
	849	101,875	146,434	264,952	2,690,151	392,976	148,259	12,577	-	3,758,073
5	-	-	(26,107)	(85,449)	-	(612,320)	-	-	-	(723,876)
26	-	646	-	-	(1,104,603)	(15,810)	-	-	-	(1,119,767)
26	-	-	-	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	6,925	1,915,553	780,172	1,309,646	32,112,701	7,694,053	3,659,670	104,139	-	47,582,859
	3,926,710	1,054,185	1,578,227	578,347	48,269,973	13,832,863	3,410,542	126,181	846,204	73,623,232
	Land: Not depreciated.	40 - 100	12	2 - 20	5 - 100	20 - 80	20 - 60	20 - 40	-	-
	Improvements: 7 - 40									

AASB 116.73

Current-year financial sustainability statement

AASB 136.126

17 Property, plant and equipment

Tropical Council

Notes to the Financial Statements

For the year ended 30 June 2020

Consolidated - 30 June 2019

Basis of measurement

Fair value category

Asset values

Opening gross value as at 1 July 2018

Adjustment to opening value

Additions

- Renewals

- Other additions

Disposals

Revaluation adjustment to other comprehensive income(asset revaluation surplus)

Revaluation adjustment to income (capital income)

Assets classified as held for sale

Assets transferred to investment property

Transfers between classes

Closing gross value as at 30 June 2019

Accumulated depreciation and impairment

Opening balance as at 1 July 2018

Adjustment to opening value

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Impairment adjustment to asset revaluation surplus

Impairment adjustment to income

Revaluation adjustment to income

Transfers between classes

Accumulated depreciation as at 30 June 2019

Consolidated book value as at 30 June 2019

Range of estimated useful life in years

Note	Land and improvements	Buildings	Major plant	Other plant and equipment	Road, drainage and bridge	Water	Sewerage	Other infrastructure assets	Work in progress	Total
	Fair Value	Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
	Level 2	Levels 2 & 3	Level 2		Level 3	Level 3	Level 3	Level 3		
	\$	\$	\$	\$	\$	\$	\$	\$		\$
	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
32	-	-	-	-	1,600,023	-	-	-	-	1,600,023
	-	-	-	-	-	-	-	-	1,320,629	1,320,629
	-	120,888	272,500	535,028	-	-	-	5,248	265,679	1,199,343
5	-	-	(183,400)	(168,940)	-	-	-	-	-	(352,340)
26	52,500	(5,676)	138,827	-	-	(27,296)	-	-	-	158,355
9	-	-	-	-	(1,586,700)	-	-	-	-	(1,586,700)
14	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	1,196,078	47,671	-	-	(1,243,749)	-
	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
	5,162	1,723,691	594,976	1,142,916	28,474,384	7,529,026	3,363,152	74,251	-	42,907,558
32	-	-	-	-	296,244	-	-	-	-	296,244
	914	89,029	127,546	175,445	3,029,011	404,468	148,259	17,311	-	3,991,983
5	-	-	(104,325)	(188,218)	-	-	-	-	-	(292,543)
26	-	312	41,648	-	-	(4,287)	-	-	-	37,673
26	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
9	-	-	-	-	(1,272,486)	-	-	-	-	(1,272,486)
	-	-	-	-	-	-	-	-	-	-
	6,076	1,813,032	659,845	1,130,143	30,527,153	7,929,207	3,511,411	91,562	-	45,668,429
	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
	Land: Not depreciated. Improvements: 7 - 40	40 - 100	12	2 - 20	5 - 100	20 - 80	20 - 60	20 - 40	-	-

17 Property, plant and equipment

Tropical Council

Notes to the Financial Statements

For the year ended 30 June 2020

Council - 30 June 2020

Basis of measurement

Fair value category

Asset values

Opening gross value as at 1 July 2019

Additions:

- Renewals

- Other additions

Disposals

Revaluation adjustment to other comprehensive income(asset revaluation surplus)

Revaluation adjustment to income (capital income)

Assets classified as held for sale

Assets transferred to investment property

Transfer to right of use asset (former assets under finance lease)

Transfers between classes

Closing gross value as at 30 June 2020**Accumulated depreciation and impairment**

Opening balance as at 1 July 2019

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Impairment adjustment to asset revaluation surplus

Impairment adjustment to income

Assets classified as held for sale

Assets transferred to investment property

Transfers between classes

Accumulated depreciation as at 30 June 2020**Total written down value as at 30 June 2020**

Range of estimated useful life in years

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
	Fair Value	Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
	Level 2	Levels 2 & 3	Level 2		Level 3	Level 3	Level 3	Level 3		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	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
	-	-	-	-	-	-	-	-	1,002,650	1,002,650
	-	30,435	301,428	120,976	-	-	-	44,117	297,608	794,564
5,9	(113,200)	(2,826,153)	(154,210)	(62,197)	-	(7,332,641)	-	-	-	(10,488,401)
26	47,508	21,632	-	-	1,025,511	(30,195)	-	-	-	1,064,456
5	7,617	-	-	-	314,214	-	-	-	-	321,831
14	(100,000)	-	-	-	-	-	-	-	-	(100,000)
16	(14,400)	-	-	-	-	-	-	-	-	(14,400)
	-	-	-	(425,000)	-	-	-	-	-	(425,000)
	-	-	-	-	412,584	803,572	-	-	(1,216,156)	-
	2,776,010	2,407,952	2,358,399	1,449,993	80,382,674	16,526,916	7,070,212	230,320	846,204	114,048,680
	6,076	1,791,504	659,845	1,086,407	30,527,153	7,929,207	3,511,411	91,562	-	45,603,165
	849	90,626	146,434	240,840	2,690,151	392,976	148,259	12,577	-	3,722,712
5	-	-	(26,107)	(85,449)	-	(5,612,320)	-	-	-	(5,723,876)
26	-	646	-	-	(1,104,603)	(15,810)	-	-	-	(1,119,767)
26	-	-	-	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	6,925	1,882,776	780,172	1,241,798	32,112,701	2,694,053	3,659,670	104,139	-	42,482,234
	2,769,085	525,176	1,578,227	208,195	48,269,973	13,832,863	3,410,542	126,181	846,204	71,566,446
	Land: Not depreciated.	40 - 100	12	2 - 20	5 - 100	10 - 60	20 - 60	20 - 40	-	
	Improvements: 7 - 40									

Councils should endeavour to split closing WIP balances between renewals and other additions as noted in examples.

17 Property, plant and equipment

Tropical Council

Notes to the Financial Statements

For the year ended 30 June 2020

Council - 30 June 2019

Basis of measurement

Fair value category

Asset values

Opening gross value as at 1 July 2018

Adjustment to opening value

Additions

Disposals

Revaluation adjustment to other comprehensive income(asset revaluation surplus)

Revaluation adjustment to income (capital income)

Assets classified as held for sale

Assets transferred to investment property

Transfers between classes

Closing gross value as at 30 June 2019

Accumulated depreciation and impairment

Opening balance as at 1 July 2018

Adjustment to opening value

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Revaluation adjustment to income

Impairment adjustment to asset revaluation surplus

Impairment adjustment to income

Assets classified as held for sale

Assets transferred to investment property

Transfers between classes

Accumulated depreciation as at 30 June 2019

Total written down value as at 30 June 2019

Range of estimated useful life in years

Note	Land and improvements	Buildings	Major plant	Other plant and equipment	Road, drainage and bridge	Water	Sewerage	Other infrastructure assets	Work in progress	Total
	Fair Value	Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
	Level 2	Levels 2 & 3	Level 2		Level 3	Level 3	Level 3	Level 3		
	\$	\$	\$	\$	\$	\$	\$	\$		\$
	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
32	-	-	-	-	1,600,023	-	-	-	-	1,600,023
	-	120,888	272,500	521,028	-	-	-	5,248	1,586,308	2,505,972
5	-	-	(183,400)	(168,940)	-	-	-	-	-	(352,340)
26	-	(26,476)	138,827	-	-	(27,296)	-	-	-	85,055
9	-	-	-	-	(1,586,700)	-	-	-	-	(1,586,700)
14	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	1,196,078	47,671	-	-	(1,243,749)	-
	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
	5,162	1,713,291	594,976	1,121,716	28,474,384	7,529,026	3,363,152	74,251	-	42,875,958
32	-	-	-	-	296,244	-	-	-	-	296,244
	914	78,213	127,546	152,909	3,029,011	404,468	148,259	17,311	-	3,958,631
5	-	-	(104,325)	(188,218)	-	-	-	-	-	(292,543)
26	-	-	41,648	-	-	(4,287)	-	-	-	37,361
9	-	-	-	-	(1,272,486)	-	-	-	-	(1,272,486)
26	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	6,076	1,791,504	659,845	1,086,407	30,527,153	7,929,207	3,511,411	91,562	-	45,603,165
	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
	Land: Not depreciated.	40 - 100	12	2 - 20	5 - 100	20 - 80	20 - 60	20 - 40	-	
	Improvements : 7 - 40									

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

17 Property, plant and equipment

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 current 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 (e.g. market value) may be impaired in accordance with AASB 136.

Right of use assets arising from AASB 16 may be shown within PPE as a separate class (by underlying asset, if material) or within the leases note and disclosed separately on the face of the statement of financial position.

(a) Recognition

Replacement of a major component of an asset, in order to maintain its service potential, is treated as the acquisition of a new asset. However, 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.

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.

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 lease over the asset. The Tropical Council currently does not have any such land holdings.

Land under the roads and reserve land which falls under the *Land Act 1994* or the *Land Title Act 1994* is controlled by the Queensland Government pursuant to the relevant legislation. This land is not recognised in these financial statements.

Land Act 1994

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. The Council is located on land assigned to it under various Deeds of Grant in Trust (DOGIT) pursuant to Section 341 of the Land Act 1994. The land comprises an area of approximately 3130 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.

Land Act 1994

This note will only be applicable to Aboriginal shire councils:

The Council is located on land assigned to it under a Deed of Grant in Trust (DOGIT) under Section 341 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.

The asset recognition threshold depend on the amount set by council, there is no requirement for this to be disclosed.

(b) Measurement

AASB 116.7,
AASB 116.29 -
31,73

Property plant and equipment assets are initially recorded at cost. Subsequently, each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss.

AASB 116.15

Cost is determined as the fair value of the assets given as consideration plus costs directly attributable to bringing the asset to a location and condition capable of being used by Council.

AASB 116.13

Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are also included in their cost.

AASB116.Aus15.1

Property, plant and equipment received in the form of contributions or for significantly less than fair value are initially recognised at their fair value.

Tropical Council
Notes to the financial statements
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(c) Depreciation

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, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

AASB 116.50, 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 116.43 - 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.

AASB 101.122-133

Key judgements and estimates:

Straight line depreciation is used as that is consistent with the even consumption of service potential of these assets over their useful life to the Council.

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

AASB 101.122

Councils to insert specific details of their own key judgements made, as appropriate. Disclosure should be sufficiently detailed for the reader to understand the significance and potential impact on the financial statements.

AASB 136

AASB 136.9, 59, 6, Aus6.1

(d) Impairment

Property, plant and equipment 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.

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.

(e) Major Plant

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

Plant with a cost in excess of \$150,000, which is prone to a high degree of price fluctuations or in danger of becoming obsolete, is classified as major plant. This asset class primarily includes specialised earthmoving equipment.

Tropical Council
Notes to the financial statements
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(f) Valuation

AASB 101.122-133

Key judgements and estimates:

Some of the Council's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Council uses market-observable data to the extent it is available and other inputs as necessary.

AASB 101.122

Councils to insert specific details of their own key judgements made, as appropriate. Disclosure should be sufficiently detailed for the reader to understand the significance and potential impact on the financial statements.

AASB 13.93(g)

(i) Valuation processes

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.

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 appropriate. Further details in relation to valuers, the methods of valuation and the key assumptions used in valuing each different asset class are disclosed below.

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.

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, such as prices for similar assets, for the asset or liability (level 2)
- Fair value based on unobservable inputs for the asset and liability (level 3)

AASB13.93 (c),
(e)(iv)
AASB13.95,
93(e)(iv)

There were no transfers between levels of the hierarchy during the year.

Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

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 basis of materiality.

Tropical Council
Notes to the financial statements
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AASB13.93(d)

(ii) Valuation techniques used to derive fair values

Land (level 2)

AASB13.93, AASB
116.77

Land fair values were determined by independent valuer, J Long Valuers effective 30 June 2019. 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.

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 2019. Where there is a market for Council building assets, they are categorised as non-specialised buildings and fair value is derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size (level 2). 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.

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.

AASB 13.27

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

Buildings	\$	\$
- Non-Specialised Buildings (level 2)	952,509	3,808,130
- Specialised Buildings (level 3)	101,676	101,676
Total	1,054,185	3,909,806

Where an asset class covers both Level 2 and Level 3 as in this example, it should be disaggregated into subclasses (e.g. specialised and non-specialised). The accompanying disclosure should explain why it is considered a Level 2 or 3 and the different basis of valuation and relevant inputs, as is demonstrated above.

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 2019 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.

Tropical Council
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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.

Waste landfill cells fair values were determined by Council engineers effective 30 June 2019. 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

Site improvements are depreciated over their useful life to the council. The useful life of cells and some other improvements extends until the site becomes available for another use, as they continue to provide benefits over this period (including the monitoring period) by facilitating the safe disposal of waste.

Roads

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 2018. CRC at 30 June 2020 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 2021.

Accumulated depreciation

In determining the level of **physical obsolescence**, 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.

Tropical Council
Notes to the financial statements
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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 2020. 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 **physical obsolescence**, 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.

Drainage infrastructure

Current replacement cost

A full valuation of drainage infrastructure was undertaken by independent valuers, GZD, effective 30 June 2020. 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 **physical obsolescence**, 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.

AASB13.93, AASB
116.77

Water and Sewerage

Current replacement cost

Water and sewerage infrastructure fair values were determined by independent valuers, Carpo (Qld) Pty Ltd effective 30 June 2019. 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:

- | |
|--|
| • 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 |

Tropical Council
Notes to the financial statements
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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 **physical obsolescence**, 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.

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

Where there are material transfers into or out of level 3 of the fair value hierarchy, the amount and reasons for those transfers must be disclosed.

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.

Tropical Council
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AASB 138.118 -
128

18 Intangible assets

In the following example, intangible assets only comprise software recognised at cost. 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 or if Council has other classes of intangible assets then the disclosures should be repeated for that class.

AASB 138.54

Expenditure on research activities 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.

	Note	Consolidated		Council	
		2020 \$	2019 \$	2020 \$	2019 \$
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
Total intangible assets		21,000	24,000	21,000	24,000

AASB 138. 57 &
118

The software is amortised on a straight line basis over an estimated life of 10 years.

Tropical Council
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19 **Contract balances**

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

	Consolidated 2020	Council 2020
	\$	\$
AASB 15.116 a Contract assets	<u>161,232</u>	<u>161,232</u>

Contract assets arise when work has been performed by Council relating to a contract with customer (or capital grant paid in arrears) but no receivable has arisen since the invoice has not been raised, for example construction work where an invoicing milestone has not yet been met.

Tropical has been prepared on the basis that all contract assets are current, if Council has non-current contract assets then the balances should be separated between current and non-current. If Council has material contract assets arising under both AASB 15 and AASB 1058 then Council should consider splitting the balance to show the amount arising from Contracts with Customers and those arising on Contracts to construct Councils own assets.

AASB 15.117 If there has been any impairment of contract assets arising from contracts with customers then Council should provide details here

AASB 15.116 b Contract liabilities		
Funds received upfront to construct Council controlled assets	436,376	436,376
Deposits received in advance of services provided (e.g. airport landing fees, retirement home fees, performance obligations in grants)	311,439	311,439
	<u>747,815</u>	<u>747,815</u>
Current contract liabilities	524,421	524,421
Non-current contract liabilities	223,394	223,394
	<u>747,815</u>	<u>747,815</u>

Councils should provide details of contract liabilities to enable the users to understand the different components of this balance. This may include funds received prior to performance obligations being satisfied, deposits received and upfront fees. For example cash received in advance of construction where the funding was to replace a specific bridge.

If the contract liability is not material then the details are not required.

The disclosure below shows the revenue recognised in the year which relates to the contract liability that existed at the

Revenue recognised that was included in the contract liability balance at the beginning of the year		
Funds to construct Council controlled assets	268,582	268,582
Deposits received in advance of services provided (e.g caravan park fees, hire fees)	174,701	174,701
	<u>443,283</u>	<u>443,283</u>

c Significant changes in contract balances

The contract assets and liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously the revenue was recognised on receipt and therefore there was no effect on the statement of financial position.

Describe significant movements in contract assets and contract liabilities that have occurred during the year - for example change in the timing of the work, impairment of a contract asset, cumulative catch up adjustments.

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20 Leases

Council as a lessee

All information relating to leases for lessees should be included in a single note or separate section of the financial statements or else cross -references included. Tropical has included all lease information in this note.

AASB 16.59a

Council has leases in place over buildings, vehicles and equipment. Council has applied the exception to lease accounting for leases of low-value assets and short-term leases.

Where Council assesses that an agreement contains a lease, a right of use asset and lease liability is recognised on inception of the lease. Council does not separate lease and non-lease components for any class of assets and has accounted for lease payments as a single component.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured whether there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.
Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases at significantly below market value / Concessionary leases
Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

Terms and conditions of leases

Council should provide information regarding the leases which are in place - Tropical has two leases over buildings, leases over vehicles and equipment. Council should include an appropriate level of detail to allow users to understand the nature and extent of leases in place.

If Council chooses to apply the exception to lease accounting for short-term and / or low value leases then this fact should be stated.

In Tropical - all leases are held by Council and therefore Council and Consolidated numbers are the same so only one set of information has been provided. If Council and the consolidated entity hold different leases then the information should be shown for both Council and Consolidated Entity.

Buildings

Council leases two buildings which are used for offices and storage, the leases are between 5 and 10 years and one contains a renewal option which is reasonable certain to be exercised at Council's discretion.

One of the leases includes a fixed annual increase and the other is subject to annual CPI increases.

Vehicles

Council leases trucks which are used for operational purposes, they generally have a lease term of between 4 and 15 years. The lease payments are generally fixed for the term of the lease although there is one significant lease which includes a fixed increase after 5 years.

Equipment

Council leases a number of items of equipment, a number of the assets are considered low value and are therefore not subject to lease accounting. The more significant items have lease terms ranging from 3 - 5 years and fixed payments for the term of the leases.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

AASB 16.53(a),(h),
(i)

Right of use assets

Consolidated and Council	Buildings	Vehicles	Equipment	Other - provide details	Total
	\$	\$	\$	\$	\$
Adoption of AASB 16 at 1 July 2019	1,743,271	433,896	168,496	-	2,345,663
Transfer from leased assets (former finance leases)	-	425,000	-	-	425,000
Additions to right-of-use assets	-	-	-	-	-
Adjustments to right-of-use assets due to re-measurement of lease liability	-	-	-	-	-
Depreciation charge	(274,776)	(122,196)	(33,699)	-	(430,671)
Impairment of right-of-use assets	-	-	-	-	-
Balance at 30 June 2020	<u>1,468,495</u>	<u>736,700</u>	<u>134,797</u>	-	<u>2,339,992</u>

Right of use assets arising from AASB 16 may be shown within PPE as a separate class (by underlying asset, if material) or within the leases note per above and disclosed separately on the face of the statement of financial position. If the assets are shown within PPE then a cross-reference to the information should be included here.

AASB 16.58

Lease liabilities

The table below shows the maturity analysis of the lease liabilities based on contractual cashflows and therefore the amounts will not be the same as the recognised lease liability in the statement of financial position.

Consolidated and Council	< 1 year	1-5 years	> 5 years	Total	Total per statement of financial position \$
	\$	\$	\$	\$	
	531,995	2,087,900	491,577	3,111,472	2,445,275

AASB 16.59b

Liabilities not recognised - extension options

For building leases, Council includes extension options which can be exercised at Council's discretion, at each reporting date Council assesses whether it is reasonably certain that the extension options will be exercised based on current operations and Council strategy.

There are \$720,000 in potential future lease payments which are not included in the lease liability as the exercise of the option has been assessed as not reasonably certain.

AASB 16.59b

Council should include information about future cash outflows to which they are potentially exposed that are not included in the lease liability - for example:

- variable lease payments
- extension and termination options
- residual value guarantees
- leases not yet commenced to which Council is committed.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

AASB 16.53

Amounts included in the statement of comprehensive income related to leases

The following amounts have been recognised in the statement of comprehensive income for leases where Council is the lessee

Consolidated and Council	\$
Interest on lease liabilities	184,809
Variable lease payments based on usage not included in the measurement of lease liabilities	-
Income from sub-leasing right-of-use assets	-
Depreciation of right to use assets	430,671
Expenses relating to short-term leases	23,422
Expenses relating to low-value assets	101,948
	<u>740,850</u>
Total cash outflows for leases	<u><u>653,045</u></u>

AASB 16.Aus59.1

Leases at significantly below market value - Concessionary / peppercorn leases

Council has a number of leases at significantly below market for land and buildings which are used for:

[provide general indication of the use of the assets under a concessionary arrangement e.g.

- o storage for the excess art from the art gallery
- o visitor centre
- o child care centres
- o community halls
- o boat ramp.]

The leases are generally between 2 and 50 years and require payments between \$1 and \$10,000 per annum. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that any of the leases in place are individually material.

Council as a lessor

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 Revenue from Contracts with Customers.

The lease income is recognised on a straight-line basis over the lease term

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

Finance leases:

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.

Finance leases	\$
Selling profit or loss	-
Finance income on the net investment in the lease	21,766
Income relating to variable lease payments not included in the measurement of the net investment in the lease	-
Total income relating to finance leases	<u><u>21,766</u></u>

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

	Consolidated		Council	
	2020	2019	2020	2019
	\$	\$	\$	\$
Current other financial assets				
Finance leases	20,090	-	20,090	-
	<u>20,090</u>	<u>-</u>	<u>20,090</u>	<u>-</u>
Non-current other financial assets				
Finance leases	512,991	-	512,991	-
	<u>512,991</u>	<u>-</u>	<u>512,991</u>	<u>-</u>

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

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	-
	<u>798,578</u>	<u>-</u>	<u>798,578</u>	<u>-</u>
Add: Estimated contingent rent	542,383	-	542,383	-
Less: Present value adjustment	(807,880)	-	(807,880)	-
Fair value of lease payments	<u>533,081</u>	<u>-</u>	<u>533,081</u>	<u>-</u>

The fair value of lease payments are receivable as follows:

Not later than one year	20,090	-	20,090	-
Between one and two years	18,725	-	18,725	-
Between two and three years	18,458	-	18,458	-
Between three and four years	18,808	-	18,808	-
Between four and five years	19,256	-	19,256	-
Later than five years	437,744	-	437,744	-
	<u>533,081</u>	<u>-</u>	<u>533,081</u>	<u>-</u>

Movements in finance leases were as follows:

Opening balance	-	-	-	-
Add: Initial recognition of new leases	521,194	-	521,194	-
Less: Lease receipts	(4,900)	-	(4,900)	-
Add: Gain on revaluation	16,787	-	16,787	-
Closing balance	<u>533,081</u>	<u>-</u>	<u>533,081</u>	<u>-</u>

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).

Operating leases:

Where Council retains the risks and rewards relating to a lease, they are classified as operating leases and relate to the investment property in the statement of financial position.

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

AASB 140.75(f) / AASB 16.90b	Investment property income (excluding variable lease payments not dependent on an index or rate)	70,400	70,400	70,400	70,400
	Investment property income relating to variable lease payments not dependent on an index or rate	-	-	-	-
AASB 140.75 (f)(ii)	Direct operating expenses from property that generated rental income	56,433	53,554	56,433	53,554
AASB 140.75 (f)(iii)	Direct operating expenses from property that did not generate rental income	-	-	-	-
AASB 140.75(h)	Contract obligations for future repairs and maintenance	3,200	3,000	3,200	3,000

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.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

The Council has entered into commercial property leases on its investment property (Big Window), comprising a number of unique buildings.

AASB 16.97

The minimum lease receipts are as follows:

	Note	Consolidated		Council	
		2020 \$	2019 \$	2020 \$	2019 \$
Not later than one year		70,000	-	70,000	-
Between one and two years		69,584		69,584	
Between two and three years		69,852		69,852	
Between three and four years		70,125		70,125	
Between four and five years		70,439	-	70,439	-
Later than five years		1,050,000	-	1,050,000	-
		<u>1,400,000</u>	<u>-</u>	<u>1,400,000</u>	<u>-</u>

Details of all operating lease receivables (relating to investment properties held by council) are to be disclosed. Councils are to disclose the nature of the leased properties, general terms and conditions and a schedule of lease receivables split between not later than one year, one to five years and greater than five years. Any additional contingent liabilities are to be disclosed with sufficient detail to allow the user to understand the nature of the item.

AASB 140.75 (g)
AASB 140.75 (h)

There are no restrictions on the realisability of investment property or remittance of income and proceeds of disposal. The Council does not have any contractual obligations to purchase, construct or develop investment property.

21 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.

Creditors are recognised when goods or services are received, at the amount owed. Amounts owing are unsecured and are generally settled on 30 day terms.

The liability for salaries and wages is measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

	Note	Consolidated		Council	
		2020 \$	2019 \$	2020 \$	2019 \$
Current					
Creditors and accruals		789,005	621,894	789,005	621,583
Prepaid rates		4,442	-	4,442	-
Other entitlements		20,813	25,144	20,813	25,144
		<u>814,260</u>	<u>647,038</u>	<u>814,260</u>	<u>646,727</u>
Non-current					
Other payables		-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

AASB 7.8

AASB 7.8(g)

AASB 123.Aus
8.1, & Aus 26.1 ,
AASB 7.18

Debt policy is
required by the
*Local Government
Regulation 2012*,
disclosure optional

22 Borrowings

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Thereafter, they are All borrowings are in \$A denominated amounts and interest is expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary from 31 December 2020 to 31 December 2024. There have been no defaults or breaches of the loan agreement during the period.

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.

	Consolidated		Council	
	2020	2019	2020	2019
Note	\$	\$	\$	\$
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 (2019 only)	-	17,221	-	17,221
	<u>2,697,337</u>	<u>1,025,803</u>	<u>2,697,337</u>	<u>1,025,803</u>
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 (2019 only)	-	442,478	-	442,478
	<u>7,012,586</u>	<u>11,411,917</u>	<u>7,012,586</u>	<u>11,411,917</u>
Loans - Queensland Treasury Corporation				
Opening balance at	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	<u>9,670,610</u>	<u>11,920,868</u>	<u>9,670,610</u>	<u>11,920,868</u>

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.

AASB 7.25 & 29

Loans - other

Not mandatory

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	<u>39,313</u>	<u>57,153</u>	<u>39,313</u>	<u>57,153</u>

*Statutory Bodies
Financial
Arrangements Act*

Loans - other: On 1 July 2017, the Council received approval from the Treasurer to enter into a borrowing arrangement with (INSERT NAME OF FINANCIAL INSTITUTION). This loan is unsecured and is repayable overtime with full repayment to be made by 30 June 2022.

AASB 7.14(a)
AASB 7.18
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. There have been no defaults or breaches of the loan agreement during the 2020 or 2019 financial years.

AASB 107. 50(a)

On 30 October 2019, 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 2020 and is available for use in the next reporting period.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

23 Finance leases (2019 only)
Refer to Note 20 for information on leases for 30 June 2020.

AASB 117.31

Leases of buildings, plant and equipment under which all the risks and rewards of ownership have been substantially assumed are classified as finance leases. These leases are amortised on a straight-line basis over the term of the lease or, where it is likely that ownership of the asset will be obtained, the life of the asset. Other leases, where substantially all the risks and benefits remain with the lessor, are classified as operating leases.

AASB 117.20 & 25

A lease asset and a liability equal to the lower of the present value of the minimum lease payments or of the fair value of the asset are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed as finance costs.

Not mandatory

AASB 117.31(b)

	<u>Note</u>	Consolidated	Council
		2019	2019
		\$	\$
Movements in finance lease during the reporting period were as follows:			
Balance at beginning of financial year		668,750	668,750
Payments made in the period		(37,500)	(37,500)
Minimum lease payments		<u>631,250</u>	<u>631,250</u>
The above minimum lease payments are payable as follows:			
Not later than one year		37,500	37,500
Later than 1 year but not later than 5 years		150,000	150,000
Later than 5 years		443,750	443,750
Total minimum lease payments		<u>631,250</u>	<u>631,250</u>
Less: Future finance charges		(188,772)	(188,772)
Lease liability recognised in the financial statements		<u>442,478</u>	<u>442,478</u>
Classified as:			
Current	22	18,010	18,010
Non-current	22	<u>424,468</u>	<u>424,468</u>
		<u>442,478</u>	<u>442,478</u>
The present value of above minimum lease payments are payable as follows:			
Not later than one year		36,741	36,741
Later than 1 year but not later than 5 years		131,559	131,559
Later than 5 years		<u>274,178</u>	<u>274,178</u>
		<u>442,478</u>	<u>442,478</u>
The carrying value of the leased assets at 30 June 2019 is as follows:			
Plant and equipment		425,000	425,000

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

AASB119.11 &
153

24 Provisions

Liabilities are recognised for employee benefits such as wages and salaries, sick, annual and long service leave in respect of services provided by the employees up to the reporting date.

Short-term benefits which are expected to be wholly settled within 12 months are calculated on wage and salary levels which are expected to be paid and includes related employee on-costs. Amounts not expected to be wholly settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values.

Long Service Leave

The provision for long service leave represents 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 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.

AASB101.69

Employee benefits are classified as current / non-current based on the requirements of AASB 101.

Annual leave and long service leave which has vested (or will vest in less than 12 months) is classified as current regardless of the measurement basis used in AASB 119.

AASB 119.10 & 11

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 long-term employee benefits.

On-costs such as 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.

Interpretation 1

Refuse dump restoration and quarry rehabilitation

A provision is made for the cost of restoring refuse dumps and quarries where it is probable the Council will have an obligation to rehabilitate when the use of the facilities is complete.

The provision for refuse restoration is calculated as the present value of 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 2021 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 (i.e.. 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.

The provision for quarry rehabilitation 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 2052.

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.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

	Note	Consolidated		Council	
		2020 \$	2019 \$	2020 \$	2019 \$
Current					
Annual leave		384,186	546,647	384,186	546,647
Long service leave		183,409	38,000	183,409	38,000
		<u>567,595</u>	<u>584,647</u>	<u>567,595</u>	<u>584,647</u>
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
		<u>1,376,377</u>	<u>1,814,460</u>	<u>1,376,377</u>	<u>1,814,460</u>

A reconciliation of provisions is required only for provisions in the scope of AASB 137 and therefore there is no requirement to reconcile employee benefit provisions.

Movements in non-employee benefit provisions:

		2020	2019	2020	2019
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	5,9	(2,732)	7,617	(2,732)	7,617
Balance at end of financial year		<u>67,443</u>	<u>66,391</u>	<u>67,443</u>	<u>66,391</u>

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 which is expected to be 2052.

		2020	2019	2020	2019
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	5,9	(8,248)	26,517	(8,248)	26,517
Balance at end of financial year		<u>1,242,012</u>	<u>1,182,838</u>	<u>1,242,012</u>	<u>1,182,838</u>

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 site is expected to close in 2021 and the rehabilitation costs incurred in 2024 to allow a period for settlement.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

25 Other liabilities

Developer contributions	800,821	-	800,821	-
Waste levy refund received in advance	-	150,000	-	150,000
	<u>800,821</u>	<u>150,000</u>	<u>800,821</u>	<u>150,000</u>

Developer contributions liability reflects cash contributions from developers for which the related service obligations have yet to be fulfilled by Council.

Tropical Council only has developer contributions which are cash contributions.

Where a Council has received non-cash assets from a developer then they need to consider when they obtain control of the asset and therefore when revenue and the asset are recorded in the financial statements. In addition, Councils need to consider the appropriate accounting where the fair value of the asset actually received is different from the expected value of the asset.

Where the developer contributions are governed by statute rather than a specific contract between the developer and the Council then they are considered to be a statutory receivable rather than a contractual receivable.

The State government made an advance payment to Council in June 2020 to mitigate the impacts on households for 2020-21 of the State Waste Levy, which took effect from 1 July 2019. The Council will be liable to the State for payment of the Levy on most forms of commercial and household waste delivered to its disposal sites from 1 July 2019. The State is required to make an annual payment to the Council that essentially refunds the Council for the portion of the Levy that relates to households. Council will fund the portion of the Levy that relates to commercial waste through charges to commercial users of disposal sites from 1 July 2019. As the receipt from the State in June 2020 is for a refund of Council's 2020-21 Levy expense, the full amount has been recognised as a liability at 30 June 2020.

26 Asset revaluation surplus

The asset revaluation surplus comprises revaluation movements on property, plant and equipment. Increases and decreases on revaluation are offset within a class of assets.

27 Commitments for expenditure

Operating leases (2019 only)

Payments made under operating leases are expensed in equal instalments over the accounting periods covered by the

AASB 117.35

	Consolidated		Council	
	2019		2019	
	\$		\$	
Minimum lease payments in relation to non-cancellable operating leases are as follows:				
Within one year	355,698		355,698	
One to five years	1,654,340		1,654,340	
Later than five years	643,368		643,368	
	<u>2,653,406</u>		<u>2,653,406</u>	

AASB 117.33

AASB 117.35 (a)

AASB 117.35 (b)-(d)

2019: The Council entered into operating leases on certain motor vehicles and IT equipment, with lease terms between three and five years. The Council has the option, under some of its leases, to lease the assets for additional terms of three to five years.

Refer to note 20 for information on leases for 2020.

	Consolidated		Council	
	2020	2019	2020	2019
	\$	\$	\$	\$
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 2021)	744,621	-	744,621	-
Cleaning contractors	13,216	22,656	13,216	22,656
	<u>757,837</u>	<u>22,656</u>	<u>757,837</u>	<u>22,656</u>

AASB101.114 (c)(iv)

The amount to be disclosed is the minimum amount council is committed to over the life of the contract. For example, if a waste collection contract is based on a fixed level of service plus a variable element for events and other activities, it would only be the fixed component that would be recognised as a commitment.

Council should include commitments that it has made to equity accounted investments.

AASB 12.23

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

Capital commitments

AASB116.74 (c)

Commitment for the construction of the following assets contracted for at the reporting date but not recognised as liabilities:

	Consolidated		Council	
	2020 \$	2019 \$	2020 \$	2019 \$
<i>Property, Plant and Equipment</i>				
Road, drainage and bridge network	61,000	73,500	61,000	73,500
Buildings	30,100	25,230	30,100	25,230
Water	27,012	31,256	27,012	31,256
Other	3,256	4,563	3,256	4,563
	<u>121,368</u>	<u>134,549</u>	<u>121,368</u>	<u>134,549</u>
These expenditures are payable as follows:				
Within one year	100,225	97,600	100,225	97,600
One to five years	21,143	35,924	21,143	35,924
Later than five years	-	1,025	-	1,025
	<u>121,368</u>	<u>134,549</u>	<u>121,368</u>	<u>134,549</u>

Commitments should only be recognised where council has a contractual obligation in place.

28 Contingent liabilities

AASB 137.86 - 92

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 2020 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.

Any additional contingent liabilities are to be disclosed with sufficient detail to allow the user to understand the nature of the item

AASB 137.86

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

29 Superannuation - Regional Defined Benefit Fund

AASB 119.148

The following note is based on advice received from LGIA Super

Council contributes to the LGIA Super Regional Defined Benefits Fund (the scheme), at the rate of 12% for each permanent employee who is a defined benefit member. This rate is set in accordance with the LGIA Super trust deed and may be varied on the advice of an actuary. The Regional Defined Benefits Fund is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the Local Government Act 2009.

The scheme is a defined benefit plan, however Council is not able to account for it as a defined benefit plan in accordance with AASB119 because LGIA Super is unable to account for its proportionate share of the defined benefit obligation, plan assets and costs.

AASB119.148d(ii)

Any amount by which the scheme is over or under funded may affect future benefits and result in a change to the contribution rate, but has not been recognised as an asset or liability of the Council.

AASB 119.135(c)

Technically Tropical Council can be liable to the scheme for a portion of another local governments' obligations should that local government be unable to meet them. However the risk of this occurring is extremely low and in accordance with the LGIA Super trust deed changes to council's obligations will only be made on the advice of an actuary.

AASB 119.148(b)

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2018. The actuary indicated that "At the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." The Council is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

No changes have 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.

The next triennial actuarial review is not due until 1 July 2021.

The most significant risks that may result in LGIA Super increasing the contribution rate, on the advice of the actuary, are:

AASB 119.135(b)

Investment risk - The risk that the scheme's investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.

Salary growth risk - The risk that wages or salaries will rise more rapidly than assumed, increasing vested benefits to be funded.

AASB 119.135(c)

AASB 119.53

AASB 124.19(g)

	Note	Consolidated		Council	
		2020 \$	2019 \$	2020 \$	2019 \$
Superannuation contributions made to the Regional Defined Benefits Fund		26,321	25,215	26,321	26,321
Other superannuation contributions for employees		319,408	312,618	319,408	311,512
Total superannuation contributions paid by Council for employees:	6	345,729	337,833	345,729	337,833

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

AASB 1054.16

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

	Consolidated		Council	
	2020	2019	2020	2019
	\$	\$	\$	\$
Net result	(2,001,159)	(1,619,800)	(2,036,674)	(1,717,637)
Non-cash items:				
Depreciation and amortisation	4,191,744	3,994,983	4,156,383	3,961,631
Revaluation adjustments	(370,214)	314,214	(377,831)	314,214
Impairment of property plant and equipment	10,000	-	10,000	-
	<u>3,831,530</u>	<u>4,309,197</u>	<u>3,788,552</u>	<u>4,275,845</u>
Investing and development activities (non-cash):				
Net (profit)/loss on disposal of non-current assets	(102,721)	(127,690)	(102,721)	(127,690)
Changes in accounting policy	(275,220)		(275,220)	
Profit retained in joint venture	(42,866)	(17,849)	(42,866)	(17,849)
	<u>(420,807)</u>	<u>(145,539)</u>	<u>(420,807)</u>	<u>(145,539)</u>
Changes in operating assets and liabilities:				
(Increase)/ decrease in receivables	(420,797)	274,862	(375,797)	319,688
(Increase)/ decrease in other assets	(154,439)	(83,585)	(154,439)	(83,585)
(Increase)/ decrease in other financial assets	(533,081)	-	(533,081)	
(Increase)/ decrease in contract assets	(161,232)	-	(161,232)	-
(Increase)/decrease in inventory	216,049	1,994	216,049	1,994
Increase/(decrease) in payables	167,222	(535,098)	167,533	(535,379)
Increase/(decrease) in contract liabilities	747,815	-	747,815	
Increase/(decrease) in other liabilities	650,821	-	650,821	-
Increase/(decrease) in provisions	(455,135)	679,978	(455,135)	679,978
	<u>57,223</u>	<u>338,151</u>	<u>102,534</u>	<u>382,696</u>
Net cash inflow from operating activities	<u>1,466,787</u>	<u>2,882,009</u>	<u>1,433,605</u>	<u>2,795,365</u>
Reconciliation of net cash inflow from operating	0	(150,000)	(0)	(150,000)

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

AASB 2016-2,
AASB 107.44A-
44E

31 Reconciliation of liabilities arising from financing activities					
2020 - Consolidated	As at 30 June 2019	Change in accounting policy	Cash flows	Non-cash changes (new leases)	As at 30 June 2020
Loans	11,978,021	-	(2,268,098)	-	9,709,923
Lease liability	-	2,788,141	(342,866)	-	2,445,275
Finance leases (2019 only)	459,699	(459,699)	-	-	-
	<u>12,437,720</u>	<u>2,328,442</u>	<u>(2,610,964)</u>	<u>-</u>	<u>12,155,198</u>
2019 - Consolidated	As at 30 June 2018		Cash flows	Non-cash changes (new leases)	As at 30 June 2019
Loans	12,286,423		(308,402)	-	11,978,021
Finance leases	476,165		(16,466)	-	459,699
	<u>12,762,588</u>		<u>(324,868)</u>	<u>-</u>	<u>12,437,720</u>
2020 - Council	As at 30 June 2019	Change in accounting policy	Cash flows	Non-cash changes (new leases)	As at 30 June 2020
Loans	11,978,021	-	(2,268,098)	-	9,709,923
Lease liability	-	2,788,141	(342,866)	-	2,445,275
Finance leases (2019 only)	459,699	(459,699)	-	-	-
	<u>12,437,720</u>	<u>-</u>	<u>(2,610,964)</u>	<u>-</u>	<u>12,155,198</u>
		<u>2,328,442</u>			
2019 - Council	As at 30 June 2018		Cash flows	Non-cash changes (new leases)	As at 30 June 2018
Loans	12,286,423		(308,402)	-	11,978,021
Finance leases	476,165		(16,466)	-	459,699
	<u>12,762,588</u>		<u>(324,868)</u>	<u>-</u>	<u>12,437,720</u>

AASB 107.44B

For all items presented in the financing section of the Statement of Cash Flows, Councils need to reconcile the movement in carrying amount through disclosure of the following:

- (a) changes from financing cash flows;
- (b) changes arising from obtaining or losing control of subsidiaries or other businesses;
- (c) the effect of changes in foreign exchange rates;
- (d) changes in fair values; and
- (e) other changes.

AASB 108.49

32 Correction of error

In the process of valuing the Council's assets at 30 June 2020, 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 2018 and the comparative amounts for 2018-19. The adjustments are as follows:

	As at 30 June 2019	As at 1 July 2018	As at 30 June 2018	As at 1 July 2017
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	<u>1,281,464</u>	<u>1,303,779</u>	<u>1,281,464</u>	<u>1,303,779</u>
		Year ended 30 June 2019		Year ended 30 June 2019
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 2020 was calculated after the error was discovered and therefore did not need correction.

A restated Statement of Financial Position has been included in the financial statements as at 1 July 2018.

AASB 101.40A

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.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

33 Changes in accounting policy

AASB 108.28 - 31

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.

Illustrative disclosures for the adoption of AASB 15 / 1058 and AASB 16 for Tropical Council have been included. Council should ensure that the transition disclosures are tailored to the specific transition adjustments based on their transactions, balances and circumstances. Tropical has disclosed the practical expedients which have been used, Council needs to ensure that they have carefully considered their use of practical expedients and provided adequate disclosure to illustrate the options chosen.

During the year ended 30 June 2020, the Council has adopted AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of NFP Entities and AASB 16 Leases using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 Construction Contracts, AASB 117 Leases, AASB 118 Revenue, AASB 1004 Contributions and associated Accounting Interpretations.

All adjustments on adoption of AASB 15, AASB 1058 and AASB 16 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

Revenue standards - AASB 15 and AASB 1058

The following options have been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has not retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

Changes in accounting policy on adoption of AASB 15 and AASB 1058

Councils should provide information to allow the users to understand the changes to the revenue recognition methodology and policies on adoption of AASB 15 and AASB 1058, for example changes to:

- Recognition of costs incurred in fulfilling customer contracts
- Recognition of upfront fees at swimming pools, leisure centres
- Timing of revenue recognition arising from contract modifications
- Revenue recognised over time or at a point in time
- Recognition of revenue from licences granted
- Revenue recognised as gross or net based on the principal or agent indicators
- Prepaid rates - now recorded as a financial liability until the beginning of the rating period
- Recognition of grant revenue within the scope of AASB 15
- Recognition of grant revenue for acquisition or construction of assets controlled by Council.

AASB
15.116/AASB
1058.31

Opening contract balances on transition at 1 July 2019

	Consolidated and Council Balance at 1 July 2019 \$
Contract assets	
- Under AASB 15	104,557
- Under AASB 1058	93,943
Total contract assets	<u><u>198,500</u></u>
Contract liabilities	
- Under AASB 15	198,633
- Under AASB 1058	341,254
Total contract liabilities	<u><u>539,887</u></u>

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

AASB 15.C8

33 Changes in accounting policy continued.

Comparison of affected financial statements lines between AASB 15 / 1058 and previous revenue standards

The following table shows the amount by which the financial statement line item is affected by the application of AASB 15 and AASB 1058 as compared to the previous revenue standards.

Statement of financial position at 30 June 2020

	Carrying amount per Statement of Financial Position Dr / (Cr) \$	Adjustments Dr / (Cr) \$	Carrying amount if previous standards had been applied
Contract assets	161,232	(161,232)	-
Other assets	238,024	(68,632)	169,392
Contract liabilities - current	(524,421)	524,421	-
Contract liabilities - non-current	(223,394)	223,394	-
Retained earnings	(64,016,405)	(517,951)	(64,534,356)
	<u>(64,364,964)</u>	<u>-</u>	<u>(64,364,964)</u>

Statement of comprehensive income for the year ended 30 June 2020

	Balance per Statement of Comprehensive Income Dr / (Cr) \$	Adjustments Dr / (Cr) \$	Carrying amount if previous standards had been applied
Revenue - operating			
Grants	3,230,845	(101,455)	3,129,390
Fees and charges	2,301,193	(6,420)	2,294,773
Revenue - capital	1,015,715	(95,122)	920,593
Expenses - materials and services	(223,394)	(39,734)	(263,128)
	<u>6,324,359</u>	<u>(242,731)</u>	<u>6,081,628</u>

The adjustments above relate to the recognition of contract assets and contract liabilities for revenue streams where the revenue is recognised over time rather than on receipt of funding under AASB 1004.

Tropical has shown only the affected line items, Councils may choose to show the entire primary statements for completeness. Tropical's impact on both the Council and consolidated numbers were the same - if this is not the case, then these disclosures need to be repeated for both Council and Consolidated Entity. Councils should provide explanation for adjustments in the table.

Statement of cash flows for the year ended 30 June 2020

If the statement of cash flows was subject to significant changes on adoption of AASB 15 and AASB 1058 then a table showing the significant line items which were subject to change should be included, otherwise the statement below may be included.

The adoption of AASB 15 and AASB 1058 has not caused a material change to the Statement of Cash Flows for the year ended 30 June 2020.

Lease standard - AASB 16

Council as a lessee

Under the previous lease accounting standard, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Statement of Comprehensive Income on a straight-line basis.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

33 Changes in accounting policy continued.

AASB 16.C13

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Councils need to document the practical expedients which have been used in transition to AASB 16, Tropical has used all available expedients from AASB 16.

AASB 16.C12

Impact of adopting AASB 16 at 1 July 2019

Council has recognised right-of-use assets and lease liabilities of \$2,345,663 at 1 July 2019 for leases previously classified as operating leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was x%.

Councils need to disclose the incremental borrowing rate applied to leases at 1 July 2019 - this will be different for each

	Consolidated and Council \$
Operating lease commitment at 30 June 2019 per Council financial statements	2,653,406
Discounted using the incremental borrowing rate at 1 July 2019	<u>2,148,923</u>
Add:	
Finance lease liabilities	442,478
Extension options reasonably certain to be exercised not included in the commitments note	994,813
Variable lease payments linked to an index	-
[Other reconciling items – provide details]	-
Less:	
Short-term leases included in commitments note	(148,963)
Leases for low-value assets included in commitments note	(649,110)
[Other reconciling items – provide details]	-
Lease liabilities recognised at 1 July 2019	<u><u>2,788,141</u></u>

Councils should prepare this reconciliation and provide explanations for all reconciling items to ensure that the differences between the operating lease commitments note at 30 June 2019 and the lease liability at 1 July 2019 can be understood by the users.

AASB 110.19 - 22

34 Events after the reporting period

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

On 1 August 2020 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 2020 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

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

AASB 7.31 - 42

35 Financial instruments and financial risk management
(a) Financial assets and financial liabilities

NOTE this note is not likely to be material for most councils. This disclosure should only be made if it is material to your council and the information is not already disclosed elsewhere in the financial statements.

AASB 7.32

Tropical Council has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This disclosure should be based on actual processes and policies in place at Council.

Risk management framework

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.

The Council's audit committee (*or other appropriate oversight body*) oversees how management monitors compliance with the Council's risk management policies and procedures, and reviews the adequacy of the risk managements framework in relation to the risks faced by the Council. The Council audit committee (*or other appropriate oversight body*) is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee (*or other appropriate oversight body*).

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.

AASB 7.33(b)

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

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 7.35K(a),
36(a)

The carrying amounts of financial assets at the end of the reporting period represent the maximum exposure to credit risk for the Council

AASB 7.33(a)

Cash and cash equivalents

The Council is 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.

AASB 7.36 (c)

Other financial assets

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 low (if applicable).

Source
Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

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 ability to sell the property to recover any defaulted amounts and therefore generally for rates debtors the credit risk is low.

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 7.35K(b)

The Council does not require collateral in respect of trade and other receivables.

AASB 7.34(a),
34(c)

The exposure to credit risk for receivables by type of counterparty was as follows:

	Consolidated		Council	
	2020	2019	2020	2019
	\$	\$	\$	\$
Rates and Utility Charges	318,392	428,155	318,536	428,299
State & Commonwealth Government	630,940	281,466	630,940	281,466
Controlled entities	-	-	765,000	810,000
Community organisations	150,000	150,000	150,000	150,000
Other	418,519	151,626	418,519	151,626
Total	1,517,851	1,011,247	2,282,995	1,821,391

Refer to Note 11 for further details

AASB 7.35A
through to AASB
7.35N

Accounting Policies

Accounting policies - Receivables

Receivables are measured at amortised cost which approximates fair value at reporting date. Trade debtors are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase/contract price. Settlement of these amounts is required within 30 days from invoice date.

AASB 101.117,
AASB 9.5.1.1

Accounting policies - Grouping

When Tropical Council has no reasonable expectation of recovering an amount owed by a debtor, and has ceased enforcement activity, the debt is written-off by directly reducing the receivable against the loss allowance. If the amount of debt written off exceeds the loss allowance, the excess is recognised as an impairment loss.

AASB 7.35F(c)
AASB 7.35F(e)

AASB 9.5.5.15

Accounting for impairment losses is dependent upon the individual group of receivables subject to impairment. The loss allowance for grouped receivables reflects lifetime expected credit losses and incorporates reasonable and supportable forward-looking information. Economic changes impacting debtors, and relevant industry data form part of the impairment assessment.

Tropical Council has identified 5 distinctive groupings of its receivables: Rates & Charges, Statutory Charges, Grants, Lease Receivables, Other Debtors

Tropical Council distinguishes between disputed invoices and impaired debts. If a customer is disputing the validity of an invoice, council assesses whether the invoice was correctly raised. If the receivable was incorrectly raised, this is not an impairment, the amount is reversed against the original revenue account, rather than through impairment. If Council believes the invoice is correct, the receivable is included in the impairment calculations.

AASB 7.35F(c),
AASB 7.35(k),
AASB 7.36

Rates and Charges: Council is empowered under the provisions of the Local Government Act 2009 to sell an owner's property to recover outstanding rate debts and therefore the expected credit loss is immaterial. Impairment of rates and charges will occur only if arrears are deemed to be greater than the proceeds Council would receive from the sale of the respective property.

In accordance with AASB 9.B4.1.2, Tropical Council in reviewing its debtor management systems identified that property rates and utility charges were processed via a stand alone ERP (enterprise resource planning) system. Council also noted that it employed a dedicated team whose sole responsibility was for rates and utilities collections. Aging of rateable revenue is not a consideration for calculating ECL (expected credit loss). As a statutory receivable AASB 2016-8 does not prescribe calculation of ECL. Tropical Council also identified after reviewing its historical data records that no bad debts had occurred for any of its rate and utility charges. The credit enhancement to sell an owner's property to recover outstanding rate debts is only applicable to this particular type of statutory receivables

AASB 7.35F(c),
AASB 7.35K (b),
AASB 7.36

Statutory charges: In some limited circumstances Tropical Council may write off impaired statutory charges, on this basis Tropical Council calculates an ECL for Statutory Charges (non-rates & utility charges). Although not material, disclosure is being made for the purposes of public interest and transparency.

Tropical Council
Notes to the financial statements
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Note, from a materiality perspective it is quite possible that other councils might combine the classifications of Statutory Charges with Rates and Charges (as rates and charges are also statutory items). Differentiation is due to this grouping not having the same credit enhancements of rates debts (being able to sell an underlying property to recover outstanding amounts). Also, these were managed by a different accounts receivable team; through a different ERP system; and although the amounts were small... some amounts from time to time would be written off. AASB 2016-8 does not prescribe calculation of ECL for Statutory debtors, however Tropical Council notes AASB 101.31... to provide additional disclosures when compliance with the specific requirements in Australian Accounting Standards is insufficient to enable users of financial statements to understand the impact of particular transactions.

Examples of Statutory Receivables include: Rates; Utility charges; Taxes; Infrastructure Charges (e.g.: developer contributions, donation of assets); Fines; Licenses and registrations. The underlying principle being the revenues are generated through legislative provisions

AASB 7.35F(c),
AASB 7.35K (b),
AASB 7.36

Grants: payable by State and Commonwealth governments and their agencies. A credit enhancement exists as these payments are effectively government guaranteed and both the state and Commonwealth governments have high credit ratings, accordingly Tropical Council determines the level of credit risk exposure to be immaterial and therefore does not record an Expected Credit Loss for these counterparties.

Grants could have been classified as other debtors, from a materiality perspective it is quite possible other councils might combine the classifications of Grants; and Other Debtors. For illustrative purposes these have been grouped separately by Tropical Council, the following identifies some of the underlying reasoning behind this

By comparison for other debtors, Tropical Council identified these were managed by a different set of policies and procedures and a review of historical data confirms that as a group these debtors (unlike grants) did regularly incur impairment, with amounts from time to time being written off. Tropical Council also notes that by grouping Grant Debtors separately, it won't be overstating expected credit losses by calculating an expected credit loss for a government guaranteed amount

AASB 7.35F(c),
AASB 35A (b),
AASB 7.35K (b),
AASB
9.5.5.15(b),
AASB 7.36

Lease Receivables: have been identified as a separate debtor group. Tropical Council has elected to use the simplified approach for Lease Receivables. Internal historical data shows no defaults have occurred, even in the event of a default occurring, Tropical Council has determined Expected Credit Losses for this receivables grouping to be immaterial, accordingly an expected credit loss of lease receivables is not calculated.

AASB 7.35F(c)

Other Debtors: Tropical Council identifies other debtors as receivables which are not rates and charges; statutory charges; lease receivables; or grants

AASB 9.5.5.15 states:

Simplified approach for trade receivables, contract assets and lease receivables

Despite paragraphs 5.5.3 and 5.5.5, an entity shall always measure the loss allowance at an amount equal to lifetime expected credit losses for:

(a) trade receivables or contract assets that result from transactions that are within the scope of AASB 15, and that:

(i) do not contain a significant financing component in accordance with AASB 15 (or when the entity applies the practical expedient in accordance with paragraph 63 of AASB 15); or

(ii) contain a significant financing component in accordance with AASB 15, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. That accounting policy shall be applied to all such trade receivables or contract assets but may be applied separately to trade receivables and contract assets.

(b) lease receivables that result from transactions that are within the scope of AASB 117, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. That accounting policy shall be applied to all lease receivables but may be applied separately to finance and operating lease receivables.

AASB 7.35K

Disclosure – Credit risk exposure and impairment of receivables

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets. No collateral is held as security

AASB 7.35F(c),
AASB 7.35G,
AASB 7.35N

Tropical Council uses a provision matrix to measure the expected credit losses on statutory charges and other debtors. Loss rates are calculated separately for groupings with similar loss patterns. The calculations reflect historical observed default rates calculated using credit losses experienced on past transactions from the last 6 years for each group. Loss rates are based on actual credit loss experience over the past 6 years, current conditions and the Council's view of economic conditions over the expected lives of the receivables. Tropical Council has determined there are five material groupings for measuring expected credit losses based on a combination of their statutory status, council's policies and procedures, sale of services and goods, and risk default profiles of these revenue streams.

AASB 7.35G

In Tropical Council's statements after reviewing macro economic conditions, Tropical Council reached the conclusion that forwards looking conditions indicated no foreseeable expected deviations from historically calculated ratios, thus no forward looking adjustments were made

Council considers forecasts of macroeconomic conditions such as unemployment rates and interest rates and their expected impacts on the default rates for the different debtor groups. Using this forward-looking information, Council would adjust its historical loss rates upwards or downwards to incorporate these forecasts.

Tropical Council
Notes to the financial statements
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Expected credit loss assessment

The Council uses an allowance matrix to measure the expected credit losses of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

Write offs throughout the year and End of Period Expected Credit Losses for Receivables

All amounts that were written off during the reporting period and are no longer subject to enforcement activity.

Consolidated and Council - 2020

Aging	Closing Balance 30/6/2020	Historical probability of default	Loss given default	Lifetime Expected Credit Loss
-------	---------------------------	-----------------------------------	--------------------	-------------------------------

Statutory Charges

Statutory Charges	Current	\$	0.90%	100%	\$
	1-30 days	\$ 21,570	1.45%	100%	\$ 312
	31-60 days	\$ 12,711	1.89%	100%	\$ 240
	61-90 days	\$ 9,864	2.34%	100%	\$ 231
	90+ days	\$ 42,873	2.88%	100%	\$ 1,233
		<u>\$ 133,040</u>			<u>\$ 2,430</u>

Other debtors

Other debtors	Current	\$	2.4%	100%	\$
	1-30 days	\$ 21,518	8.8%	100%	\$ 1,885
	31-60 days	\$ 10,434	13.6%	100%	\$ 1,423
	61-90 days	\$ 5,902	19.7%	100%	\$ 1,161
	90+ days	\$ 10,158	26.7%	100%	\$ 2,709
		<u>\$ 169,371</u>			<u>\$ 10,091</u>

Consolidated and Council - 2019

Aging	Closing Balance 30/6/2019	Historical probability of default	Loss given default	Lifetime Expected Credit Loss
-------	---------------------------	-----------------------------------	--------------------	-------------------------------

Statutory Charges

Statutory Charges	Current	\$	0.90%	100%	\$
	1-30 days	\$ 2,435	1.45%	100%	\$ 35
	31-60 days	\$ 6,436	1.89%	100%	\$ 122
	61-90 days	\$ 14,336	2.34%	100%	\$ 335
	90+ days	\$ 9,710	4.88%	100%	\$ 473
		<u>\$ 75,582</u>			<u>\$ 1,349</u>

Other debtors

Other debtors	Current	\$	2.4%	100%	\$
	1-30 days	\$ 5,335	8.8%	100%	\$ 467
	31-60 days	\$ 4,554	13.6%	100%	\$ 621
	61-90 days	\$ 4,223	29.7%	100%	\$ 1,253
	90+ days	\$ 8,390	43.2%	100%	\$ 3,626
		<u>\$ 67,824</u>			<u>\$ 7,055</u>

Refer to Note 11 for the movement in the allowance for impairment for receivables during the year

AASB 7.35N,
AASB 7.35L,
AASB 7.36
AASB 7.35L

AASB 7.35M,
AASB 7.35N

AASB 7.35M,
AASB 7.35N

AASB 7.35M,
AASB 7.35N

AASB 7.35M,
AASB 7.35N

AASB 7.35H

Source
Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

AASB 7.39

Liquidity risk

AASB 7.31, 33

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.

The Council's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Council's reputation

Exposure to liquidity risk

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	
	2020	2019	2020	2019
	\$	\$	\$	\$
Overdraft - QTC working capital facility - limit	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 (excluding lease liabilities for 2020) 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:

Consolidated	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
2020					
Trade and other payables	789,005	-	-	789,005	789,005
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
	3,486,342	2,410,898	4,918,838	10,816,078	10,498,928
2019					
Trade and other payables	621,894	-	-	621,894	621,894
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
	1,647,697	5,069,985	7,125,808	13,843,490	13,059,614
Council	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
2020					
Trade and other payables	789,005	-	-	789,005	789,005
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
	3,486,342	2,410,898	4,918,838	10,816,078	10,498,928
2019					
Trade and other payables	621,583	-	-	621,583	621,583
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
	1,647,386	5,069,985	7,125,808	13,843,179	13,059,303

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 2020

AASB 7.40

Market risk

AASB 7.33

Market risk is the risk that changes in market indices, 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.

[Alternative disclosure - where there is no reasonable possible movement that would cause a material impact to profit or equity then this fact may be stated and the tables below deleted].

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)

The Council does not account for any fixed-rate financial assets or financial liabilities at Fair Value through Profit or Loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

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 2020					
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)
2019					
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)

	Net carrying amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
	\$	\$	\$	\$	\$
Council 2020					
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)
2019					
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)

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Notes to the financial statements
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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

(b) Fair value

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 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 Illustrative Financial 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 7.8, 25-26, 29-30

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value

AASB 7.25

Note	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Consolidated				
Financial assets				
QTC cash fund	xxx	xxx	xxx	xxx
Other investments	xxx	xxx	xxx	xxx
	xxx	xxx	xxx	xxx
Financial liabilities				
Loans - QTC	xxx	xxx	xxx	xxx
Loans - Other	xxx	xxx	xxx	xxx
	xxx	xxx	xxx	xxx
Council				
Financial assets				
QTC cash fund	xxx	xxx	xxx	xxx
Other investments	xxx	xxx	xxx	xxx
	xxx	xxx	xxx	xxx
Financial liabilities				
Loans - QTC	xxx	xxx	xxx	xxx
Loans - Other	xxx	xxx	xxx	xxx
	xxx	xxx	xxx	xxx

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.

Measurement of Fair Value

AASB 13.93(d), 97

Valuation technique used in measuring other financial liabilities (unsecured bank loans and finance lease liabilities) is discounted cash flows. This valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate

Tropical Council

**Notes to the financial statements
For the year ended 30 June 2020**

36 National Competition Policy

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

Disclosures about business activities to which the Competitive Code of Conduct applies, are only 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 is 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 its 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
	2020	2020	2020	2020
	\$	\$	\$	\$
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

37 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 2020 follows:

Controlled Entities - Financial Results:

Controlled Entity	Ownership Interest	Revenue		Expenses		Profit / (Loss)		Assets		Liabilities	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Happy plants Pty Ltd	100%	100	120	95	85	5	35	15	6	0	0
Council Development Trust	100%	150	10	95	95	55	-85	250	360	240	200
Tropical Art Gallery	100%	60	6	40	30	20	-24	5	6	0	0
Tropical Economic Development Council	30%	125	125	75	75	50	50	250	125	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.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

Not mandatory

Appeals and "Mayor" funds are considered trust arrangements

Trust arrangements are not controlled by the Council and, the associated transactions and balances are disclosed only in the notes to the financial statements. A trust arrangement is an obligation, recognised at law, where an agency holds funds wholly or partly for the benefit of another party without deriving any benefit or being able to utilise the funds itself for the achievement of its own objectives.

The notes to the financial statements must show details of any material transactions and balances in relation to trust or agency arrangements, including revenue, expenditure, assets and liabilities, together with applicable audit arrangements.

38 Trust Funds

Mayor's Flood Appeal

The Council acts as trustee for the Mayor's Flood Appeal which was established to raise funds to assist people with emergency assistance during and after flood events. As the Council performs only a custodial role in respect of the transactions and balances, they are neither controlled or administered by it and accordingly, are not recognised in the financial statements. They are, however, disclosed in these notes for the information of financial statement users.

	2020	2019
	\$'000	\$'000
Accumulated funds		
Accumulated funds	144	0
Surplus/(Deficit)	(125)	144
Total Accumulated Net Assets	19	144
Assets		
Cash at Bank	19	144
Liabilities		
Current Liabilities	0	0
Net Assets	19	144
Revenue and Expenses		
Revenue	300	500
Expenses	425	356
Surplus/(Deficit)	(125)	144

Tropical Council

**Notes to the financial statements
For the year ended 30 June 2020**

Councils need to bear in mind that both quantitative and qualitative materiality needs to be considered.

The department has released a bulletin 02/16 which contains detailed information about the requirements of AASB 124: Related Party Disclosures as they relate to Queensland local governments. The department recommends that councils read this bulletin prior to making the disclosure required by this standard. The following example disclosure pertains to Tropical Council's transactions. Councils are reminded of the need to tailor their disclosure according to their circumstances and revised the disclosures as circumstances change.

The bulletin can be accessed here: <http://www.dlgrma.qld.gov.au/newsletters-and-brochures/bulletin-02-16.html>

Local governments that have one or more River Improvement Trusts operating within their local government area should refer to advice provided on the departments website when determining their Related Party Disclosures. In addition, individual councillors, who are members of a RIT, will be asked to provide a declaration form to the RIT to enable the trust to satisfy AASB 124 and audit requirements.

The advice can be accessed here: <https://www.dlgrma.qld.gov.au/newsletters-and-brochures/bulletin-10-17.html>

39 Transactions with related parties

(a) Subsidiaries

The group consists of Tropical Council and six subsidiaries. Only one of the subsidiaries, Tropical Sunset Retirement Home Pty Ltd, is consolidated (Note 15). Details of the other subsidiaries are disclosed in Note 37.

The following transactions occurred with subsidiaries:

Subsidiary	Grants and subsidies provided by council		Goods and services supplied by council, on normal terms and conditions			
			Rental accommodation		Garbage charges	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Tropical Sunset Retirement Home Pty Ltd					11,023	10,130
Tropical Economic Development Council	25,000	20,000	3,000	3,000	1,250	1,200
Tropical Art Gallery	60,000	55,000			830	800
Total	85,000	75,000	3,000	3,000	13,103	12,130

Council provides free rental accommodation and administration services to the Tropical Art Gallery, which is dependent on Council. All funding support given to subsidiaries was agreed to by the Council for the 2018-19 and 2019-20 financial years.

Transactions with related parties

(b) Transactions with associates

If council has associates, transactions with them may need to be disclosed

(c) Transactions with joint ventures

	2020	2019	Note: This transaction is likely immaterial but is included here for illustrative purposes
	\$	\$	
Profit distribution from XYZ Events Pty Ltd (note 15)	11,420	7,150	

(d) Transactions with key management personnel (KMP)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

KMP include the Mayor, councillors, council's Chief Executive Officer and some executive management.

The compensation paid to KMP comprises:

	2020	2019
	\$	\$
Short-term employee benefits	510,000	453,000
Post-employment benefits	57,553	47,565
Long-term benefits	60,250	52,000
Termination benefits	0	0
Total	627,803	552,565

Detailed remuneration disclosures are provided in the annual report.

AASB 124.18,
19(c)
AASB 124.13

AASB 124.18,
19(c)

AASB 124.18,
19(c)

AASB 124.18,
19(c)
AASB 124.9

Source Reference

Tropical Council

**Notes to the financial statements
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AASB 124.18, 19(c)

(e) Transactions with other related parties

Other related parties include the close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members. Close family members include a spouse, child and dependent of a KMP or their spouse.

AASB 124.9

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

AASB124.24

Details of transactions between council and other related parties are disclosed below:

Details of Transaction	Additional information	2020	2019
		\$	\$
Fees and charges charged to entities controlled by key management personnel	40(e)(i)	155,423	0
Infrastructure contributions from entities controlled by key management personnel	40(e)(ii)	690,472	0
Employee expenses for close family members of key management personnel	40(e)(iii)	233,420	210,330
Purchase of materials and services from entities controlled by key management personnel	40(e)(iv)	230,012	75,220
Key management personnel services provided by a related entity	40(e)(v)	200,413	0

AASB 124.9(b)(viii)

Transactions that are individually significant, either because of their amount or nature, are included in the aggregate disclosure contained in this table but also need to be disclosed separately as illustrated below.

(i) The fees and charges charged to entities controlled by key management personnel were on an arm's length basis in accordance with the schedule of fees and charges adopted by council. The total disclosed includes the following:

Fees and charges charged to entities controlled by key management personnel	Details of related party	\$
Infrastructure charges	Progressive Development Company Pty Ltd, a company controlled by a close family member of Councillor Rosalind Jones. The company's development projects were assessed and approved in accordance with council's normal terms and conditions. Councillor Rosalind Jones declared her conflict of interest in this matter and did not participate in any decisions related to the company's application.	125,590
An application fee for Boundary Realignment and another for material change of use.	These applications were made by Better Homes Pty Ltd, a company controlled by the Mayor, Councillor David Dean. The applications relate to parcels of land in Taylor St, Bedford and Main St, Sofaville. These applications are currently being assessed by council.	1,500
Other fees and charges	Various other related parties	28,333
Total		155,423

(ii) Green Developments Pty Ltd, a company jointly controlled by Councillor Fred Smith and a close family member during 2019-20, completed a new subdivision "Avondale Heights" in 2019-20. In accordance with the infrastructure agreement water and sewerage infrastructure, roads and some parks within the development were handed over to council. The fair value of this infrastructure at the hand over date was \$690,472.

(iii) All close family members of key management personnel were employed through an arm's length process. They are paid in accordance with the Award for the job they perform.

The Chief Executive Officer, Ms Doris Dean, is a close family member of the Mayor, Councillor David Dean. Ms Dean's compensation package has not been included in this disclosure because it has been disclosed at d) Key Management Personnel compensation. Ms Dean was employed through an arm's length process and is compensated at a market salary that was determined by Salary Consultants Pty Ltd, an independent agent based in Cairns.

The council employs 452 staff of which only 4 are close family members of key management personnel.

(iv) The consolidated entity purchased the following material and services from entities that are controlled by members of key management personnel. All purchases were at arm's length and were in the normal course of council operations:

	2020	2019
Rental of an office building	\$ 70,012	\$ 65,020
Petrol	\$ 15,000	\$ 10,200
Consultancy services	\$ 145,000	\$ -
Total	\$ 230,012	\$ 75,220

Included in the above are consultancy services purchased from Bright Water Pty Ltd amounting to \$145,000 during 2019-20. During this time Councillor Roger Jacobs was the owner of this business. All purchases were at arm's length, on normal terms and conditions and were in the normal course of council's operations. As at 30 June 2020 there were no amounts owed by council to the company.

Tropical Council

**Notes to the financial statements
For the year ended 30 June 2020**

(v) Payments totalling \$180,523 were made to Executive Recruitment Agency Pty Ltd for the services of Mrs Daphne Smith who acted in the Chief Executive Officer position during the period 13 July 2019 to 15 December 2019. A number of smaller amounts, totalling \$19,890, were also paid to recruitment agencies for temporary key management personnel at various times throughout the year. These amounts have been excluded from the KMP remuneration disclosures in (d) above.

AASB 124.18(b)

(f) Outstanding balances

Note the outstanding balances depicted below have not been derived via figures contained in the sample financial statements, they have been created as illustrative examples

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Receivables	Housing rent owed by key management personnel		Amounts owed by entities controlled by key management personnel	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Past due 31-60 days	\$400	\$0	\$0	\$0
Past due 61-90 days	\$400	\$0	\$0	\$0
More than 90 days overdue	\$6,523	\$0	\$53,000	\$0
Total Owing	\$7,323	\$0	\$53,000	\$0

The \$7,323 housing rent that is outstanding is owed by the Mayor, Councillor David Dean.

Better Homes Pty Ltd, a company controlled by the Mayor, Councillor David Dean, owes \$53,000 in rates and interest on a commercial property. Council is pursuing this debt in accordance with the approved debt collection policy.

AASB 124.18(c)&(d)

No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

AASB124.18(b)(ii)

(g) Loans and guarantees to/from related parties

Council does not make loans to or receive loans from related parties. No guarantees have been provided.

AASB 124.18(b)

(h) Commitments to/from other related parties

Council entered into a contract for cleaning services with Cleaning Up Pty Ltd, a company owned by a close family member of Councillor Fred Smith on 29 June 2020. The contract will take effect on 1 September 2020 and is valued at \$50,000. The contract was the result of a tender process in accordance with council's normal procedures and policies. Councillor Fred Smith was not involved in the decision to award this contract to Cleaning Up Pty Ltd.

(i) Transactions with related parties that have not been disclosed

Most of the entities and people that are related parties of council live and operate within the Tropical Council Shire. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include:

- Payment of rates
- Use of the daffy duck memorial swimming pool
- Dog registration
- Borrowing books from a council library

AASB 124.23

Council has not included these types of transaction in its disclosure, where they are made on the same terms and conditions available to the general public.

AASB 101.7

1. Materiality

Related Party Disclosures under AASB 124 are only required if they individually or collectively material, either in size or nature.

A transaction may be material because of its nature, despite being immaterial in dollar terms. Transactions between council and KMP are more likely to be material because of their nature. This is because KMP have fiduciary responsibilities to council.

2. Even if no money changes hand a material transaction may have occurred

AASB 124.9

"A related party transaction is a transfer of resources, services or obligations between council and a related party, regardless of whether a price is charged."

3. Where council has used the term "arm's length", "normal terms and conditions" or a similar term to describe a transaction these will need to be substantiated i.e.. Council will need demonstrate that this is true.

AASB 124.23

"Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated."

Tropical Council
Notes to the financial statements
For the year ended 30 June 2020

40 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 30/6/20 will *not* reconcile with the externally imposed restrictions upon cash, disclosed in note 11 if:
- Note 40 is prepared on a cash basis, and / or
- if any grants in Note 40 are overspent as at 30/6/20 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 10 should agree to total grants as at 30/6/20 after excluding overspent grants and adjusting for any year end creditors and accruals.

The following note has been prepared on a cash basis.

	Balance 01/07/19	Revenue	Expense	Transfers between grants	Balance 30/06/2020
	\$	\$	\$	\$	\$
Commonwealth government grants					
Organisation (<i>insert name</i>)					
(<i>insert name of program/project</i>)	0	0	0	0	0
(<i>insert name of program/project</i>)	0	0	0	0	0
Total	0	0	0	0	0
Organisation (<i>insert name</i>)					
(<i>insert name of program/project</i>)	0	0	0	0	0
(<i>insert name of program/project</i>)	0	0	0	0	0
Total	0	0	0	0	0
Total - Commonwealth government	0	0	0	0	0
State government grants					
Organisation (<i>insert name</i>)					
(<i>insert name of program/project</i>)	0	0	0	0	0
(<i>insert name of program/project</i>)	0	0	0	0	0
Total	0	0	0	0	0
Organisation (<i>insert name</i>)					
(<i>insert name of program/project</i>)	0	0	0	0	0
(<i>insert name of program/project</i>)	0	0	0	0	0
Total	0	0	0	0	0
Total - State government	0	0	0	0	0
Other grant providers					
Organisation (<i>insert name</i>)					
(<i>insert name of program/project</i>)	0	0	0	0	0
(<i>insert name of program/project</i>)	0	0	0	0	0
Total	0	0	0	0	0
Organisation (<i>insert name</i>)					
(<i>insert name of program/project</i>)	0	0	0	0	0
(<i>insert name of program/project</i>)	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 (i.e. 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 2020

**Management Certificate
For the year ended 30 June 2020**

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
Name

Chief Executive Officer
Name

Date: ____/____/____

Date: ____/____/____

Brisbane City Council

Financial statements

For the year ended 30 June 2020

**Management Certificate
For the year ended 30 June 2020**

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
Name

Chief Executive Officer
Name

Date: ____/____/____

Date: ____/____/____

Tropical Council

Financial statements

For the year ended 30 June 2020

**Management Certificate
For the year ended 30 June 2020**

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
Name**

**Chief Executive Officer
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)

Talk to your auditors about the length of your audit opinion before completing page numbering. The audit opinion may span a number of pages.

Tropical Council

**Current-year Financial Sustainability Statement
For the year ended 30 June 2020**

Measures of Financial Sustainability

	How the measure is calculated	Actual - Consolidate	Actual - Council	Target
Council's performance at 30 June 2020 against key financial ratios and targets:				
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-6%	-7%	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)	56%	65%	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 2020.

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 2020**

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

Chief Executive Officer
Name

Date: ____/____/____

Date: ____/____/____

The following certificate is applicable to Brisbane City Council:

**Certificate of Accuracy
For the year ended 30 June 2020**

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

Chief Executive Officer
Name

Date: ____/____/____

Date: ____/____/____

Tropical Council

Long Term Financial Sustainability Statement - Unaudited

Certificate of Accuracy - for the Long Term Financial Sustainability Statement

Tropical Council

**Unaudited Long-Term Financial Sustainability Statement
Prepared as at 30 June 2020**

Projected for the years ended

Measures of Financial Sustainability

Measure

Target

Actuals at 30 June 2020 30 June 2021 30 June 2022 30 June 2023 30 June 2024 30 June 2025 30 June 2026 30 June 2027 30 June 2028 30 June 2029

Consolidated

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	-6%									
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%	56%									

Council

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	-7%									
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%	65%									

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

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.

Certificate of Accuracy
For the long-term financial sustainability statement prepared as at 30 June 2020

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 Name	Chief Executive Officer 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 2020

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 long-term financial sustainability statement has been accurately calculated.

Lord Mayor Name	Chief Executive Officer Name
Date: ____/____/____	Date: ____/____/____