Tropical Council

Financial Statements

for the year ended 30 June 2019

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.

Sunday, 30 June 2019

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

Tropical Council
Financial statements
For the year ended 30 June 2019

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 (AASB 101.7) and further guidance can be found in AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (AASB 108.5) and the Framework for the Preparation and Presentation of Financial Statements (paragraph QC11).

Legislative framework for preparation of annual financial statements

The *Local Government Act 2009* and *Local Government Regulation 2012 (City of Brisbane Act 2010* and *City of Brisbane Regulation 2012* for Brisbane City Council) apply to the preparation of financial statements for the 2018-19 financial year.

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

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

All of these financial statements are illustrated in 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 2018-19

Application to all Queensland local governments

The Tropical Council illustrative financial statements for the year ended 30 June 2019 (Tropical) have been designed to cater for all Queensland local governments.

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
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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
PO Box 15009 City East Qld 4002 Australia
Phone: 07 3452 6721 (Samantha Cieslar)
E-mail:
TropicalWorkshop@dlgrma.qld.gov.au

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Simplification checklist

Amendments to AASB 101 *Presentation of Financial Statements* now apply that seek to improve financial reporting. As a result, the standard now provides flexibility in the ordering of notes, the location of significant accounting policies within those notes and also emphasises only including material note disclosures.

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 can 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 the 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 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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For the year ended 30 June 2019

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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.

Source Reference

AASB 101.10(b), 81A - 105

Tropical Council
Statement of Comprehensive Income
For the year ended 30 June 2019

Source Reference		Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
AASB 101.85	**Income**					
AASB 101.82(a)	**Revenue**					
	Recurrent revenue					
	Rates, levies and charges	3(a)	7,481,626	7,303,037	7,481,626	7,303,037
	Fees and charges	3(b)	2,301,193	2,064,321	501,193	564,321
	Rental income	3(c)	10,400	10,400	10,400	10,400
AASB 118.35(b)	Interest received	3(d)	301,446	285,595	350,046	336,895
AASB 118.35(b)	Sales revenue	3(e)	640,000	530,000	640,000	530,000
AASB 101.82(c)	Profit from investment (Joint venture)	16	54,286	36,571	54,286	36,571
	Other income	3(f)	988,776	973,714	1,091,450	1,080,914
	Grants, subsidies, contributions and donations	4(a)	3,230,845	1,523,121	3,230,845	1,523,121
Financial Management (Sustainability Guideline) 2013			15,008,572	12,726,759	13,359,846	11,385,259
	Capital revenue					
AASB 1004.18(a)	Grants, subsidies, contributions and donations	4(b)	1,237,578	347,529	1,237,578	347,529
AASB 101.85	Other capital income	5	481,183	127,690	488,800	127,690
	Total capital revenue		1,718,761	475,219	1,726,378	475,219
	Total income		16,727,333	13,201,978	15,086,224	11,860,478
AASB 101.85 & 99	**Expenses**					
	Recurrent expenses					
	Employee benefits	6	(5,879,043)	(5,194,161)	(4,628,499)	(4,294,161)
	Materials and services	7	(5,305,461)	(4,206,662)	(4,985,460)	(3,896,663)
AASB 101.82(b)	Finance costs	8	(848,539)	(1,039,951)	(848,539)	(1,039,951)
AASB 116.48	Depreciation and amortisation	9	(3,761,073)	(3,994,983)	(3,725,712)	(3,961,631)
			(15,794,116)	(14,435,757)	(14,188,210)	(13,192,406)
	Capital expenses	10	(2,374,723)	(348,348)	(2,374,723)	(348,348)
	Total expenses		(18,168,839)	(14,784,105)	(16,562,933)	(13,540,754)
AASB 101.81A(a)	**Net result**		(1,441,506)	(1,582,127)	(1,476,709)	(1,680,276)
	Other comprehensive income					
AASB 101.82A(a)	**Items that will not be reclassified to net result**					
AASB 101.7 AASB 116. Aus 39.1, Aus 40.1	Increase / (decrease) in asset revaluation surplus	25	2,270,683	120,682	2,186,955	47,694
AASB 101.82A	Share of Comprehensive Income of associates		-	-	-	-
AASB 101.82A(b)	**Items that may be subsequently reclassified to net result**					
AASB 101.7 & AASB 101.94	Available-for-sale-financial assets		-	-	-	-
	Current year gains/ (losses)					
	Reclassification to net result		-	-	-	-
AASB 101.7	Cash flow hedging					
	Current year gains/ (losses)		-	-	-	-
AASB101.94	Reclassification to net result		-	-	-	-
AASB 101.81A(b)	**Total other comprehensive income for the year**		2,270,683	120,682	2,186,955	47,694
AASB 101.81A(c)	**Total comprehensive income for the year**		829,177	(1,461,445)	710,246	(1,632,582)

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

Source Reference	
AASB 101.10(b), 81A - 105	**Tropical Council** **Statement of Comprehensive Income** For the year ended 30 June 2019
Not mandatory	**Distinction between capital and recurrent** The Statement of Comprehensive Income includes separate categories for capital and recurrent income and expenses. The concept of recurrent (or operating) versus capital has been used by many councils in the Queensland local government sector in the past. However it is not required by local government legislation or Australian Accounting Standards.
Financial Management (sustainability) Guideline 2013	A separation between capital and recurrent revenue and expenditure is suggested to assist in calculating the operating surplus ratio as described in the Financial Management (Sustainability) Guideline 2013. This Guideline is published by the Department of Local Government, Racing and Multicultural Affairs.
	Disclosure of gains and losses on disposal of assets
AASB Framework.78 & 80	The AASB Framework document (para 78 and 80) says that losses, including those arising on the disposal of non-current assets, form part of expenses and should be disclosed as such. Therefore if council's net "gain/loss on disposal" is a loss, then this should be disclosed under Expenses.
AASB Framework.74 -77	Where the net gain / loss on disposal is a gain, this amount should be reported in Income as a gain (separate to revenue).
AASB 101	**Requirements of AASB 101** Below are relevant extracts from AASB 101 with respect to the Statement of Comprehensive Income.
AASB 101.10	10 A complete set of financial statements comprises: (a) a Statement of Financial Position as at the end of the period (b) a Statement of Profit or Loss and Other Comprehensive Income for the period (c) a Statement of Changes in Equity for the period (d) a Statement of Cash Flows for the period (e) notes, comprising a summary of significant accounting policies and other explanatory information (ea) comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and (f) a Statement of Financial Position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements. An entity may use titles for the statements other than those used in this Standard, For example, an entity may use the title "statement of comprehensive income" instead of "statement of profit or loss and other comprehensive income"
AASB 101.10A	An entity may present a single statement of profit or loss and other comprehensive income, with profit or loss and other comprehensive income presented in two sections. The sections shall be presented together, with the profit or loss section presented first followed directly by the other comprehensive income section. An entity may present the profit or loss section in a separate statement of profit or loss. If so, the separate statement of profit or loss shall immediately precede the statement presenting comprehensive income, which shall begin with profit or loss.
AASB 101.82	In addition to items required by other Australian Accounting Standards, the profit or loss section or the statement of profit or loss shall include line items that present the following amounts for the period: (a) revenue, presenting separately interest revenue (aa) gains and losses arising from the derecognition of financial assets measured at amortised cost; (b) finance costs (ba) impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of AASB 9; NOTE: In this set of financial statements impairment losses are not marerial and have not been disclosed separately. (c) share of the profit or loss of associates and joint ventures accounted for using the equity method (ca) if a financial asset is reclassified out of the amortised cost measurement category so that it is measured at fair value through profit or loss, any gain or loss arising from a difference between the previous amortised cost of the financial asset and its fair value at the reclassification date (as defined in AASB 9); (cb) if a financial asset is reclassified out of the fair value through other comprehensive income measurement category so that it is measured at fair value through profit or loss, any cumulative gain or loss previously recognised in other comprehensive income that is reclassified to profit or loss; (d) tax expense (ea) a single amount for the total of discontinued operations (see AASB 5).

Source Reference	**Tropical Council**
AASB 101.10(b), 81A - 105	**Statement of Comprehensive Income**
	For the year ended 30 June 2019

AASB 101.81B

81B An entity shall present the following items, in addition to the profit or loss and other comprehensive income sections, as an allocation of profit or loss and other comprehensive income for the period:

(a) profit or loss for the period attributable to:
  (i) non-controlling interests; and
  (ii) owners of the parent; and
(b) Comprehensive Income for the period attributable to:
  (i) non controlling interests; and
  (ii) owners of the parent.

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

AASB 101.92

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

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

AASB 101.97

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

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

Capital Revenue and Capital Expenses

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

Source Reference	**Tropical Council**							
AASB 101.10(a) & 54 - 80A	**Statement of Financial Position**							
	as at 30 June 2019							
				Consolidated			**Council**	
			2019	**2018**	**1 July 2017 ***	**2019**	**2018**	**1 July 2017 ***
		Note	**$**	**$**	**$**	**$**	**$**	**$**
	Current assets							
AASB 101.54(i)	Cash and cash equivalents	11	6,185,156	4,276,522	4,131,951	5,810,330	3,934,878	3,862,951
AASB 101.54(h)	Receivables	12, 36(a)	1,367,851	861,247	1,018,744	1,412,995	906,391	1,147,444
AASB 101.54(g)	Inventories	13	233,957	450,006	452,000	233,957	450,006	452,000
AASB 101.54(d)	Other financial assets	14	20,090	-	-	20,090	-	-
			7,807,054	5,587,775	5,602,695	7,477,372	5,291,275	5,462,395
AASB 5. 38 & 40	Non-current assets held for sale	15	90,000	-	-	90,000	-	-
	Total current assets		7,897,054	5,587,775	5,602,695	7,567,372	5,291,275	5,462,395
	Non-current assets							
AASB 101.54(h)	Receivables	12	150,000	150,000	183,780	870,000	915,000	910,050
AASB 101.54(d)	Other financial assets	14	512,991	-	-	512,991	-	-
AASB 101.54(e)	Investments	16	1,015,715	972,849	955,000	2,095,715	2,052,849	2,035,000
AASB 101.54(b)	Investment property	17	490,400	420,000	420,000	490,400	420,000	420,000
AASB 101.54(a)	Property, plant and equipment	18	74,048,232	78,305,851	80,031,191	71,991,446	76,289,815	78,068,791
AASB 101.54(c)	Intangible assets	19	21,000	24,000	27,000	21,000	24,000	27,000
	Total non-current assets		76,238,337	79,872,700	81,616,971	75,981,551	79,701,664	81,460,841
	Total assets		84,135,391	85,460,475	87,219,666	83,548,923	84,992,939	86,923,236
	Current liabilities							
AASB 101.54(k)	Payables	20	928,769	1,302,827	1,182,136	928,769	1,302,828	1,182,106
AASB 101.54(m)	Borrowings	21	2,715,347	1,025,803	1,072,716	2,715,347	1,025,803	1,072,716
AASB 101.54(l)	Provisions	23	183,409	38,000	28,000	183,409	38,000	28,000
	Other liabilities	24	805,833	3,185	-	805,833	3,185	-
	Total current liabilities		4,633,358	2,369,815	2,282,852	4,633,358	2,369,816	2,282,822
	Non-current liabilities							
AASB 101.54(k)	Payables	20	-	-	-	-	-	-
AASB 101.54(m)	Borrowings	21	7,437,054	11,411,917	11,919,957	7,437,054	11,411,917	11,919,957
AASB 101.54(l)	Provisions	23	1,376,377	1,814,460	1,691,129	1,376,377	1,814,460	1,691,129
	Total non-current liabilities		8,813,431	13,226,377	13,611,086	8,813,431	13,226,377	13,611,086
	Total liabilities		13,446,789	15,596,192	15,893,938	13,446,789	15,596,193	15,893,908
	Net community assets		70,688,602	69,864,283	71,325,728	70,102,134	69,396,746	71,029,328
	Community equity							
	Asset revaluation surplus	25	5,804,509	3,533,826	3,413,144	5,565,793	3,378,838	3,331,144
	Retained surplus/(deficiency)	26	64,884,094	66,330,457	67,912,584	64,536,342	66,017,908	67,698,184
	Total community equity		70,688,603	69,864,283	71,325,728	70,102,135	69,396,746	71,029,328

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

* Council has made a retrospective restatement as a consequence of a correction of an error and therefore, in accordance with AASB 101 has presented a Statement of Financial Position as at the beginning of the comparative period i.e. as at 1 July 2017. Details are disclosed in Note 18 and 33.

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

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

Source Reference	
AASB 101.10(a) & 54 - 80A	

Tropical Council
Statement of Financial Position
as at 30 June 2019

	Consolidated			Council		
Note	2019 $	2018 $	1 July 2017 * $	2019 $	2018 $	1 July 2017 * $

AASB 101

Requirements of AASB 101

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

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

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

AASB 101.40B

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

(a) the end of the current period;
(b) the end of the preceding period; and
(c) the beginning of the preceding period.
In the example above the Statement of Financial Position as at 30 June 2017 has been represented.

The third Statement of Financial Position (i.e. as at 1 July 2017) should ONLY be used if council has applied an accounting policy retrospectively or has made a retrospective restatement of items in its financial statements or has reclassified items in its financial statements.

Source Reference					
	Tropical Council				
AASB 101.106 - 110	**Statement of Changes in Equity** **For the year ended 30 June 2019**				
	Consolidated	**Note**	**Asset revaluation surplus**	**Retained surplus**	**Total**
			25	26	
			$	**$**	**$**
	Balance as at 1 July 2018		3,533,826	66,330,457	69,864,283
AASB 108.28(f)	Adjustment on intial application of AASB 9	1.C, 36(a)	-	(4,857)	(4,857)
	Net result		-	(1,441,506)	(1,441,506)
	Other comprehensive income for the year				
	Increase / (decrease) in asset revaluation surplus		2,270,683	-	2,270,683
	Available-for-sale-financial assets				
	Current year gains/ (losses)		-	-	-
	Reclassification to profit or loss		-	-	-
	Cash flow hedging				
	Current year gains/ (losses)		-	-	-
	Reclassification to profit or loss		-	-	-
	Share of comprehensive income of associates		-	-	-
AASB 101.106 (a)	**Total comprehensive income for the year**		2,270,683	(1,446,363)	824,320
	Balance as at 30 June 2019		5,804,509	64,884,094	70,688,603
	Balance as at 1 July 2017		3,413,144	66,608,805	70,021,949
AASB 101.110	Effect of correction of error	33	-	1,303,779	1,303,779
	Restated balances		3,413,144	67,912,584	71,325,728
	Net result		-	(1,582,127)	(1,582,127)
	Other comprehensive income for the year				
	Increase / (decrease) in asset revaluation surplus		120,682	-	120,682
	Available-for-sale-financial assets				
	Current year gains/ (losses)		-	-	-
	Reclassification to profit or loss		-	-	-
	Cash flow hedging				
	Current year gains/ (losses)		-	-	-
	Reclassification to profit or loss		-	-	-
	Share of comprehensive income of associates		-	-	-
AASB 101.106 (a)	**Total comprehensive income for the year**		120,682	(1,582,127)	(1,461,445)
	Balance as at 30 June 2018		3,533,826	66,330,457	69,864,283

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

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

Source Reference	**Tropical Council**				
AASB 101.106 - 110	**Statement of Changes in Equity** For the year ended 30 June 2019				
	Council		**Asset revaluation surplus**	**Retained Surplus**	**Total**
		Note	25	26	
			$	**$**	**$**
	Balance as at 1 July 2018		3,378,838	66,017,908	69,396,746
AASB 108.28(f)	Adjustment on intial application of AASB 9	1.C, 36(a)	-	(4,857)	(4,857)
	Net operating surplus		-	(1,476,709)	(1,476,709)
	Other comprehensive income for the year				
	Increase / (decrease) in asset revaluation surplus		2,186,955	-	2,186,955
	Available-for-sale-financial assets				
	Current year gains/ (losses)		-	-	-
	Reclassification to profit or loss		-	-	-
	Cash flow hedging				
	Current year gains/ (losses)		-	-	-
	Reclassification to profit or loss		-	-	-
	Share of comprehensive income of associates		-	-	-
AASB 101.106 (a)	**Total comprehensive income for the year**		2,186,955	(1,481,566)	705,389
	Balance as at 30 June 2019		5,565,793	64,536,342	70,102,135
	Balance as at 1 July 2017		3,331,144	66,394,405	69,725,549
AASB 101.110	Effect of correction of error	33	-	1,303,779	1,303,779
	Restated balances		3,331,144	67,698,184	71,029,328
	Net operating surplus		-	(1,680,276)	(1,680,276)
	Other comprehensive income for the year				
	Increase / (decrease) in asset revaluation surplus		47,694	-	47,694
	Available-for-sale-financial assets				
	Current year gains/ (losses)		-	-	-
	Reclassification to profit or loss		-	-	-
	Cash flow hedging				
	Current year gains/ (losses)		-	-	-
	Reclassification to profit or loss		-	-	-
	Share of comprehensive income of associates		-	-	-
AASB 101.106 (a)	**Total comprehensive income for the year**		47,694	(1,680,276)	(1,632,582)
	Balance as at 30 June 2018		3,378,838	66,017,908	69,396,746

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

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

AASB 101 **Requirements of AASB 101**

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

AASB 101.106 106 An entity shall present a Statement of Changes in Equity as required by paragraph 10. The statement of changes in equity includes the following information

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

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

(c) [Deleted by the IASB]

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

(i) profit or loss;

(ii) other comprehensive income; and

(iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

AASB 101.110 110 AASB 108 requires retrospective adjustments to effect changes in accounting policies, to the extent practicable, except when the transition provisions in another Australian Accounting Standard require otherwise. AASB 108 also requires restatements to correct errors to be made retrospectively, to the extent practicable. Retrospective adjustments and retrospective restatements are not changes in equity but they are adjustments to the opening balance of retained earnings, except when an Australian Accounting Standard requires retrospective adjustment of another component of equity. Paragraph 106(b) requires disclosure in the Statement of Changes in Equity of the total adjustment to each component of equity resulting, from changes in accounting policies and separately, from corrections of errors. These adjustments are disclosed for each prior period and the beginning of the period.

Source Reference						
AASB 101.111	**Tropical Council**					
	Statement of Cash Flows					
AASB 107	**For the year ended 30 June 2019**					
			Consolidated		**Council**	
		Note	**2019**	**2018**	**2019**	**2018**
			$	**$**	**$**	**$**
AASB107.10	**Cash flows from operating activities**					
AASB107.14	Receipts from customers		10,868,133	11,437,879	9,170,807	8,571,881
AASB107.14	Payments to suppliers and employees		(10,921,404)	(9,866,862)	(9,453,534)	(7,336,008)
			(53,271)	1,571,017	(282,727)	1,235,873
AASB107.31	Dividend received		-	-	102,674	107,200
AASB107.31	Interest received		301,446	285,595	350,046	336,895
	Rental income		10,400	10,400	10,400	10,400
	Non capital grants and contributions		3,230,845	1,523,121	3,230,845	1,523,121
	Income from investments		11,420	7,150	11,420	7,150
	Borrowing costs		(733,480)	(942,888)	(733,480)	(942,888)
	Net cash inflow (outflow) from operating activities	31	2,767,360	2,454,395	2,689,178	2,277,751
AASB107.10	**Cash flows from investing activities**					
AASB107.16	Payments for property, plant and equipment		(1,797,214)	(2,519,972)	(1,797,214)	(2,505,972)
	Payments for intangible assets		-	-	-	-
AASB107.16	Net movement in loans and advances		-	-	45,000	90,000
AASB107.16	Proceeds from sale of property plant and equipment		2,041,093	187,487	2,041,093	187,487
	Finance lease receipts		4,900	-	4,900	-
	Grants, subsidies, contributions and donations		1,177,814	347,529	1,177,814	347,529
	Net cash inflow (outflow) from investing activities		1,426,593	(1,984,956)	1,471,593	(1,880,956)
AASB107.10	**Cash flows from financing activities**					
AASB107.17	Proceeds from borrowings		-	629,153	-	629,153
AASB107.17	Repayment of borrowings		(2,268,098)	(937,555)	(2,268,098)	(937,555)
AASB107.17	Repayments made on finance leases		(17,221)	(16,466)	(17,221)	(16,466)
	Net cash inflow (outflow) from financing activities		(2,285,319)	(324,868)	(2,285,319)	(324,868)
	Net increase (decrease) in cash and cash equivalent held		1,908,634	144,571	1,875,452	71,927
	Cash and cash equivalents at the beginning of the financial year		4,276,522	4,131,951	3,934,878	3,862,951
	Cash and cash equivalents at end of the financial year	11	6,185,156	4,276,522	5,810,330	3,934,878

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

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

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

Source Reference

Tropical Council

Notes to the financial statements

For the year ended 30 June 2019

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

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. <u>This is the case even if the Australian Accounting Standard contains a list of specific requirements or describes them as minimum requirements.</u>"

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

1.A Basis of preparation

AASB 101.138(a) — 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 2018 to 30 June 2019. 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 — They comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS). Therefore in some instances these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation gains and losses within a class of assets and the timing of recognition of non-reciprocal grant revenue.

AASB 101.117 (a), .118 — These financial statements have been prepared under the historical cost convention except where stated.

AASB 101.51(b)

1.B Basis of consolidation

Council and its controlled entities together form the economic entity which is referred to in these financial statements as 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 16.

Information about controlled entities that have not been consolidated, because they are not considered material, is included in Note 38.

Source Reference

Tropical Council

Notes to the financial statements

For the year ended 30 June 2019

AASB 108.28-31

1.C New and revised Accounting Standards

When preparing this note, councils should review new and amended AASB Standards and Interpretations that apply to 2018-19 to consider their relevance and impact. The illustrative note below should be amended to suit each Council.

This year Council has applied AASB 9 *Financial Instruments* for the first time. AASB 9 replaces AASB 139 and relates to the recognition, classification and measurement of financial assets and financial liabilities. Implementing AASB 9 has resulted in a change to the way council calculates impairment provisions, which are now based on expected credit losses instead of incurred credit losses.

Council has not restated comparative figures. This means the new impairment rules are reflected in the receivables balance at 30 June 2019, but not 30 June 2018.

AASB 108.19

AASB 9 must be applied retrospectively but does not require the restatement of comparative figures.

AASB 7.42I, 7.42L, 7.42M

On 1 July 2018 (the date of initial application), council re-assessed the classification, measurement category and carrying amount of each financial instrument (listed below) in accordance with AASB 9. There were some changes to classification, but this did not result in changes to measurement categories(listed below). Carrying amounts were also unchanged, except for receivables which decreased by $4,857 due to an increase in impairment under the new rules. A corresponding adjustment was made to retained earnings as at 1 July 2018.

Financial asset/liability	Measurement category (unchanged)
Cash and cash equivalents	Amortised cost
Receivables	Amortised cost
Other financial assets	Amortised cost
Borrowings	Amortised cost

Note the information in this disclosure is not material but has been included to illustrate some of the disclosure requirements of AASB 7, upon initial adoption of AASB 9. In particular, the standard requires disclosure of the measurement category and carrying amount for each class of financial assets and financial liabilities under AASB 139 and AASB 9. There are also further disclosure requirements where there has been a change in classification - See AASB 7.42I - 42S.

Source Reference

Tropical Council

Notes to the financial statements

For the year ended 30 June 2019

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

(a) the title of the Australian Accounting Standard;

(b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;

(c) the nature of the change in accounting policy;

(d) when applicable, a description of the transitional provisions;

(e) when applicable, the transitional provisions that might have an effect on future periods;

(f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected; and

(g) the amount of the adjustment relating to periods before those presented, to the extent practicable

Where council has not adopted accounting standards, because they are not effective yet, AASB 108.30 requires this fact to be disclosed. In addition "*known or reasonably estimable information relevant to assessing the possible impact that application of the new Australian Accounting Standard will have on the entity's financial statements in the period of initial application*" is required. In these 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

Some Australian Accounting Standards and Interpretations have been issued but are not yet effective. Those standards have not been applied in these financial statements. Council will implement them when they are effective. The standards that are expected to have a material impact upon council's future financial statements are:

Standard and impact	**Date council will apply the standard**
AASB 15 Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities	
AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-to-profit (NFP) entities, in conjunction with AASB 15, and AASB 2016-8. These Standards supersede the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 *Contributions.*	1 July 2019
Identifiable impacts at the date of this report are:	
Some grants received by the Council will be recognised as a liability, and subsequently recognised progressively as revenue as the Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.	
Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants from the Federal Government and State Government for which there are no sufficiently specific performance obligations these are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.	
Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of the Council's goods and services such that some revenue may need to be deferred to a later reporting period to the extent that the Council has received payment but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime).	
Prepaid rates will not be recognised as revenue until the relevant rating period starts. Until that time these receipts will be recognised as a liability (unearned revenue). There will be no impact upon the recognition of other fees and charges.	

Source Reference

Tropical Council

Notes to the financial statements

For the year ended 30 June 2019

NOTE: These standards may affect the timing of the recognition of some grants and donations. If your council identifies such a change, and it is material, the impact will need to be described here. The timing of the recognition of Financial Assistance Grants will not be affected.

Based on Councils assessment, if Council had adopted the new standards in the current financial year it would have had the following impacts:

- Revenue decrease of $553,403 due to deferral of grant funding, pre-paid rates, and other sales related revenue (based on the facts available to Council at the date of assessment).
- there would be an equal reduction in the reported equity as the reduced revenue will require an increase in recognition of contract liabilities, and statutory receivables.
- net result would be lower on initial application as a result of decreased revenue.

A range of new disclosures will also be required by the new standards in respect of the department's revenue.

Transition method

The Council intends to apply AASB 15, AASB 1058 and AASB 2016-8 initially on 1 July 2019, using the modified retrospective approach. The recognition and measurement principles of the standards will be retrospectively applied for the current year and prior year comparatives as though the standards had always applied, consistent with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The Council intends to apply the practical expedients available for the full retrospective method. Where revenue has been recognised in full under AASB 1004, prior to 1 July 2019, but where AASB 1058 would have required income to be recognised beyond that date, no adjustment is required. Further, Council is not required to restate income for completed contracts that start and complete within a financial year. This means where income under AASB 1004 was recognised in the comparative financial year (i.e. 2018/19), these also do not require restatement.

Council's are required to conduct their own analysis over their specific revenue and any deferrals that may be required to be accounted for.

<u>AASB 16 *Leases*</u>

The Council has assessed the impacts of the new standard that initial application of AASB 16 will have on its consolidated financial statements, however, the actual impacts may differ as the new accounting policies are subject to change until the Council presents its first financial statements that include the date of initial application. 1 July 2019

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

Leases in which the Council is a lessee

The Council will recognise new assets and liabilities for its operating leases of motor vehicles (see Note 27). The nature of expenses related to those leases will now change because the Council will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Council has recognised an operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Council has elected not to recognise IT leases under the AASB 16 as they have been assessed as being low-value assets under the standard.

No significant impact is expected for the Council's finance leases.

Based on Councils assessment, it is expected that the first-time adoption of AASB 16 for the year ending 30 June 2020 will have the following impacts:

- lease assets and financial liabilities on the balance sheet will increase by $121,120 and $134,503 respectively (based on the facts available to Council at the date of assessment).
- there will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities.
- net result will be lower on initial application as depreciation and the lease liability interest will be initially higher than operating lease expenses previously recorded.

Source Reference

Leases in which the Group is a lessor

No significant impact is expected for other leases in which the Council is a lessor (see Note 30).

Peppercorn Leases

Council is the leasee of a number of Deed of Grant in Trust leases, for which no or little lease payments are made. These have been identified as peppercorn leases which are currently not recognised in Council's financial statements. Council does not intend to elect not to apply the fair value measurement requirements to these leases until such time as this requirement is mandated.

Transition method

The Council intends to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The Council intends to apply the practical expedient for the definition of a lease on transition. This means that it will apply AASB 16 on transition only to contracts that were previously identified as leases applying AASB 117 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

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

Councils do not need to include this complete list in the notes to the financial statements. It is provided to assist in deciding which are likely to have a material impact. The list was compiled during November 2018 and Councils will also need to consider any new or amended standards that are issued after this date but prior to completion of the audit of the statements.

	Effective for NFP annual report periods beginning on or after:
AASB 15 *Revenue from Contracts with Customers*	1 January 2019
AASB 16 *Leases*	1 January 2019
AASB 16 *Leases (Appendix D)*	1 January 2019
AASB 17 *Insurance Contracts*	1 January 2021
AASB 17 *Insurance Contracts (Appendix D)*	1 January 2021
AASB 1058 *Income of Not-for-Profit Entities*	1 January 2019
AASB 1058 *Income of Not-for-Profit Entities (Appendix D)*	1 January 2019
AASB 1059 *Service Concession Arrangements: Grantors*	1 January 2019
AASB 1059 *Service Concession Arrangements: Grantors (Appendix D)*	1 January 2019
AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*	1 January 2019
AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*	1 January 2019
AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*	1 January 2019
AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*	1 January 2019
AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*	1 January 2019
AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle*	1 January 2019
AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement*	1 January 2019
AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements*	1 January 2019
AASB 2018-4 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors*	1 January 2019
AASB 2018-5 *Amendments to Australian Accounting Standards - Deferral of AASB 1059*	1 January 2019

Source Reference	

Tropical Council

Notes to the financial statements

For the year ended 30 June 2019

AASB 101.122-133

1.D Estimates and judgements

Where necessary judgements, estimates and assumptions have been used in preparing these financial statements.

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

Investment Property (Note 17)

Valuation and depreciation of property, plant and equipment (Note 18)

Impairment of property, plant and equipment (Note 10)

Provisions (Note 23)

Valuation of finance leases (Note 22)

Contingent liabilities (Note 28)

Financial instruments and financial liabilities (note 36)

AASB 101.51(e)

1.E Rounding and comparatives

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

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

(a) the nature of the reclassification;

(b) the amount of each item or class of items that is reclassified; and

(c) the reason for the reclassification.

AASB 101.51(d) The financial statements are in Australian dollars that have been rounded to the nearest $1, except for note 38: controlled entities.

AASB 101.41 Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

AASB 101.117

1.F Taxation

The income of local government and public authorities 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.

Source Reference

Tropical Council

Notes to the financial statements

For the year ended 30 June 2019

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

2. Analysis of Results by Function

AASB 1052

2(a) Components of council functions

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

Corporate governance

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

Finance and information

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

Community services

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

This function includes:

- Libraries
- Entertainment venues
- Public health services including vaccination clinics
- Environmental licences and approvals.

Planning and development

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

Transport infrastructure

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

Waste management

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

Water infrastructure

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

Sewerage infrastructure

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

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

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

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Year ended 30 June 2018

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	9,321,634
Community services		198,590			-	198,590	(1,306,682)	-	38,000	(1,268,682)	(1,108,092)	(1,070,092)	4,683,429
Planning & development		255,076		-	-	255,076	(382,371)	-	5,400	(376,971)	(127,295)	(121,895)	101
Transport infrastructure		2,464,532	250,000	51,619	(914,548)	1,851,603	(6,586,623)	-	664,000	(5,922,623)	(4,122,091)	(4,071,020)	48,119,929
Waste management		779,386		-	-	779,386	(734,899)	-	75,500	(659,399)	44,487	119,987	111,989
Water infrastructure		1,687,492	80,099	62,901	(1,500)	1,828,992	(1,715,925)	-	79,900	(1,636,025)	(28,433)	192,967	19,181,206
Sewerage infrastructure		522,985		6,600	-	529,585	(471,816)	-	18,250	(453,566)	51,169	76,019	3,563,664
Total Council	1,501,781	10,799,526	330,099	145,120	(916,048)	11,860,478	(12,935,274)	(1,521,528)	916,048	(13,540,754)	(2,135,748)	(1,680,276)	84,989,754
Controlled entity net of eliminations		1,341,500				1,341,500	(1,295,851)	52,500		(1,243,351)	45,649	98,149	467,536
Total consolidated	1,501,781	12,141,026	330,099	145,120	(916,048)	13,201,978	(14,231,125)	(1,469,028)	916,048	(14,784,105)	(2,090,099)	(1,582,127)	85,457,290

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.

Source Reference

Tropical Council

Notes to the financial statements

For the year ended 30 June 2019

	Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $

3 Revenue

AASB 118.9 & 35(a)

Revenue is recognised at the fair value of the consideration received or receivable, at the time indicated below.

(a) Rates, levies and charges

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"

	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
General rates / Community levy *(depending on council)*	5,116,713	4,864,383	5,116,713	4,864,383
Separate rates	307,035	-	307,035	-
Water	1,357,098	1,308,700	1,357,098	1,308,700
Water consumption, rental and sundries	347,424	522,889	347,424	522,889
Sewerage	521,984	500,416	521,984	500,416
Sewerage trade waste	51,181	15,520	51,181	15,520
Waste management	-	294,972	-	294,972
Garbage charges	503,308	478,376	503,308	478,376
Total rates and utility charge revenue	8,204,743	7,985,256	8,204,743	7,985,256
Less: Discounts	(662,061)	(616,280)	(662,061)	(616,280)
Less: Pensioner remissions	(61,056)	(65,939)	(61,056)	(65,939)
	7,481,626	7,303,037	7,481,626	7,303,037

(b) Fees and charges

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.

	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
Retirement home fees	1,800,000	1,500,000	-	-
Building and development fees	273,330	321,000	273,330	321,000
Infringements	29,456	38,452	29,456	38,452
Licences and registrations	67,561	68,752	67,561	68,752
Bank and post office commissions	39,741	38,000	39,741	38,000
Airport landing fees	69,451	68,451	69,451	68,451
Other fees and charges	21,654	29,666	21,654	29,666
	2,301,193	2,064,321	501,193	564,321

(c) Rental income

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

AASB 140.75(f)

	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
Investment property rental	7,400	7,400	7,400	7,400
Other rental income	3,000	3,000	3,000	3,000
	10,400	10,400	10,400	10,400

AASB 118.35(b)

(d) Interest received

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

	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
Interest received from term deposits	266,793	232,785	266,793	232,785
Other sources	-	-	48,600	51,300
Interest from overdue rates and utility charges	34,653	52,810	34,653	52,810
	301,446	285,595	350,046	336,895

AASB 118.35(b)

(e) Sales revenue

AASB 118.4

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

AASB 111.39(b) & (c), AASB 111.40

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 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.

AASB 118.35(b)
AASB 111.39(a)

	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
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
	526,737	425,816	526,737	425,816

AASB 118.35(b)

	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
Sale of goods				
Nursery	50,540	43,278	50,540	43,278
Post office	23,458	22,652	23,458	22,652
Service station	39,265	38,254	39,265	38,254
	113,263	104,184	113,263	104,184
Total sales revenue	640,000	530,000	640,000	530,000

Source Reference		Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
	(f) Other income					
	Dividends are recognised when they are declared.					
AASB 118.35(b)	Dividend		-	-	102,674	107,200
ATSI Councils - 40 year lease	Gain on revaluation of finance leases	14	16,787	-	16,787	-
	Other income		971,989	973,714	971,989	973,714
			988,776	973,714	1,091,450	1,080,914

Source Reference	**Tropical Council**

Notes to the financial statements
For the year ended 30 June 2019

AASB 1004.12, 18(a)

4 Grants, subsidies, contributions and donations

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

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

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

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

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

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

AASB 1004 requires contributions to be:
- recognised as income in the period received, subject to the recognition criteria being met, and
- shown on the Statement of Financial Position as a liability only in the event of an obligation arising to return all or part of the contribution to the transferor thereby giving rise to a liability. In these instances, the liability would be recognised as a payable taken up against expenses, rather than as unearned revenue against income.

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

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

Grants, subsidies, 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.

AASB Interpretation 18, AASB 118

Physical assets contributed to Council by developers in the form of road works, stormwater, water and wastewater infrastructure and park equipment are recognised as revenue when the development becomes "on maintenance" (i.e. the Council obtains control of the assets and becomes liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets. 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 not within the scope of AASB Interpretation 18 because there is no performance obligation associated with them. Consequently, the infrastructure charges are recognised as income when received.

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

	Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
(a) Recurrent					
General purpose grants		833,040	830,094	833,040	830,094
State government subsidies and grants		1,150,987	336,789	1,150,987	336,789
Commonwealth government subsidies and grants		1,225,000	334,898	1,225,000	334,898
Donations		996	-	996	-
Contributions		20,822	21,340	20,822	21,340
		3,230,845	1,523,121	3,230,845	1,523,121

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.

(b) 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.

Source Reference		Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
	State government subsidies and grants	487,342	330,099	487,342	330,099
	Contributions	692,972	18,480	692,972	18,480
ATSI Councils - 40 year lease	Contributions - finance lease assets recognised in respect of newly built houses	59,764	-	59,764	-
	Total capital grants, subsidies, contributions and donations	1,240,078	348,579	1,240,078	348,579
Not mandatory	Less: discount allowed developer contributions	2,500	1,050	2,500	1,050
		1,237,578	347,529	1,237,578	347,529

Not mandatory

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

Source Reference	**Tropical Council**					
	Notes to the financial statements					
	For the year ended 30 June 2019					
			Consolidated		**Council**	
			2019	**2018**	**2019**	**2018**
		Note	**$**	**$**	**$**	**$**
AASB 1004.60 & 61	**(c) Conditions over contributions**					
	AASB 1004 defines contributions as "non-reciprocal transfers to the entity". A "non-reciprocal transfer" is defined in AASB 1004 as "a transfer in which the entity receives assets or services or has liabilities extinguished without directly giving approximately equal value in exchange to the other party or parties to the transfer." Therefore, in relation to grants, only non-reciprocal grants will be disclosed in the following notes.					
	The requirement to separately disclose grants for services versus grants for capital purposes (i.e. infrastructure) is not mandated in local government legislation or Australian Accounting Standards. However, this breakdown will significantly assist Council in preparing their Financial Sustainability Statements.					
AASB 1004.60(a),(b) &	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:					
	Non-reciprocal grants for expenditure on services *(if applicable)*		-	-	-	-
	Non-reciprocal grants for expenditure on infrastructure *(if applicable)*		-	10,750	-	10,750
			-	10,750	-	10,750
AASB 1004.60(e)	Contributions recognised as income during a previous reporting period that were obtained in respect of the current reporting period:					
	Non-reciprocal grants for expenditure on services *(if applicable)*		-	-	-	-
	Non-reciprocal grants for expenditure on infrastructure *(if applicable)*		-	4,843	-	4,843
			-	4,843	-	4,843
	5 Capital income					
AASB Framework.78 & 80 and AASB 101.34	**Gain / loss on disposal of non-current assets**					
	Proceeds from the sale of property, plant and equipment		1,885,093	187,487	1,885,093	187,487
	Less: Carrying value of property, plant and equipment disposed	18	(1,825,172)	(59,797)	(1,825,172)	(59,797)
			59,921	127,690	59,921	127,690
	Proceeds from sale of land and improvements		156,000	-	156,000	-
	Less: Carrying value of land sold	18	(113,200)	-	(113,200)	-
			42,800	-	42,800	-
	Provision for restoration of land	23				
	Discount rate adjustment to refuse restoration provision		8,248	-	8,248	-
			8,248	-	8,248	-
AASB 116 AUS 39.1 & 40.1	**Revaluations**					
	Revaluation up of property, plant and equipment reversing previous revaluation down	18	314,214	-	321,831	-
	Revaluation up of investment property	17	56,000	-	56,000	-
			370,214	-	377,831	-
	Total capital income		481,183	127,690	488,800	127,690

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

Source Reference		Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
	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
			5,851,832	5,415,399	4,601,288	4,515,399
	Other employee related expenses		196,420	177,045	196,420	177,045
			6,048,252	5,592,444	4,797,708	4,692,444
	Less: Capitalised employee expenses		(169,209)	(398,283)	(169,209)	(398,283)
			5,879,043	5,194,161	4,628,499	4,294,161

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

		2018	2017	2018	2017
	Total Council employees at the reporting date:				
	Elected members	7	7	7	7
	Administration staff	35	31	14	14
	Depot and outdoors staff	44	44	44	44
	Total full time equivalent employees	86	82	65	65

7 Materials and services

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

Source Reference		Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
	Advertising and marketing		239,862	118,240	209,862	118,240
	Administration supplies and consumables		581,723	441,258	530,712	398,140
AASB 1054.10	Audit of annual financial statements by the Auditor-General of Queensland *		22,015	20,769	22,015	20,769
	Communications and IT		790,167	713,177	721,049	604,231
	Consultants		243,100	121,876	243,100	121,876
	Contractors		1,102,179	884,532	1,102,179	884,532
	Donations paid		18,317	18,581	18,317	18,581
AASB 140.75(f)(ii)	Investment property expenses (property generating income)	30	5,999	5,297	5,999	5,297
AASB 140.75(f)(iii)	Investment property expenses (property not generating income)	30	1,482	1,031	1,482	1,031
	Power		302,861	278,749	282,543	258,746
	Repairs and maintenance		924,102	763,549	810,860	662,548
AASB 117.35(c)	Rentals - operating leases		51,449	51,449	51,449	51,449
	Subscriptions and registrations		193,017	241,065	193,017	241,065
	Travel		599,048	323,601	599,048	323,601
	Other materials and services		230,140	223,488	193,828	186,557
			5,305,461	4,206,662	4,985,460	3,896,663

Not mandatory | * Total audit fees quoted by the Queensland Audit Office relating to the 2018-19 financial statements are $22,500 (2018: $21,000)

8 Finance costs

Source Reference		Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
AASB 7.20	Finance costs charged by the Queensland Treasury Corporation		709,925	921,854	709,925	921,854
	Finance costs relating to other bank loans		3,276	-	3,276	-
	Bank charges		32,186	27,652	32,186	27,652
	* Impairment of debts		11,667	632	11,667	632
	Interest on finance leases		20,279	21,034	20,279	21,034
	Quarry rehabilitation		3,784	3,327	3,784	3,327
	Refuse restoration		67,422	65,452	67,422	65,452
			848,539	1,039,951	848,539	1,039,951

AASB 101.82(ba) | * Where it is material, Councils must present impairment of debts as a separate line item on the Statement of Comprehesive Income.

AASB 116.48 | **9 Depreciation and amortisation**

		Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
	Depreciation of non-current assets					
	Land improvements		849	914	849	914
	Buildings		101,875	89,029	90,626	78,213
	Major plant		146,434	127,546	146,434	127,546
	Other plant and equipment		264,952	175,445	240,840	152,909
	Road, drainage and bridge network		2,690,151	3,029,011	2,690,151	3,029,011
	Water		392,976	404,468	392,976	404,468
	Sewerage		148,259	148,259	148,259	148,259
	Other infrastructure assets		12,577	17,311	12,577	17,311
		18	3,758,073	3,991,983	3,722,712	3,958,631
	Amortisation of intangible assets					
	Software	19	3,000	3,000	3,000	3,000
	Total depreciation and amortisation		3,761,073	3,994,983	3,725,712	3,961,631

Source Reference **Tropical Council**

Notes to the financial statements

For the year ended 30 June 2019

Source Reference		Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
	10 Capital expenses					
AASB 136.126(a)	**Loss on impairment**					
	Non-current assets classified as held for sale	15	10,000	-	10,000	-
	Property, plant and equipment					
	Total impairment losses		10,000	-	10,000	-
	Impairment loss offset against asset revaluation surplus		-	-	-	-
	Impairment loss treated as expense		10,000	-	10,000	-

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

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.

Source Reference		Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
	Provision for restoration of land	23				
	Discount rate adjustment to refuse restoration provision		-	26,517	-	26,517
	Discount rate adjustment to quarry rehabilitation liability		-	7,617	-	7,617
			-	34,134	-	34,134

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

Source Reference		Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
AASB 116.40	**Revaluation decrement**					
	Revaluation down of property, plant and equipment	18	-	314,214	-	314,214
			-	314,214	-	314,214
ATSI Councils - 40 year lease	Loss on transfer of assets via finance lease					
	Book value of property, plant and equipment transferred	18	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 — **11 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
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:

Source Reference		Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
AASB 107.48	Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:				
	Unspent government grants and subsidies	-	10,750	-	10,750
	Unspent loan monies	-	262,266	-	262,266
	*Internally imposed expenditure restrictions at the reporting date:				
	Future capital works	146,000	46,000	146,000	46,000
	Future asset replacement	1,939,332	1,156,332	1,939,332	1,156,332
	Future constrained works	1,522,864	832,392	1,522,864	832,392
	Future recurrent expenditure	197,800	112,800	197,800	112,800
	Waste levy refund received in advance	450,000	-	450,000	-
	Total unspent restricted cash	4,255,996	2,420,540	4,255,996	2,420,540

* These restrictions were previously allocated as reserves

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

Cash at bank and on hand at 30 June 2019 includes $450000 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 2019-20 Levy expense.

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

Local government legislation

In accordance with the *Local Government Act 2009* and *Local Government Regulation 2012*, 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.

		Consolidated		Council	
		2019	2018	2019	2018
	Note	$	$	$	$
Trust funds held for outside parties					
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities		73,058	33,258	73,058	33,258
Security deposits		13,902	32,381	13,902	32,381
		86,960	65,639	86,960	65,639

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

		Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
Funds held in trust by outside parties					
Ove Arup		10,000	10,000	10,000	10,000
		10,000	10,000	10,000	10,000

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

	Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $

AASB 101.78(b)
AASB 139.43

12 Receivables

Receivables are amounts owed to council at year end. They are recognised at the amount due at the time of sale or service delivery. Settlement is required within 30 days after the invoice is issued.

AASB 7.21
AASB 136.59 & 63

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.

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.

AASB 139.43

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

Debtors should include GST where applicable.

Source Reference	Receivables	Consolidated 2019	Consolidated 2018	Council 2019	Council 2018
	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	245,016	623,301	245,016
AASB 139.63	Lease Receivables	6,700	675	6,700	675
	Other debtors	169,371	67,824	169,371	67,824
		1,210,980	781,209	1,211,124	781,353
AASB 101.78(b)	Less: Loss Allowance	(12,521)	(3,547)	(12,521)	(3,547)
		1,198,459	777,662	1,198,603	777,806
	Receivables (Non-Financial Instruments)				
	Water charges not yet levied	39,824	36,043	39,824	36,043
	GST recoverable	7,639	31,593	7,639	31,593
	Prepayments	121,929	15,949	121,929	15,949
		169,392	83,585	169,392	83,585
	Total Current Receivables	1,367,851	861,247	1,367,995	861,391

Refer also to Note 36

A financial instrument is defined in AASB 132, and include items such as cash, trade receivables and payables, loans, bonds, equity investments, derivatives, and others. Some items like prepayments and unearned revenue are not financial instruments because they are settled by receipt/delivery of goods or services rather than with cash or another financial asset.

In previous years Tropical Council had included Water charges not yet levied; GST Recoverable; and Prepayments as Receivables. These assets are not financial instruments subject to Expected Credit Loss provisions, they have been grouped into the category of Receivables (Non-Financial Instruments).

Loans	Consolidated 2019	Consolidated 2018	Council 2019	Council 2018
Current				
Loans and advances to controlled entities and associates	-	-	45,000	45,000
	-	-	45,000	45,000
Non-current				
Loans and advances to community organisations	150,000	150,000	150,000	150,000
Loans and advances to controlled entities and associates	-	-	720,000	765,000
	150,000	150,000	870,000	915,000
Total Current & Non-Current	1,517,851	1,011,247	2,282,995	1,821,391

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

Source Reference		Note	Consolidated 2019	Consolidated 2018	Council 2019	Council 2018
AASB 7.35H	Movement in accumulated impairment losses (other debtors) is as follows:					
	Opening balance at 1 July		3,547	1,323	3,547	1,323
AASB7.42P	Adjustment to opening balance upon application of AASB 9*	36(a)	4,857		4,857	
	Less: Impairment 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		12,521	3,547	12,521	3,547

Source Reference	Tropical Council					
	Notes to the financial statements					
	For the year ended 30 June 2019					

AASB 9	*Council applied AASB 9 for the first time this year. As a result Council has calculated the impairment of receivables in a different way for 2019, using a lifetime expected loss allowance. The opening balance of impairment , as at 1 July 2018, has been recalculated using this new methodology resulting in an opening balance adjustment. Further details of Council's expected credit loss assessment are contained in note 36.

13 Inventories

AASB 102.36(a) & Aus36.1

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

AASB 102.8 & AASB 102AUS8.1

Inventories held for distribution are:
- goods to be supplied at no or nominal, charge, and
- goods to be used for the provision of services at no or nominal, charge.
These goods are valued at cost, adjusted, when applicable, for any loss of service potential.

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

Source Reference		Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
	Inventories held for sale					
	Miscellaneous saleable items		1,000	1,500	1,000	1,500
	Supermarket stock		250	-	250	-
	Other trading stocks		250	-	250	-
			1,500	1,500	1,500	1,500
AASB 102.Aus9.1	**Inventories held for distribution**			-	450,000	
	Quarry and road materials		957	210,500	957	210,500
	Plant and equipment stores		1,500	8,006	1,500	8,006
			2,457	218,506	2,457	218,506
	Land purchased for development and sale		230,000	230,000	230,000	230,000
	Total inventories		233,957	450,006	233,957	450,006

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

14 Other financial assets

AASB 139

Other financial assets are recognised at cost, with the exception of finance leases.

AASB117.47(f)

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

AASB117.47(b)-(e)

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

	Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
Current					
Finance leases		20,090	-	20,090	-
		20,090	-	20,090	-
Non-current					
Finance leases		512,991	-	512,991	-
		512,991	-	512,991	-

AASB117.47(a)

	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
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	-
	798,578	-	798,578	-
Add: Estimated contingent rent	542,383	-	542,383	-
Less: Present value adjustment	(807,880)	-	(807,880)	-
Fair value of lease payments	533,081	-	533,081	-
The fair value of lease payments are receivable as follows:				
Not later than one year	20,090	-	20,090	-
Later than one year but not later than five years	75,246	-	75,246	-
Later than five years	437,744	-	437,744	-
	533,081	-	533,081	-
Movements in finance leases were as follows:				
Opening balance	-	-	-	-
Add: Initial recognition of new leases	521,194	-	521,194	-
Less: Lease receipts	(4,900)	-	(4,900)	-
Add: Gain on revaluation	16,787	-	16,787	-
Closing balance	533,081	-	533,081	-

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

AASB 5.30 & 41

15 Non-current assets held for sale

AASB 5

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

	Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
Council has decided to sell land previously used as a depot as it is no longer required. It has been placed with real estate agents and is expected to be sold within one year.	18	100,000	-	100,000	-
Internal transfer from land and improvements		100,000	-	100,000	-
Impairment adjustment in period	10	(10,000)	-	(10,000)	-
		90,000	-	90,000	-

AASB 136.130 (f), AASB13.93

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

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

AASB 7

		Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
	16 Investments					
AASB 127.10	Interest in controlled entity Tropical Sunset Retirement Home Pty Ltd		-	-	1,080,000	1,080,000
AASB 131.38	XYZ Events Pty Ltd (Joint venture)		1,015,715	972,849	1,015,715	972,849
			1,015,715	972,849	2,095,715	2,052,849

AASB 127.10 & AASB 7.30

The Council's investment in the controlled entity, the Tropical Sunset Retirement Home Pty Ltd , is accounted for at cost in the Council's separate financial statements. This investment is eliminated in the financial statements of the economic entity upon consolidation. The shares in the Tropical Sunset Retirement Home Pty Ltd are not traded on an active market and their fair value cannot be ascertained reliably.

AASB 12.7(a), AASB 10.IG18

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

AASB 12.10(a)(ii) &12

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

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

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

16 Investments	Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
Interest in controlled entity Tropical Sunset Retirement Home Pty Ltd		-	-	1,080,000	1,080,000
Joint venture		1,015,715	972,849	852,000	852,000
		1,015,715	972,849	1,932,000	1,932,000

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

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

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

AASB 12.21(a)

The Council has a 33.3% (2017 - 33.3%) joint venture interest in XYZ Events Pty Ltd, the principal activity of which is to provide a venue for public functions and entertainment. XYZ's principal place of business is 22 George Street, Sunnyville, Queensland. In accordance with ownership interest Council holds 33.3% voting rights in the company.

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

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

AASB 12.B12, B13 & B14

The following information has been extracted from XYZ Events Pty Ltd's financial statements which were prepared in accordance with Australian Accounting Standards. A profit distribution of $11,420 was made in this financial year (2017 $7,150).

XYZ Events Pty Ltd:	Council 2019 $	Council 2018 $
Revenue	481,769	392,105
Expenses	(318,748)	(282,282)
Profit or loss from continuing operations	163,021	109,823
Post-tax profit or loss from discontinued operations	-	-
Profit (loss) for the year	163,021	109,823
Other comprehensive income for the year	-	-
Total comprehensive income for the year	163,021	109,823

Source Reference	**Tropical Council** **Notes to the financial statements** **For the year ended 30 June 2019**					
			Consolidated		**Council**	
			2019	**2018**	**2019**	**2018**
		Note	**$**	**$**	**$**	**$**
AASB 12.B13	The above profit (loss) for the year includes:					
	Depreciation and amortisation				17,524	15,523
	interest income				20,000	21,000
	interest expense				-	-
	income tax expense				-	-
	XYZ Events Pty Ltd:					
	Current assets				498,480	315,748
	Non-current assets				2,649,492	2,673,096
	Total assets				3,147,973	2,988,844
	Current liabilities				96,147	66,090
	Non-current liabilities				1,631	1,288
	Total liabilities				97,778	67,378
	Net assets				3,050,195	2,921,465
AASB 12.B13	The above amounts include:					
	Cash and cash equivalents				12,900	7,569
	Current financial liabilities (excluding trade and other payables and provisions)				-	-
	Non-current financial liabilities (excluding trade and other payables and provisions)				-	-
AASB 12.B14(b)	The company's net assets reconcile to 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				1,015,715	972,848
	The movement in the carrying amount of the Council's investment in the joint venture is as follows:					
	Carrying amount at the beginning of the financial year				972,849	943,428
	Share of profit (loss)				54,286	36,571
	Distribution received				(11,420)	(7,150)
	Carrying amount at the end of financial year				1,015,715	972,849

Source Reference **Tropical Council**

Notes to the financial statements

For the year ended 30 June 2019

AASB 140

17 Investment property

It is a requirement of AASB 140 that investment property held at fair value is revalued each year and that the increment / decrement is taken to the Statement of Comprehensive Income in profit or loss. While Tropical shows a $0 revaluation adjustment in 2018, in practice a council must undertake a revaluation each year in order to comply with AASB 140.

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

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

AASB 140 para 5-20

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

AASB 140 para 20-56, 75(a)

Investment property is initially recognised at cost (including transaction costs) and subsequently at fair value. Where investment property is acquired at no or nominal cost it is recognised at fair value.

AASB 140 para 8(e), 53, 54

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

Investment property does not include community housing.

AASB 140.75(f)(i)

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

AASB 140 Para 35

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

AASB 140.76

	Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
Fair value at beginning of financial year		420,000	420,000	420,000	420,000
Revaluation adjustment to the income account	5	56,000	-	56,000	-
Transfer of land held for unascertained future purposes from property, plant and equipment	18	14,400	-	14,400	-
Fair value at end of financial year		490,400	420,000	490,400	420,000

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

AASB140.75 (e)

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.

AASB 13.93 (d)

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.

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

	Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $

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

AASB140.75 (e)

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 2018 ($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:

- 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%)		-$ 4,992	$ 4,992
Rental growth rate	2.5-4%(3.5%)	The higher the rental growth rate, the higher the fair value.	$ 12,523	-$ 9,750
Condition rating(remaining useful life)	new-5.5 (100%-0%)	The higher the condition rating, the lower the fair value.	-$ 2,005	$ 2,005
Residual value	$0 - $15,000	The higher the residual value the higher the fair value.	A $1,000 increase in residual value will increase fair value by $50	A $1,000 decrease in residual value will decrease fair value by $50

How we determined the fair value of land

AASB13.93

Land fair values were determined by independent valuer, J Long Valuers effective 30 June 2018. 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.

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

18 Property, plant and equipment

AASB 116.73

Consolidated - 30 June 2019

	Note	Land and improvements	Buildings	Major plant	Other plant and equipment	Road, drainage and bridge network	Water	Sewerage	Other infrastructure assets	Work in progress	Total
Basis of measurement		Fair Value	Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
Fair value category		Level 2	Levels 2 & 3	Level 2		Level 3	Level 3	Level 3	Level 3		
Asset values		$	$	$	$	$	$	$	$	$	$
Opening gross value as at 1 July 2018		4,050,985	5,722,838	2,211,181	2,254,214	78,630,365	23,086,180	7,070,212	186,203	762,102	123,974,280
Additions*		-	30,435	301,428	120,976	-	-	-	44,117	1,300,258	1,797,214
Disposals	5,10	(113,200)	(2,826,153)	(154,210)	(62,197)	-	(2,332,641)	-	-	-	(5,488,401)
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	25	110,250	42,618	-	-	1,025,511	(30,195)	-	-	-	1,148,184
Revaluation adjustment to income (capital income)	5	-	-	-	-	314,214	-	-	-	-	314,214
Assets classified as held for sale	15	(100,000)	-	-	-	-	-	-	-	-	(100,000)
Assets transferred to investment property	17	(14,400)	-	-	-	-	-	-	-	-	(14,400)
Transfers between classes			-	-	-	412,584	803,572	-	-	(1,216,156)	-
Closing gross value as at 30 June 2019		3,933,635	2,969,738	2,358,399	2,312,993	80,382,674	21,526,916	7,070,212	230,320	846,204	121,631,091
Accumulated depreciation and impairment											
Opening balance as at 1 July 2018		6,076	1,813,032	659,845	1,130,143	30,527,153	7,929,207	3,511,411	91,562	-	45,668,429
Depreciation provided in period	9	849	101,875	146,434	264,952	2,690,151	392,976	148,259	12,577	-	3,758,073
Depreciation on disposals	5	-	-	(26,107)	(85,449)	-	(612,320)	-	-	-	(723,876)
Revaluation adjustment to asset revaluation surplus	25	-	646	-	-	(1,104,603)	(15,810)	-	-	-	(1,119,767)
Impairment adjustment to asset revaluation surplus	25	-	-	-	-	-	-	-	-	-	-
Impairment adjustment to Income	10	-	-	-	-	-	-	-	-	-	-
Assets classified as held for sale	15	-	-	-	-	-	-	-	-	-	-
Assets transferred to investment property	17	-	-	-	-	-	-	-	-	-	-
Transfers between classes		-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2019		6,925	1,915,553	780,172	1,309,646	32,112,701	7,694,053	3,659,670	104,139	-	47,582,859
Consolidated book value as at 30 June 2019		3,926,710	1,054,185	1,578,227	1,003,347	48,269,973	13,832,863	3,410,542	126,181	846,204	74,048,232
Residual value		3,921,610	800,000	453,970	78,000	-	-	-	-	-	-
Range of estimated useful life in years		Land: Not depreciated. Improvements : 7 - 40	40 - 100	12	2 - 20	5 - 100	20 - 80	20 - 60	20 - 40	-	-

AASB 136.126

Current-year financial sustainability statement

* Additions comprise:

	Land and improvements	Buildings	Major plant	Other plant and equipment	Road, drainage and bridge network	Water	Sewerage	Other infrastructure assets	Work in progress	Total
	$	$	$	$	$	$	$	$	$	$
Renewals	-	-	-	-	-	-	-	-	1,002,650	1,002,650
Other additions	-	30,435	301,428	120,976	-	-	-	44,117	297,608	794,564
Total additions	-	30,435	301,428	120,976	-	-	-	44,117	1,300,258	1,797,214
	-	-	-	-	-	-	-	-	-	-

 # Note these two figures must agree

Source Reference

18 Property, plant and equipment

Tropical Council

Notes to the Financial Statements

For the year ended 30 June 2019

AASB 116.73

Consolidated - 30 June 2018	Note	Land and improvements	Buildings	Major plant	Other plant and equipment	Road, drainage and bridge	Water	Sewerage	Other infrastructure assets	Work in progress	Total
Basis of measurement		Fair Value	Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
Fair value category		Level 2	Levels 2 & 3	Level 2		Level 3	Level 3	Level 3	Level 3		
Asset values		$	$	$	$	$	$	$	$		$
Opening gross value as at 1 July 2017		3,998,485	5,607,626	1,983,254	1,888,126	77,420,964	23,065,805	7,070,212	180,955	419,543	121,634,970
Adjustment to opening value	33	-	-	-	-	1,600,023	-	-	-	-	1,600,023
Additions		-	120,888	272,500	535,028	-	-	-	5,248	1,586,308	2,519,972
Disposals	5	-	-	(183,400)	(168,940)	-	-	-	-	-	(352,340)
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	25	52,500	(5,676)	138,827	-	-	(27,296)	-	-	-	158,355
Revaluation adjustment to income (capital income)	10	-	-	-	-	(1,586,700)	-	-	-	-	(1,586,700)
Assets classified as held for sale	15	-	-	-	-	-	-	-	-	-	-
Assets transferred to investment property	17	-	-	-	-	-	-	-	-	-	-
Transfers between classes		-	-	-	-	1,196,078	47,671	-	-	(1,243,749)	-
Closing gross value as at 30 June 2018		4,050,985	5,722,838	2,211,181	2,254,214	78,630,365	23,086,180	7,070,212	186,203	762,102	123,974,280
Accumulated depreciation and impairment											
Opening balance as at 1 July 2017		5,162	1,723,691	594,976	1,142,916	28,474,384	7,529,026	3,363,152	74,251	-	42,907,558
Adjustment to opening value	33	-	-	-	-	296,244	-	-	-	-	296,244
Depreciation provided in period	9	914	89,029	127,546	175,445	3,029,011	404,468	148,259	17,311	-	3,991,983
Depreciation on disposals	5	-		(104,325)	(188,218)	-	-	-	-	-	(292,543)
Revaluation adjustment to asset revaluation surplus	25	-	312	41,648	-	-	(4,287)	-	-	-	37,673
Impairment adjustment to asset revaluation surplus (AASB 136.126)	25	-	-	-	-	-	-	-	-	-	-
Impairment adjustment to income		-	-	-	-	-	-	-	-	-	-
Revaluation adjustment to income	10	-	-	-	-	(1,272,486)	-	-	-	-	(1,272,486)
Transfers between classes		-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2018		6,076	1,813,032	659,845	1,130,143	30,527,153	7,929,207	3,511,411	91,562	-	45,668,429
Consolidated book value as at 30 June 2018		4,044,909	3,909,806	1,551,336	1,124,071	48,103,212	15,156,973	3,558,801	94,641	762,102	78,305,851
Residual value		4,015,920	800,000	452,701	850,000	23,487,016	-	-	-	-	-
Range of estimated useful life in years		Land: Not depreciated. Improvements: 7 - 40	40 - 100	12	2 - 20	5 - 100	20 - 80	20 - 60	20 - 40	-	-

Source Reference

18 Property, plant and equipment

Tropical Council
Notes to the Financial Statements
For the year ended 30 June 2019

AASB 116.73

AASB 136.126

Council - 30 June 2019	Note	Land and improvements	Buildings	Major plant	Other plant and equipment	Road, drainage and bridge network	Water	Sewerage	Other infrastructure assets	Work in progress	Total
Basis of measurement		Fair Value	Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
Fair value category		Level 2	Levels 2 & 3	Level 2		Level 3	Level 3	Level 3	Level 3		
Asset values		$	$	$	$	$	$	$	$	$	$
Opening gross value as at 1 July 2018		2,948,485	5,182,038	2,211,181	1,816,214	78,630,365	23,086,180	7,070,212	186,203	762,102	121,892,980
Additions *		-	30,435	301,428	120,976	-	-	-	44,117	1,300,258	1,797,214
Disposals	5,10	(113,200)	(2,826,153)	(154,210)	(62,197)	-	(7,332,641)	-	-	-	(10,488,401)
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	25	47,508	21,632	-	-	1,025,511	(30,195)	-	-	-	1,064,456
Revaluation adjustment to income (capital income)	5	7,617	-	-	-	314,214	-	-	-	-	321,831
Assets classified as held for sale	15	(100,000)	-	-	-	-	-	-	-	-	(100,000)
Assets transferred to investment property	17	(14,400)	-	-	-	-	-	-	-	-	(14,400)
Transfers between classes		-	-	-	-	412,584	803,572	-	-	(1,216,156)	-
Closing gross value as at 30 June 2019		2,776,010	2,407,952	2,358,399	1,874,993	80,382,674	16,526,916	7,070,212	230,320	846,204	114,473,680
Accumulated depreciation and impairment											
Opening balance as at 1 July 2018		6,076	1,791,504	659,845	1,086,407	30,527,153	7,929,207	3,511,411	91,562	-	45,603,165
Depreciation provided in period	9	849	90,626	146,434	240,840	2,690,151	392,976	148,259	12,577	-	3,722,712
Depreciation on disposals	5	-	-	(26,107)	(85,449)	-	(5,612,320)	-	-	-	(5,723,876)
Revaluation adjustment to asset revaluation surplus	25	-	646	-	-	(1,104,603)	(15,810)	-	-	-	(1,119,767)
Impairment adjustment to asset revaluation surplus	25	-	-	-	-	-	-	-	-	-	-
Impairment adjustment to income	10	-	-	-	-	-	-	-	-	-	-
Assets classified as held for sale	15	-	-	-	-	-	-	-	-	-	-
Assets transferred to investment property	17	-	-	-	-	-	-	-	-	-	-
Transfers between classes		-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2019		6,925	1,882,776	780,172	1,241,798	32,112,701	2,694,053	3,659,670	104,139	-	42,482,234
Total written down value as at 30 June 2019		2,769,085	525,176	1,578,227	633,195	48,269,973	13,832,863	3,410,542	126,181	846,204	71,991,446
Residual value		2,769,085	250,000	453,970	136,000	-	-	-	-	-	
Range of estimated useful life in years		Land: Not depreciated. Improvements: 7 - 40	40 - 100	12	2 - 20	5 - 100	10 - 60	20 - 60	20 - 40	-	

Current-year financial sustainability statement

* Additions comprise:

	$	$	$	$	$	$	$	$	$	$
Renewals	-	-	162,450	75,200	-	-	-	-	765,000	1,002,650
Other additions	-	30,435	138,978	45,776	-	-	-	44,117	535,258	794,564
Total additions	-	30,435	301,428	120,976	-	-	-	44,117	1,300,258	1,797,214
	-	-	-	-	-	-	-	-	-	-

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

18 Property, plant and equipment

Source Reference

Tropical Council
Notes to the Financial Statements
For the year ended 30 June 2019

Source Reference	**Council - 30 June 2018**	Note	Land and improvements	Buildings	Major plant	Other plant and equipment	Road, drainage and bridge	Water	Sewerage	Other infrastructure assets	Work in progress	Total
AASB 116.73	Basis of measurement		Fair Value	Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
	Fair value category		Level 2	Levels 2 & 3	Level 2		Level 3	Level 3	Level 3	Level 3		
	Asset values		$	$	$	$	$	$	$	$		$
	Opening gross value as at 1 July 2017		2,948,485	5,087,626	1,983,254	1,464,126	77,420,964	23,065,805	7,070,212	180,955	419,543	119,640,970
	Adjustment to opening value	33	-	-	-	-	1,600,023	-	-	-	-	1,600,023
	Additions		-	120,888	272,500	521,028	-	-	-	5,248	1,586,308	2,505,972
	Disposals	5	-	-	(183,400)	(168,940)	-	-	-	-	-	(352,340)
	Revaluation adjustment to other comprehensive income(asset revaluation surplus)	25	-	(26,476)	138,827	-	-	(27,296)	-	-	-	85,055
	Revaluation adjustment to income (capital income)	10	-	-	-	-	(1,586,700)	-	-	-	-	(1,586,700)
	Assets classified as held for sale	15	-	-	-	-	-	-	-	-	-	-
	Assets transferred to investment property	17	-	-	-	-	-	-	-	-	-	-
	Transfers between classes		-	-	-	-	1,196,078	47,671	-	-	(1,243,749)	-
	Closing gross value as at 30 June 2018		2,948,485	5,182,038	2,211,181	1,816,214	78,630,365	23,086,180	7,070,212	186,203	762,102	121,892,980
	Accumulated depreciation and impairment											
	Opening balance as at 1 July 2017		5,162	1,713,291	594,976	1,121,716	28,474,384	7,529,026	3,363,152	74,251	-	42,875,958
	Adjustment to opening value	33	-	-	-	-	296,244	-	-	-	-	296,244
	Depreciation provided in period	9	914	78,213	127,546	152,909	3,029,011	404,468	148,259	17,311	-	3,958,631
	Depreciation on disposals	5	-	-	(104,325)	(188,218)	-	-	-	-	-	(292,543)
	Revaluation adjustment to asset revaluation surplus	25	-	-	41,648	-	-	(4,287)	-	-	-	37,361
	Revaluation adjustment to income	10	-	-	-	-	(1,272,486)		-	-	-	(1,272,486)
AASB 136.126	Impairment adjustment to asset revaluation surplus	25	-	-	-	-	-	-	-	-	-	-
	Impairment adjustment to income		-	-	-	-	-	-	-	-	-	-
	Assets classified as held for sale		-	-	-	-	-	-	-	-	-	-
	Assets transferred to investment property		-	-	-	-	-	-	-	-	-	-
	Transfers between classes		-	-	-	-	-	-	-	-	-	-
	Accumulated depreciation as at 30 June 2018		6,076	1,791,504	659,845	1,086,407	30,527,153	7,929,207	3,511,411	91,562	-	45,603,165
	Total written down value as at 30 June 2018		2,942,409	3,390,534	1,551,336	729,807	48,103,212	15,156,973	3,558,801	94,641	762,102	76,289,815
	Residual value		2,942,409	250,000	452,701	128,000	23,487,016	-	-	-	-	
	Range of estimated useful life in years		Land: Not depreciated. Improvements : 7 - 40	40 - 100	12	2 - 20	5 - 100	20 - 80	20 - 60	20 - 40	-	

18 Property, plant and equipment

18 Property, plant and equipment

AASB 116. 74(b)

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

Important information about impairment of local government assets

Many local government assets are unique, with no active market. The fair value of those assets is calculated using a cost based method known as 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.

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

18 Property, plant and equipment

18 (a) Recognition

LG Reg 2012 Section 206

Plant and equipment with a total value of less than $5,000, and infrastructure assets and buildings with a total value of less than $10,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

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 financial 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.

Deed of Grant in Trust Land

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

Land Act 1994

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

This note will only be applicable to Aboriginal shire

Land Act 1994

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

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

The asset recognition threshold disclosed in the following note will depend on the amount set by council.

18(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 incidental to the acquisition, including freight in, architect's fees and engineering design fees and all other establishment costs.

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, are recognised as assets and revenues at fair value.

18(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.

AASB116.50, 58 & 60

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

AASB 116.43 - 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

18(d) Impairment

AASB 136.9, 59, 6, Aus6.1

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.

18(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.

18(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. Where Level 1 inputs are not available, the Council engages third party qualified valuers to perform the valuation. The Council works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed within this note

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.

(i) Valuation processes

AASB 13.93(g)

Council's valuation policies and procedures are set by the finance committee of the executive management team which comprises the Chief Executive Officer, Chief Finance Officer, Director of Finance and Director of Internal Audit. They are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information.

AASB116.36, AASB 13.93(g)

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

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

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

There were no transfers between levels 1 and 2 during the year, nor between levels 2 and 3.

AASB13.95, 93(e)(iv)

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.

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

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.

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.

Roads

AASB13.93, AASB 116.77

Current replacement cost

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

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

The last full valuation of road infrastructure was undertaken effective 30 June 2017. CRC at 30 June 2019 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 2019.

Accumulated depreciation

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

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

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

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

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

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

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 2019. Each bridge is assessed individually, with the valuation varying according to the material type used for construction, the deck area, condition and size. Construction estimates were determined on a similar basis to roads.

AASB13.93, AASB 116.77

Accumulated depreciation

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

Drainage infrastructure

Current replacement cost

A full valuation of drainage infrastructure was undertaken by independent valuers, GZD, effective 30 June 2019. Similar to roads, drainage assets are managed in segments of 200m; pits, pipes and channels being the major components.

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

Accumulated depreciation

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

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

AASB13.93, AASB 116.77

Waste Landfill Cells (Other Infrastructure)

Current replacement cost

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

Accumulated depreciation

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

Water and Sewerage

AASB13.93, AASB 116.77

Current replacement cost

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

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

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

Accumulated depreciation

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

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

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

• For all pipes, replacement cost was determined based on replacement by trench excavation, useful life was determined as the pipe useful life plus the reline useful life, and the pipe fair value was based on age.

• Where pipes have been relined, the total pipe useful life was determined as the pipe age when the reline occurred plus the reline life.

• The relining of pipes was valued at reline rates and depreciated over the reline life (70 years). The reline fair value was based on age.

(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 reasons for those transfers must be disclosed. Otherwise, these disclosures are not required as they are adequately covered by the PP&E movements reconciliation.

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.

Source Reference

Tropical Council
Notes to the financial statements
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AASB 138.118 - 128

19 Intangible assets

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

AASB 138.68 - 70

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

AASB 138.54

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

AASB 138.57 & 118

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

AASB 138.88, .100 & .104

Amortisation methods, estimated useful lives and residual values are reviewed at the end of each reporting period and adjusted where appropriate.

		Consolidated		Council	
		2019	2018	2019	2018
	Note	$	$	$	$
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	9	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

AASB 138. 57 & 118

The software has a finite life estimated at 10 years.
Straight line amortisation has been used with no residual value.

Total intangible assets		21,000	24,000	21,000	24,000

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

20 Payables

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

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

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

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

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

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.

AASB119.11 & 153

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. The liability is calculated using the present value of remuneration rates that will be paid when the liability is expected to be settled and includes related on-costs.

As Council does not have an unconditional right to defer settlement of the annual leave beyond twelve months after the reporting date, annual leave is classified as a current liability.

AASB 119.14

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.

AASB 119.10 & 11

Annual leave expected to be settled within 12 months are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values.

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

Council has an obligation to pay sick leave on termination to certain employees and therefore a liability has been recognised for this obligation.

		Consolidated		Council	
		2019	2018	2019	2018
	Note	$	$	$	$
Current					
Creditors and accruals		523,770	731,036	523,770	731,037
Annual leave		285,863	428,339	285,863	428,339
Sick leave		98,323	118,308	98,323	118,308
Other entitlements		20,813	25,144	20,813	25,144
		928,769	1,302,827	928,769	1,302,828
Non-current					
Other payables		-	-	-	-
		-	-	-	-

Source Reference

AASB 7.8

21 Borrowings

AASB 7.8(g)

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Thereafter, they are measured at amortised cost. Principal and interest repayments are made quarterly/semi annually/annually in arrears.

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

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 2019 to 31 December 2024 (Available from QTC Maturity Analysis). There have been no defaults or breaches of the loan agreement during the period.

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

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	
		2019	2018	2019	2018
	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	22	18,010	17,221	18,010	17,221
		2,715,347	1,025,803	2,715,347	1,025,803
Non-current					
Loans - Queensland Treasury Corporation		6,988,273	10,934,286	6,988,273	10,934,286
Loans - other		24,313	35,153	24,313	35,153
Finance leases	22	424,468	442,478	424,468	442,478
		7,437,054	11,411,917	7,437,054	11,411,917

Not mandatory

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

AASB 7.25 & 29

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

Not mandatory

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

Statutory Bodies Financial Arrangements Act 1982 s34

Loans - other: On 1 July 2017, the Council received approval from the Treasurer to enter into a borrowing arrangement with (INSERT NAME OF FINANCIAL INSTITUITION). This loan is unsecured and is repayable overtime with full repayment to be made by 30 June 2021.

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 2019 or 2018 financial years.

AASB 107. 50(a)

On 30 October 2018, 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 2019 and is available for use in the next reporting period.

Source Reference	
	Tropical Council
	Notes to the financial statements
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AASB 117.31

22 Finance leases

AASB 117.20 & 25

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.

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.

Source Reference		Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
Not mandatory	Movements in finance lease during the reporting period were as follows:					
	Balance at beginning of financial year		668,750	706,250	668,750	706,250
	Payments made in the period		(37,500)	(37,500)	(37,500)	(37,500)
	Minimum lease payments		631,250	668,750	631,250	668,750
AASB 117.31(b)	The above minimum lease payments are payable as follows:					
	Not later than one year		37,500	37,500	37,500	37,500
	Later than 1 year but not later than 5 years		150,000	150,000	150,000	150,000
	Later than 5 years		443,750	481,250	443,750	481,250
	Total minimum lease payments		631,250	668,750	631,250	668,750
	Less: Future finance charges		(188,772)	(209,051)	(188,772)	(209,051)
	Lease liability recognised in the financial statements		442,478	459,699	442,478	459,699
	Classified as:					
	Current	21	18,010	17,221	18,010	17,221
	Non-current	21	424,468	442,478	424,468	442,478
			442,478	459,699	442,478	459,699
	The present value of above minimum lease payments are payable as follows:					
	Not later than one year		36,741	36,741	36,741	36,741
	Later than 1 year but not later than 5 years		131,559	131,559	131,559	131,559
	Later than 5 years		274,178	291,399	274,178	291,399
			442,478	459,699	442,478	459,699

AASB 117.31(e)

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

Source Reference		Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
AASB 117.31(a)	The carrying value of the leased assets is as follows:				
	Plant and equipment	425,000	450,000	425,000	450,000

AASB 137.84 & 85

23 Provisions

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.

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

AASB 116.16(c), AASB 137.85
Interpretation 1

Refuse dump restoration and quarry rehabilitation

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

A provision is made for the cost of restoring refuse dumps and quarries where it is probable the Council will be liable, or required, to do this 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 2020 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.

		Consolidated		Council	
		2019	2018	2019	2018
	Note	$	$	$	$
Current					
Long service leave		183,409	38,000	183,409	38,000
		183,409	38,000	183,409	38,000
Non-current					
Quarry rehabilitation		67,443	66,391	67,443	66,391
Refuse restoration		1,242,012	1,182,838	1,242,012	1,182,838
Long service leave		66,922	565,231	66,922	565,231
		1,376,377	1,814,460	1,376,377	1,814,460

Source Reference

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Details of movements in provisions:

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

AASB 137.84

Quarry rehabilitation					
Balance at beginning of financial year		66,391	55,447	66,391	55,447
Increase in provision due to unwinding of discount		3,784	3,327	3,784	3,327
Increase/(decrease) in provision due to change in discount rate	5,10	(2,732)	7,617	(2,732)	7,617
Balance at end of financial year		67,443	66,391	67,443	66,391

AASB 137.85

This is the present value of the estimated cost of restoring the quarry site to a useable state at the end of its useful life. The projected cost is $720,000 and this cost is expected to be incurred in 2052.

AASB 137.84

Refuse restoration					
Balance at beginning of financial year		1,182,838	1,090,869	1,182,838	1,090,869
Increase in provision due to unwinding of discount		67,422	65,452	67,422	65,452
Increase (decrease) in provision due to change in discount rate	5,10	(8,248)	26,517	(8,248)	26,517
Balance at end of financial year		1,242,012	1,182,838	1,242,012	1,182,838

AASB 137.85

This is the present value of the estimated cost of restoring the refuse disposal site to a useable state at the end of its useful life. The projected cost is $1,843,000 and this cost is expected to be incurred in 2024 after closing the site in 2020 and allowing a period for settlement.

AASB 137.84

Long service leave				
Balance at beginning of financial year	603,231	572,813	603,231	572,813
Long service leave entitlement arising	118,207	107,077	118,207	107,077
Long Service entitlement extinguished	(404,473)	(18,325)	(404,473)	(18,325)
Long Service entitlement paid	(66,634)	(58,334)	(66,634)	(58,334)
Balance at end of financial year	250,331	603,231	250,331	603,231

24 Other liabilities

Developer contributions	350,821	-	350,821	-
Waste levy refund received in advance	450,000	-	450,000	-
Unearned revenue	5,012	3,185	5,012	3,185
	805,833	3,185	805,833	3,185

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

Revenue is classified as unearned if it relates to an obligation to supply specific goods and services in future periods. Unearned revenue includes cemetery and rent prepayments

The State government made an advance payment to Council in June 2019 to mitigate the impacts on households for 2019-20 of the State Waste Levy, which takes 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 2019 is for a refund of Council's 2019-20 Levy expense, the full amount has been recognised as a liability at 30 June 2019.

AASB 116.77(f)

25 Asset revaluation surplus

AASB 116.39 to AASB 116.42

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

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

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

		Consolidated		Council	
		2019	2018	2019	2018
	Note	$	$	$	$
Movements in the asset revaluation surplus were as follows:					
Balance at beginning of financial year		3,533,826	3,413,144	3,378,838	3,331,144
Net adjustment to non-current assets at end of period to reflect a change in					
Land and improvements		110,250	52,500	47,508	-
Buildings		41,972	(5,988)	20,986	(26,476)
Major plant		-	97,179	-	97,179
Road, drainage and bridge network		2,130,114	-	2,130,114	-
Water		(14,385)	(23,009)	(14,385)	(23,009)
Impairment:					
Land and improvements		-	-	-	-
Buildings		-	-	-	-
Water		-	-	-	-
Change in value of future rehabilitation cost:					
Land and improvements		2,732	-	2,732	-
Movements total		2,270,683	120,682	2,186,955	47,694
Balance at end of financial year		5,804,509	3,533,826	5,565,793	3,378,838

		Consolidated		Council	
		2019	2018	2019	2018
	Note	$	$	$	$
Asset revaluation surplus analysis					
The closing balance of the asset revaluation surplus comprises the following asset categories:					
Land and improvements		292,982	232,500	98,252	180,000
Buildings		516,972	722,464	495,986	642,976
Major plant		85,000	182,179	85,000	182,179
Road, drainage and bridge network		3,377,522	873,274	3,377,522	873,274
Water		985,615	976,991	985,615	976,991
Sewerage		479,000	479,000	479,000	479,000
Other infrastructure assets		67,418	67,418	44,418	44,418
		5,804,509	3,533,826	5,565,793	3,378,838

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

Not mandatory

26 Retained surplus/(deficiency)

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

	Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
Movements in the retained surplus were as follows:					
Retained surplus/(deficit) at beginning of financial year		66,330,457	66,608,805	66,017,908	66,394,405
Adjustment to opening balance	1.C, 33, 36(a)	(4,857)	1,303,779	(4,857)	1,303,779
Adjusted opening balance		66,325,600	67,912,584	66,013,051	67,698,184
Net result attributable to Council		(1,441,506)	(1,582,127)	(1,476,709)	(1,680,276)
Retained surplus at end of financial year		64,884,094	66,330,457	64,536,342	66,017,908

27 Commitments for expenditure

AASB 117.35
AASB 117.33

Operating leases

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

AASB 117.35 (a)

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

	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
Within one year	51,449	51,449	51,449	51,449
One to five years	204,347	205,796	204,347	205,796
Later than five years	-	50,000	-	50,000
	255,796	307,245	255,796	307,245

AASB 117.35 (b)-(d)

The Council has 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.

During the year an amount of $51,449 (2018: $51,449) was recognised as an expense in the Statement of Profit or Loss in respect of operating leases.

AASB101.114 (c)(iv)

Contractual commitments

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

	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
Garbage collection contract (expires 3 August 2019)	744,621	-	744,621	-
Cleaning contractors	13,216	22,656	13,216	22,656
	757,837	22,656	757,837	22,656

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.

AASB 12.23

Council should include commitments that it has made to the joint venture organisation.

AASB116.74 (c)

Capital commitments

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

	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
Property, Plant and Equipment				
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
	121,368	134,549	121,368	134,549
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
	121,368	134,549	121,368	134,549

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

AASB 137.86 - 92

28 Contingent liabilities

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

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

Local Government Mutual

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

As at 30 June 2019 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

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

AASB 137.86

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

Source Reference	

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

AASB 119.148

29 Superannuation - Regional Defined Benefit Fund

The following note is based on advice received from LGIA Super

Council contributes to the LGIAsuper 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 LGIAsuper 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.

AASB119.148d(ii) — 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 LGIAsuper is unable to account for its proportionate share of the defined benefit obligation, plan assets and costs.

AASB 119.135(c) — 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 119.148(b) — 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 LGIAsuper trust deed changes to council's obligations will only be made on the advice of an actuary.

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.

AASB 119.135(b) — The most significant risks that may result in LGIAsuper increasing the contribution rate, on the advice of the actuary, are:

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 119.148(d)(v) — There are currently 62 entities contributing to the scheme and any changes in contribution rates would apply equally to all 62 entities. Tropical Council made less than 4% of the total contributions to the plan in the 2018-19 financial year.

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

There are currently 62 entities contributing to the scheme and any changes in contribution rates would apply equally to all 62 entities. Tropical Council made <insert percentage>% of the total contributions to the plan for the 2018-19 financial

Source Reference		Note	Consolidated 2019 $	Consolidated 2018 $	Council 2019 $	Council 2018 $
AASB 119.135(c)	Superannuation contributions made to the Regional Defined Benefits Fund		26,321	25,215	26,321	26,321
AASB 119.53	Other superannuation contributions for employees		319,408	312,618	319,408	311,512
AASB 124.19(g)	Total superannuation contributions paid by Council for employees:	6	345,729	337,833	345,729	337,833

Source Reference		Consolidated 2020 $	Council 2020 $
AASB 119.148(d)(iii)	Contributions council expects to make to the Regional Defined Benefits Fund for 2019-20	25,321	25,321

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

AASB 117.56

30 Operating lease income 17

The Council has entered into commercial property leases on its investment property (Big Window), comprising a number of
The minimum lease receipts are as follows:

		Consolidated		Council	
		2019	**2018**	**2019**	**2018**
	Note	**$**	**$**	**$**	**$**
Not later than one year		70,000	-	70,000	-
One to five years		280,000	-	280,000	-
Later than five years		1,050,000	-	1,050,000	
		1,400,000	-	1,400,000	-

AASB 140.75 (f)(i)

Rental income from investment property recognised in the operating result is $7,400 (2018: $7,400).

AASB 140.75 (f)(ii)
AASB 140.75 (f)(iii)

Direct operating expenses primarily for repairs and maintenance on property that did not generate rental income for the period were $1,482 (2018: $1,031). Direct operating expenses primarily for repairs and maintenance on property that did generate rental income for the period were $5,999 (2018: $5,297). See Note 7

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 or for repairs, maintenance or enhancements.

All commitments relating to non-cancellable operating leases are to be disclosed. Councils should take appropriate care to ensure the completeness of all applicable leases, particularly in relation to office equipment, are captured.

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.

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

AASB 1054.16

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

Net result	(1,441,506)	(1,582,127)	(1,476,709)	(1,680,276)
Non-cash items:				
Depreciation and amortisation	3,761,073	3,994,983	3,725,712	3,961,631
Revaluation adjustments	(370,214)	314,214	(377,831)	314,214
Impairment of property plant and equipment	10,000	-	10,000	-
Change in future rehabilitation and restoration costs	62,958	102,913	62,958	102,913
Gain on revaluation of finance leases	(16,787)	-	(16,787)	-
	3,447,030	4,412,110	3,404,052	4,378,758
Investing and development activities:				
Net (profit)/loss on disposal of non-current assets	(102,721)	(127,690)	(102,721)	(127,690)
Loss on transferring assets via finance lease	2,364,723	-	2,364,723	-
Capital grants and contributions	(1,237,578)	(347,529)	(1,237,578)	(347,529)
Profit retained in joint venture	(42,866)	(29,421)	(42,866)	(29,421)
	981,558	(504,640)	981,558	(504,640)
Financing activities:	-	-	-	-
	-	-	-	-
Changes in operating assets and liabilities:				
(Increase)/ decrease in receivables	(511,461)	(349,718)	(511,461)	(72,410)
(Increase)/decrease in inventory	216,049	1,994	216,049	1,994
Increase/(decrease) in payables	(374,058)	120,691	(374,059)	120,722
Increase/(decrease) in liabilities	802,648	3,185	802,648	3,185
Increase/(decrease) in other provisions	(352,900)	352,900	(352,900)	30,418
	(219,722)	129,052	(219,723)	83,909
Net cash inflow from operating activities	2,767,360	2,454,395	2,689,178	2,277,751
Reconciliation of net cash inflow from operating activities to Statement of Cash Flows	-	-	-	-

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

AASB 2016-2, AASB 107.44A-44E

32 Reconciliation of liabilities arising from finance activities

2019 - Consolidated		As at 30 June 2018	Cash flows	Non-cash changes (new leases)	As at 30 June 2019
Loans		11,978,021	(2,268,098)	-	9,709,923
Finance leases		459,699	(17,221)	-	442,478
	21	12,437,720	(2,285,319)	-	10,152,401

2019 - Council		As at 30 June 2018	Cash flows	Non-cash changes (new leases)	As at 30 June 2019
Loans		11,978,021	(2,268,098)	-	9,709,923
Finance leases		459,699	(17,221)	-	442,478
	21	12,437,720	(2,285,319)	-	10,152,401

Comparative required this year

2018 - Consolidated		As at 30 June 2017	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
	21	12,762,588	(324,868)	-	12,437,720

2018 - Council		As at 30 June 2017	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
	21	12,762,588	(324,868)	-	12,437,720

AASB 107.44B

Councils need to disclose the following changes in liabilities arising from financing activities:
(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.

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

AASB 108.49

33 Correction of error

In the process of valuing the Council's assets at 30 June 2018, 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 2016 and the comparative amounts for 2016-17. The adjustments are as follows:

	As at 30 June 2018	As at 1 July 2017	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	1,281,464	1,303,779	1,281,464	1,303,779

	Period ended 30 June 2019	Period ended 30 June 2018	Period ended 30 June 2019	Period ended 30 June 2018
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 2019 was calculated after the error was discovered and therefore did not need correction.

AASB 101.40A

A restated Statement of Financial Position has been included in the financial statements as at 1 July 2017.

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.

AASB 108.28 - 31

34 Changes in accounting policy

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

AASB 110.19 - 22

35 Events after the reporting period

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

On 1 August 2019 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 2019 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 2019

AASB 7.31 - 42

36 Financial instruments and financial risk management

36(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. There is no need to make these credit risk disclosures if your council does not have material credit risk.

The effect of initially applying AASB 9 on the Council's financial instruments is described in Note 1.C. Comparative information has not been restated to reflect the requirements.

AASB 7.32

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

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.

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

AASB 7.33(b)

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

AASB 7.36(b)

No collateral is held as security relating to the financial assets held by Tropical Council.

AASB 7.35K(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

Cash and cash equivalents

AASB 7.33(a)

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

Other financial assets

AASB 7.36 (c)

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

Source Reference	

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

Trade and other receivables

The following paragraph does not apply to Aboriginal shire councils:

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

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

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

AASB 7.35K(b) The Council does not require collateral in respect of trade and other receivables. The Council does not have trade receivables for which no loss allowance is recognised because of collateral.

AASB 7.34(a), 34(c) At 30 June 2019, the exposure to credit risk for receivables by type of counterparty was as follows:

	Consolidated		Council	
	2019	2018	2019	2018
	$	$	$	$
Rates and Utility Charges	318,392	428,155	318,536	428,299
State & Commonwealth Government	630,940	276,609	630,940	276,609
Controlled entities	0	0	765,000	810,000
Community organisations	150,000	150,000	150,000	150,000
Other	418,519	156,483	418,519	156,483
Total	1,517,851	1,011,247	2,282,995	1,821,391

Refer to Note 12 for further details

AASB 7.35M, AASB 7.35A A summary of the Council's exposure to credit risk at period ending 30 June 2019 for which impairment requirements of AASB9 - Financial Instruments have been applied, being for statutory charges (non-rates & charges) and other debtors

AASB 7.35M AASB 9 requires that "*an entity shall disclose, by credit risk rating grades, the gross carrying amount of financial assets and the exposure to credit risk on loan commitments and financial guarantee contracts*", where credit risk rating grade is defined as "rating of credit risk based on the risk of a default occurring on the financial statement".

AASB 7.35N For trade receivables, contract assets and lease receivables to which an entity applies paragraph 5.5.15 of AASB 9, the information provided in accordance with paragraph 35M may be based on a provision matrix (see paragraph B5.5.35 of AASB 9).

AASB 7.35A An entity shall apply the disclosure requirements in paragraphs 35F–35N to financial instruments to which the impairment requirements in AASB 9 are applied.

Source Reference		Consolidated		Council	
	Subject to impairment	2019	2018	2019	2018
		$	$	$	$
	Not past due	210,469	95,493	210,469	95,493
	Past due 31-60 days	23,145	10,540	23,145	10,540
	Past due 61-90 days	15,766	7,612	15,766	7,612
	More than 90 days	53,031	29,761	53,031	29,214
AASB 7.35J	**Total gross carrying amount**	302,411	143,406	302,411	142,859
AASB 7.35J	Loss allowance	-12,521	-3,547	-12,521	-3,547
		289,890	139,859	289,890	139,312
	Not subject to impairment				
	Rates and Charges	278,568	392,112	278,712	392,256
	Grants	623,301	245,016	623,301	245,016
	Lease Receivables	6,700	675	6,700	675
		908,569	637,803	908,713	637,947
		1,198,459	777,662	1,198,603	777,259

Refer to Note 12 for further details

Source Reference	Tropical Council Notes to the financial statements For the year ended 30 June 2019
AASB 7.35A through to AASB 7.35N	**Accounting Policies**
	The objectives of AASB 7.35B (which are reinforced by AASB 7.35D and AASB 7.35E) are applicable to all of the required disclosures contained in AASB 7.35F through to AASB 7.35N. Tropical's Illustrative statements have not fully delved into all of the new disclosure requirements of AASB 7.35A through to AASB 7.35N. Individual Councils should read through these new requirements so as to identify disclosure requirements which are applicable to their reporting requirements. Collectively the new disclosure requirements contained in AASB 7 especially in relation to AASB 9's treatment of Credit Risk may require additional new disclosures. Refer also to Appendix A useful weblinks for transition from AASB 139 to AASB 9 for credit risk disclosure
AASB 101.117, AASB 9.5.1.1	**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 7.35F(c) AASB 7.35F(e)	**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 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 9.B4.1.2, AASB 9.B5.5.17(j), AASB 7.36	Rates and Charges: this group of receivables to possess a credit enhancement, Council is empowered under the provisions of the Local Government Act 2009 to sell an owner's property to recover outstanding rate debts. This results in immaterial Expected Credit Losses. Tropical Council does not impair rates and charges. Impairment will exist only if arrears are deemed to be greater than the proceeds Council would receive from the sale of the respective property.
AASB 7.35K, AASB 2016-8.C4, AASB 2016-8.C5, AASB 2016-8.BC11, AASB 2016-8.BC12, AASB 9.B4.1.2, AASB 7.36, AASB 9.B4.1.2, AASB 9.B5.5.17(j)	In accordance with AASB 9.B4.1.2, Tropical Council in reviewing it's 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.
	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 (eg: 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. Tropical Council does not calculate ECL for grants.

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 seperately by Tropical Council, the following identifies some of the underlying reasoning behind this

In accordance with AASB 9.B4.1.2, Tropical Council notes that although grants and other debtors are reported through the same ERP and through the same accounts team, the underlying distinction which Tropical Council draws upon is the diferent management of these types of debtors, this is evidenced through its policies and procedures. Tropical Council recognises that Grants are payable either by Queensland Government or Commonwealth Government agencies. Tropical Council recognises these debtor amounts as being effectively government guaranteed and considers this to be an underlying credit enhancement as per AASB 7.35k and AASB 9.5.5.15.(b), thus negating the risk of default. Tropical Council also notes from its review of historical data that no defaults have occurred for grant debtors.

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 seperately, it won't be overstating expected credit losses by calculating an expected credit loss for a government guaranted 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, the underlying nature of the income streams aren't either statutory receivables or trade receivables. 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 occuring, 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 9.5.5.15(b) 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:
(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.

It is worth noting that different jurisdictional levels of government are approaching ECL calculations for Lease Receivables differently. Councils are not obligated to follow the advice of either Queensland Treasury or the Department of Finance (Commonwealth).

In Queensland Treasury's Draft 2018-19 Financial Reporting Requirements for Queensland Government Agencies... FFE 4E financial Instruments, it mandates that agencies shall not use the simplified approach in AASB 9 5.5.15 for lease receivables (page 7 refer to link)

https://s3.treasury.qld.gov.au/files/FRR-4E-Financial-Instruments-2018-19.pdf

Whereas the Department of Finance (Commonwealth) in its Finance Position Paper 2017-18 No. 2 Implementation Options for AASB 9 Financial Instruments, on page 10 mandates application of the simplified approach for all lease receivables

https://www.finance.gov.au/sites/default/files/finance-position-paper-aasb-9-financial-instruments-may-2018.pdf?v=1

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

Source Reference

Tropical Council
Notes to the financial statements
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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.

Disclosure – Credit risk exposure and impairment of receivables

AASB 7.35K

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 9.B4.1.2, AASB9.B5.5.17(j), AASB 9.B5.5.5, AASB 9.5.5.17, AASB 9.5.5.18, AASB 9.B5.5.42, AASB 9.B5.5.51, AASB 9.B5.5.52, AASB 9.B5.5.53, AASB 9.B5.5.54, AASB 9.5.5.15

AASB 9 does not prescribe a specific method of measuring Expected Credit Losses (ECL). On this basis it is important to note that Tropical Council is only an illustrative example and each and every council should assess its own needs to determine the model and methodology that best suits its requirements

Councils are to use the specific grouping or loss pattern applicable to their individual council's circumstances. For example, by type of revenue stream, type of customer as applicable. Councils should specify the basis upon which their individual historical observed default rates are calculated and the basis upon which their historical observed default rates are adjusted to take account of reasonable and supportable forward looking information relevant to their individual portfolio or receivables. For example, if forecast economic conditions (e.g. economic growth, unemployment rates, household debt levels) are expected to deteriorate, the historical default rates are adjusted upwards. While the illustrative example above demonstrates one factor, it is possible two or more forward-looking factors may impact the historical default rate. Similarly, different macroeconomic indicators could change the expected default rate for different groups of receivables. At each reporting date the historical default rates are updated and changes in the forward looking information are analysed and the rates updated as required.

Councils will need to consider whether certain groups of debtors exhibit different loss patterns, and estimate loss rates separately for the different ‘customer’ groups. The council will determine appropriate revenue streams to separately estimate expected loss rates, consisting of different customer characteristics and loss patterns, once established provision matrixes will be calculated and assigned. Examples for distinguishing different revenue streams could be based on geographic regions, different customer bases, different business activities, processing transactions using different receivables systems, underlying credit risk, type of receivables (eg trade debtors, statutory debtors, lease debtors).

AASB 9.B4.1.2 notes: An entity’s business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The entity’s business model does not depend on management’s intentions for an individual instrument. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined on a higher level of aggregation. However, a single entity may have more than one business model for managing its financial instruments. Consequently, classification need not be determined at the reporting entity level. Similarly, in some circumstances, it may be appropriate to separate a portfolio of financial assets into subportfolios in order to reflect the level at which an entity manages those financial assets.

AASB 9.B5.5.5 states: For the purpose of determining significant increases in credit risk and recognising a loss allowance on a collective basis, an entity can group financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis. The entity should not obscure this information by grouping financial instruments with different risk characteristics. Examples of shared credit risk characteristics may include, but are not limited to, the:
(a) instrument type;
(b) credit risk ratings;
(c) collateral type;
(d) date of initial recognition;
(e) remaining term to maturity;
(f) industry;
(g) geographical location of the borrower; and
(h) the value of collateral relative to the financial asset if it has an impact on the probability of a default occurring (for example, non-recourse loans in some jurisdictions or loan-to-value ratios).

AASB 9.5.5.17 states: An entity shall measure expected credit losses of a financial instrument in a way that reflects:
(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

AASB 9.B5.5.42 clariffies the estimate of expected credit losses is to reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. In practice, this may not need to be a complex analysis. In some cases, relatively simple modelling may be sufficient, without the need for a large number of detailed simulations of scenarios. For example, the average credit losses of a large group of financial instruments with shared risk characteristics may be a reasonable estimate of the probability-weighted amount. In other situations, the identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes will probably be needed.

AASB 9.B5.5.51 states: An entity need not undertake an exhaustive search for information but shall consider all reasonable and supportable information that is available without undue cost or effort and that is relevant to the estimate of expected credit losses, including the effect of expected prepayments. The information used shall include factors that are specific to the borrower, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. An entity may use various sources of data, that may be both internal (entity-specific) and external. Possible data sources include internal historical credit loss experience, internal ratings, credit loss experience of other entities and external ratings, reports and statistics. Entities that have no, or insufficient, sources of entity-specific data may use peer group experience for the comparable financial instrument (or groups of financial instruments).

AASB 9.B5.5.17 identifies a non-exhaustive list of information which may be relevant in assessing changes in credit risk. Sub-paragraph J discusses significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring. For example, if the value of collateral declines because house prices decline, borrowers in some jurisdictions have a greater incentive to default on their mortgages.

AASB 9.B5.5.52 states: Historical information is an important anchor or base from which to measure expected credit losses. However, an entity shall adjust historical data, such as credit loss experience, on the basis of current observable data to reflect the effects of the current conditions and its forecasts of future conditions that did not affect the period on which the historical data is based, and to remove the effects of the conditions in the historical period that are not relevant to the future contractual cash flows. In some cases, the best reasonable and supportable information could be the unadjusted historical information, depending on the nature of the historical information and when it was calculated, compared to circumstances at the reporting date and the characteristics of the financial instrument being considered. Estimates of changes in expected credit losses should reflect, and be directionally consistent with, changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of credit losses on the financial instrument or in the group of financial instruments and in the magnitude of those changes). An entity shall regularly review the methodology and assumptions used for estimating expected credit losses to reduce any differences between estimates and actual credit loss experience.

AASB 9.B5.5.53 states: When using historical credit loss experience in estimating expected credit losses, it is important that information about historical credit loss rates is applied to groups that are defined in a manner that is consistent with the groups for which the historical credit loss rates were observed. Consequently, the method used shall enable each group of financial assets to be associated with information about past credit loss experience in groups of financial assets with similar risk characteristics and with relevant observable data that reflects current conditions.

AASB 9.B5.5.54 states: Expected credit losses reflect an entity's own expectations of credit losses. However, when considering all reasonable and supportable information that is available without undue cost or effort in estimating expected credit losses, an entity should also consider observable market information about the credit risk of the particular financial instrument or similar financial instruments.

Source Reference

Tropical Council
Notes to the financial statements
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Disclosure – Initial application of forward looking adjustments to impairment of receivables

AASB 7.35G

In Tropical Council's statements after reviewing macro economic conditions, Tropical Council reached the conclusion that forwards looking conditions indicated no forseeable 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.

AASB 9.B5.5.12 states: An entity may apply various approaches when assessing whether the credit risk on a financial instrument has increased significantly since initial recognition or when measuring expected credit losses. An entity may apply different approaches for different financial instruments. An approach that does not include an explicit probability of default as an input per se, such as a credit loss rate approach, can be consistent with the requirements in this Standard, provided that an entity is able to separate the changes in the risk of a default occurring from changes in other drivers of expected credit losses, such as collateral, and considers the following when making the assessment:
(a) the change in the risk of a default occurring since initial recognition;
(b) the expected life of the financial instrument; and
(c) reasonable and supportable information that is available without undue cost or effort that may affect credit risk.

AASB 9.B5.5.2 states: Lifetime expected credit losses are generally expected to be recognised before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example, a modification or restructuring) are observed. Consequently when reasonable and supportable information that is more forward-looking than past due information is available without undue cost or effort, it must be used to assess changes in credit risk.

AASB 9.B5.5.49 states: For the purpose of this Standard, reasonable and supportable information is that which is reasonably available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions. Information that is available for financial reporting purposes is considered to be available without undue cost or effort.

AASB 9.B5.5.50 states: An entity is not required to incorporate forecasts of future conditions over the entire expected life of a financial instrument. The degree of judgement that is required to estimate expected credit losses depends on the availability of detailed information. As the forecast horizon increases, the availability of detailed information decreases and the degree of judgement required to estimate expected credit losses increases. The estimate of expected credit losses does not require a detailed estimate for periods that are far in the future – for such periods, an entity may extrapolate projections from available, detailed information.

Source Reference

Tropical Council
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Expected credit loss assessment as at 1 July 2018 and 30 June 2019

AASB 7.35B(a), 35F(c), 35G(a)-(b)

The Council uses and 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.

The following table provides information about the exposure to credit risk and expected losses for receivables as at 1st July 2018 upon initial recognition:

AASB 9.7.2.15, AASB 7.42P, AASB 9.B5.5.1, AASB 9.5.1.3, AASB 9.15.63

Initial recognition due to transition from AASB 139 to AASB 9 - Expected Credit Losses (ECL)

Consolidated

	Aging	**Opening balance at 1/7/2018**	**Historical probability of default**	**Loss given default**	**Lifetime Expected Credit Loss**
Rates and charges	N/A	$ 392,112	0%	0%	$ -
Grants	N/A	$ 245,016	0%	0%	$ -
Lease Receivables	N/A	$ 675	0%	0%	$ -
Statutory Charges	Current	$ 28,570	0.90%	100%	$ 257
	1-30 days	$ 11,035	1.45%	100%	$ 160
	31-60 days	$ 6,878	1.89%	100%	$ 130
	61-90 days	$ 5,442	2.34%	100%	$ 127
	90+ days	$ 23,110	2.88%	100%	$ 665
AASB 7.35H (c), AASB 9.B5.5.1, AASB 35F(d)	AASB 139 Impaired	$ 547	100.0%	100%	$ 547
					$ 1,886
Other debtors	Current	$ 49,241	2.4%	100%	$ 1,182
	1-30 days	$ 6,647	8.8%	100%	$ 582
	31-60 days	$ 3,662	13.6%	100%	$ 499
	61-90 days	$ 2,170	19.7%	100%	$ 427
	90+ days	$ 3,104	26.7%	100%	$ 828
AASB 7.35H (c), AASB 9.B5.5.1, AASB 35F(d)	AASB 139 Impaired	$ 3,000	100.0%	100%	$ 3,000
					$ 6,518

Total: Opening Expected Credit Losses	$ 8,404
Less: balance of loss adjustment	-$ 3,547
AASB 9.7.2.15 **Initial ECL recognition**	$ 4,857

Source Reference

Tropical Council
Notes to the financial statements
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Council

	Aging	Opening balance at 1/7/2018	Historical probability of default	Loss given default	Lifetime Expected Credit Loss
Rates and charges	N/A	$ 392,256	0%	100%	$ -
Grants	N/A	245,016	0%	100%	$ -
Lease Receivables	N/A	675	0%	100%	$ -
Statutory Charges	Current	$ 28,570	0.90%	100%	$ 257
	1-30 days	$ 11,035	1.45%	100%	$ 160
	31-60 days	$ 6,878	1.89%	100%	$ 130
	61-90 days	$ 5,442	2.34%	100%	$ 127
	90+ days	$ 23,110	2.88%	100%	$ 665
AASB 7.35H (c), AASB 9.B5.5.1, AASB 35F(d)	AASB 139 Impaired	$ 547	100.0%	100%	$ 547
					$ 1,886
Other debtors	Current	$ 49,241	2.4%	100%	$ 1,182
	1-30 days	$ 6,647	8.8%	100%	$ 582
	31-60 days	$ 3,662	13.6%	100%	$ 499
	61-90 days	$ 2,170	19.7%	100%	$ 427
	90+ days	$ 3,104	26.7%	100%	$ 828
AASB 7.35H (c), AASB 9.B5.5.1, AASB 35F(d)	AASB 139 Impaired	$ 3,000	100.0%	100%	$ 3,000
					$ 6,518

	Total: Opening Expected Credit Losses	$ 8,404
	Less: balance of loss adjustment	-$ 3,547
AASB 9.7.2.15	**Initial ECL recognition**	$ 4,857

AASB 7.35H (c), AASB 9.B5.5.1, AASB 35F(d)

As at the date of the opening balance, evidence of actual loss events occurring was present (pursuant to previous standard AASB 139). Tropical Council acknowledges these assets will be written off, hence existing impaired assets have been recognised in initial ECL calculations as having a 100% probability of default.

As AASB 9 introduces a new 'expected credit loss' model for determining impairment losses for financial assets, based on reasonable and supportable information. This differs from the impairment model in AASB 139 which is an 'incurred loss' model that only recognises impairment losses when there is objective evidence of impairment as a result of actual loss events occurring. Under AASB 9 impairment losses will be recognised earlier when compared to AASB 139.

AASB 9.7.2.15 requires: If an entity does not restate prior periods, the entity shall recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in the opening retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application.

AASB 7.42P states: On the date of initial application of Section 5.5 of AASB 9, an entity is required to disclose information that would permit the reconciliation of the ending impairment allowances in accordance with AASB 139 and the provisions in accordance with AASB 137 to the opening loss allowances determined in accordance with AASB 9. For financial assets, this disclosure shall be provided by the related financial assets' measurement categories in accordance with AASB 139 and AASB 9, and shall show separately the effect of the changes in the measurement category on the loss allowance at that date.

AASB 9.B5.5.1 states: In order to meet the objective of recognising lifetime expected credit losses for significant increases in credit risk since initial recognition, it may be necessary to perform the assessment of significant increases in credit risk on a collective basis by considering information that is indicative of significant increases in credit risk on, for example, a group or sub-group of financial instruments. This is to ensure that an entity meets the objective of recognising lifetime expected credit losses when there are significant increases in credit risk, even if evidence of such significant increases in credit risk at the individual instrument level is not yet available.

AASB 9.5.1.3 states: Despite the requirement in AASB 9.5.1.1, at initial recognition, an entity shall measure trade receivables at their transaction price (as defined in AASB 15) if the trade receivables 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).

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Tropical Council
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AASB 15 Defn states: AASB 15 Definition of Transaction Price: The amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

AASB 15.63 states: As a practical expedient, an entity need not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Disclosure – End of period application of forward looking adjustments to impairment of receivables

AASB 7.35G, AASB 7.35I

At end of period Tropical Council determined that there had been no change to Lifetime Expected Credit Loss

AASB 9.5.5.9, AASB 9.B5.5.21, AASB 9.5.5.3, AASB 9.5.5.5, AASB 9.5.5.13, AASB 9.5.5.14, AASB 9.5.5.4, AASB 9.B5.5.7, AASB 9.B5.5.9, AASB 9.B5.5.13, AASB 9.5.5.10, AASB 9.B5.5.16, AASB 9.5.5.11, AASB 9.B5.5.15, AASB 9.5.5.17(c)

For councils to determine if there have been changes to Lifetime Expected Credit Loss, the new accounting standards go into significant detail in regards to this:

AASB 9.5.5.9 states: At each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, an entity shall use the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, an entity shall compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

AASB 9.B5.5.21 states: An entity cannot align the timing of significant increases in credit risk and the recognition of lifetime expected credit losses to when a financial asset is regarded as credit-impaired or an entity's internal definition of default.

AASB 9.5.5.3 states: Subject to paragraphs 5.5.13–5.5.16, at each reporting date, an entity shall measure the loss allowance for a financial instrument at an amount equal to the ***lifetime expected credit losses*** **if the credit risk on that financial instrument has increased significantly since initial recognition.**

AASB 9.5.5.5 states: Subject to paragraphs 5.5.13–5.5.16, if, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to ***12-month expected credit losses*****.**

AASB 9.5.5.13 states: Despite paragraphs 5.5.3 and 5.5.5, at the reporting date, an entity shall only recognise the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

AASB 9.5.5.14 states: At each reporting date, an entity shall recognise in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss. An entity shall recognise favourable changes in lifetime expected credit losses as an impairment gain, even if the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

AASB 9.5.5.4 states: The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition – whether assessed on an individual or collective basis – considering all reasonable and supportable information, including that which is forward-looking.

AASB 9.B5.5.7 states: The assessment of whether lifetime expected credit losses should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition (irrespective of whether a financial instrument has been repriced to reflect an increase in credit risk) instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring. Generally, there will be a significant increase in credit risk before a financial asset becomes credit-impaired or an actual default occurs.

AASB 9.B5.5.9 states: The significance of a change in the credit risk since initial recognition depends on the risk of a default occurring as at initial recognition. Thus, a given change, in absolute terms, in the risk of a default occurring will be more significant for a financial instrument with a lower initial risk of a default occurring compared to a financial instrument with a higher initial risk of a default occurring.

AASB 9.B5.5.13 states: The methods used to determine whether credit risk has increased significantly on a financial instrument since initial recognition should consider the characteristics of the financial instrument (or group of financial instruments) and the default patterns in the past for comparable financial instruments. Despite the requirement in paragraph 5.5.9, for financial instruments for which default patterns are not concentrated at a specific point during the expected life of the financial instrument, changes in the risk of a default occurring over the next 12 months may be a reasonable approximation of the changes in the lifetime risk of a default occurring. In such cases, an entity may use changes in the risk of a default occurring over the next 12 months to determine whether credit risk has increased significantly since initial recognition, unless circumstances indicate that a lifetime assessment is necessary.

AASB 9.5.5.10 states: An entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date (see paragraphs B5.5.22–B5.5.24).

AASB 9.B5.5.16 states: Credit risk analysis is a multifactor and holistic analysis; whether a specific factor is relevant, and its weight compared to other factors, will depend on the type of product, characteristics of the financial instruments and the borrower as well as the geographical region. An entity shall consider reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed. However, some factors or indicators may not be identifiable on an individual financial instrument level. In such a case, the factors or indicators should be assessed for appropriate portfolios, groups of portfolios or portions of a portfolio of financial instruments to determine whether the requirement in paragraph 5.5.3 for the recognition of lifetime expected credit losses has been met.

AASB 9.5.5.11 states: If reasonable and supportable forward-looking information is available without undue cost or effort, an entity cannot rely solely on *past due* information when determining whether credit risk has increased significantly since initial recognition. However, when information that is more forward-looking than past due status (either on an individual or a collective basis) is not available without undue cost or effort, an entity may use past due information to determine whether there have been significant increases in credit risk since initial recognition. Regardless of the way in which an entity assesses significant increases in credit risk, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. An entity can rebut this presumption if the entity has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due. When an entity determines that there have been significant increases in credit risk before contractual payments are more than 30 days past due, the rebuttable presumption does not apply.

AASB 9.B5.5.15 states: When determining whether the recognition of lifetime expected credit losses is required, an entity shall consider reasonable and supportable information that is available without undue cost or effort and that may affect the credit risk on a financial instrument in accordance with paragraph 5.5.17(c). An entity need not undertake an exhaustive search for information when determining whether credit risk has increased significantly since initial recognition

AASB 9.5.5.17(c) states: An entity shall measure expected credit losses of a financial instrument in a way that reflects:
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Source Reference	

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

AASB 7.35M, AASB 7.35N, AASb 35L, AASB 7.36 AASB 9.5.4.4, AASB 9.B3.2.16(r)

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

Consolidated

Source Reference		Aging	Closing Balance 30/6/2019	Historical probability of default	Loss given default	Lifetime Expected Credit Loss
AASB 7.36	Rates and charges	N/A	$ 278,568	0%	0%	$ -
AASB 7.36	Grants	N/A	623,301	0%	0%	$ -
AASB 7.36	Lease Receivables	N/A	6,700	0%	0%	$ -

Statutory Charges

Source Reference		
	Statutory Charges before write offs	$ 134,307
AASB 9.5.4.4, AASB 9.B3.2.16(r)	Write offs throughout the year	$ 1,267
	Statutory Charges balance after write offs	$ 133,040

AASB 7.35L — All amounts that were written off during the reporting period and are no longer subject to enforcement activity.

Source Reference		Aging	Closing Balance	Historical probability of default	Loss given default	Lifetime Expected Credit Loss
AASB 7.35M, AASB 7.35N	Statutory Charges	Current	$ 46,022	0.90%	100%	$ 414
		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
						$ 2,430

Other debtors

Source Reference		
	Other debtors before write offs	$ 175,654
AASB 9.5.4.4, AASB 9.B3.2.16(r)	Write offs throughout the year	$ 6,283
	Other debtors balance after write offs	$ 169,371

AASB 7.35L — All amounts that were written off during the reporting period and are no longer subject to enforcement activity.

Source Reference		Aging	Closing Balance	Historical probability of default	Loss given default	Lifetime Expected Credit Loss
AASB 7.35M, AASB 7.35N	Other debtors	Current	$ 121,359	2.4%	100%	$ 2,913
		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
						$ 10,091

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

Council

Source Reference		Aging	Closing Balance 30/6/2019	Historical probability of default	Loss given default	Lifetime Expected Credit Loss
AASB 7.36	Rates and charges	N/A	$ 278,712	0%	0%	$ -
AASB 7.36	Grants	N/A	$ 623,301	0%	0%	$ -
AASB 7.36	Lease Receivables	N/A	$ 6,700	0%	0%	$ -

Statutory Charges

Statutory Charges balance before write offs $ 134,307

AASB 9.5.4.4, AASB 9.B3.2.16(r)

Statutory Charges balance after write offs $ 1,267
Write offs throughout the year $ 133,040

AASB 7.35L

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

AASB 7.35M, AASB 7.35N

Statutory Charges	Current	$ 46,022	0.90%	100%	$ 414
	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
					$ 2,430

Other debtors

Other debtors balance before write offs $ 175,654

AASB 9.5.4.4, AASB 9.B3.2.16(r)

Write offs throughout the year $ 6,283
Other debtors balance after write offs $ 169,371

AASB 7.35L

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

AASB 7.35M, AASB 7.35N

Other debtors	Current	$ 121,359	2.4%	100%	$ 2,913
	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
					$ 10,091

AASB 7.35M states: To enable users of financial statements to assess an entity's credit risk exposure and understand its significant credit risk concentrations, an entity shall disclose, by credit risk rating grades, the gross carrying amount of financial assets and the exposure to credit risk on loan commitments and financial guarantee contracts. This information shall be provided separately for financial instruments:
(a) for which the loss allowance is measured at an amount equal to 12-month expected credit losses;
(b) for which the loss allowance is measured at an amount equal to lifetime expected credit losses and that are:
(i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets;
(ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and
(iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of AASB 9.
(c) that are purchased or originated credit-impaired financial assets.

AASB 7.35N states: For trade receivables, contract assets and lease receivables to which an entity applies paragraph 5.5.15 of AASB 9, the information provided in accordance with paragraph 35M may be based on a provision matrix (see paragraph B5.5.35 of AASB 9).

AASB 7.35L states: An entity shall disclose the contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity.

Source Reference

AASB 7.36 states:
For all financial instruments within the scope of this Standard, but to which the impairment requirements in AASB 9 are not applied, an entity shall disclose by class of financial instrument:
(a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (eg netting agreements that do not quality for offset in accordance with AASB 132); this disclosure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk.
(b) a description of collateral held as security and other credit enhancements, and their financial effect (eg quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk (whether disclosed in accordance with (a) or represented by the carrying amount of a financial instrument).

AASB 9.5.4.4 states: An entity shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event (see paragraph B3.2.16(r)).

AASB 9.B3.2.16(r) states: Write-off. An entity has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof.

AASB 7.35H — Refer to Note 12 for the movement in the allowance for impairment for receivables during the year

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

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 labilities 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	
	2019	2018	2019	2018
	$	$	$	$
Overdraft - QTC working capital facility	500,000	500,000	500,000	500,000
Available at 30 June	500,000	500,000	500,000	500,000

AASB 7.39(a)

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

Consolidated	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	$	$	$	$	$
2019					
Trade and other payables	523,770	-	-	523,770	523,770
Loans - QTC	2,682,337	2,400,398	4,900,535	9,983,270	9,670,610
Loans - other	15,000	10,500	18,303	43,803	39,313
Finance leases	18,010	222,666	214,050	454,726	442,478
	3,239,117	2,633,564	5,132,888	11,005,569	10,676,171
2018					
Trade and other payables	731,036	-	-	731,036	731,036
Loans - QTC	986,582	4,863,529	6,818,757	12,668,868	11,920,868
Loans - other	22,000	8,000	31,029	61,029	57,153
Finance leases	17,221	198,456	276,022	491,699	459,699
	1,756,839	5,069,985	7,125,808	13,952,632	13,168,756

Council	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	$	$	$	$	$
2019					
Trade and other payables	523,770	-	-	523,770	523,770
Loans - QTC	2,682,337	2,400,398	4,900,535	9,983,270	9,670,610
Loans - other	15,000	10,500	18,303	43,803	39,313
Finance leases	18,010	222,666	214,050	454,726	442,478
	3,239,117	2,633,564	5,132,888	11,005,569	10,676,171
2018					
Trade and other payables	731,037	-	-	731,037	731,037
Loans - QTC	986,582	4,863,529	6,818,757	12,668,868	11,920,868
Loans - other	22,000	8,000	31,029	61,029	57,153
Finance leases	17,221	198,456	276,022	491,699	459,699
	1,756,840	5,069,985	7,125,808	13,952,633	13,168,757

AASB 7.B10A

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

-

Source Reference	

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

AASB 7.40

Market risk

AASB 7.33

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

Interest rate risk

AASB 7.40

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

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

Sensitivity

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

AASB 7.40 (a)

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	**$**	**$**	**$**	**$**	**$**
2019					
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)
2018					
QTC cash fund	2,750,000	27,500	(27,500)	27,500	(27,500)
Other investments	-	-	-	-	-
Loans - QTC*	11,920,868	-	-	-	-
Loans - other	57,153	(572)	572	(572)	572
Net total		26,928	(26,928)	26,928	(26,928)

Source
Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

	Net carrying amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
Council	**$**	**$**	**$**	**$**	**$**
2019					
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)
2018					
QTC cash fund	2,750,000	27,500	(27,500)	27,500	(27,500)
Other investments	-	-	-	-	-
Loans - QTC*	11,920,868	-	-	-	-
Loans - other	57,153	(572)	572	(572)	572
Net total		26,928	(26,928)	26,928	(26,928)

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

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

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

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

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

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

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

AASB 7.21

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

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

The following table may be omitted where fair value disclosures for each class of financial assets and financial liabilities are sufficiently disclosed elsewhere (refer Notes 11, 14 and 22). In these Tropical Council 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	2019		2018*	
		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

* Comparative has not been restated to reflect the new AASB 9 requirements.

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

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

37 National Competition Policy

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

S32 - 36 *Local Government Regulation 2012*

Disclosures about business activities to which the Competitive Code of Conduct applies, 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 in conducted only through a sole supplier arrangement, that involves:
(i) the construction or maintenance of state controlled roads for which the local government submits an offer to carry out work in response to a tender invitation.
(ii) construction or road maintenance on another local government's roads which the local government has put out to tender.

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

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

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

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

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

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

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

Business activities to which the code of competitive conduct is applied

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

Roads
Water and sewerage
Waste management
Plant operations

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

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

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

	Roads	Water and sewerage	Waste management	Plant operations
	2019	2019	2019	2019
	$	$	$	$
Revenue for services provided to the Council	704,191	30,000	-	854,604
Revenue for services provided to external clients	-	2,103,460	801,481	-
Community service obligations	-	25,000	-	-
	704,191	2,158,460	801,481	854,604
Less : Expenditure	617,975	2,119,793	702,381	945,278
Surplus/(deficit)	86,216	38,667	99,100	(90,674)

Description of CSO's provided to business activities:

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

Source Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

Not mandatory **38 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 2019 follows:

Controlled Entities - Financial Results:

Controlled Entity	Ownership Interest	Revenue		Expenses		Profit / (Loss)		Assets		Liabilities	
		2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'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.

Source Reference

Tropical Council

Notes to the financial statements

For the year ended 30 June 2019

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.

39 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.

	2019 $'000	2018 $'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**

Source Reference

Tropical Council

Notes to the financial statements
For the year ended 30 June 2019

Councils need to bear in mind that both quantitative and qualitative materilaity 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.

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

40 Transactions with related parties

AASB 124.18, 19(c)
AASB 124.13

(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 16). Details of the other subsidiaries are disclosed in Note 38.

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	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
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 2017-18 and 2018-19 financial years.

Transactions with related parties

AASB 124.18, 19(c)

(b) Transactions with associates

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

AASB 124.18, 19(c)

(c) Transactions with joint ventures

	2019	2018	
	$	$	
Profit distribution from XYZ Events Pty Ltd (note 16)	11,420	7,150	Note: This transaction is likely immaterial but is included here for illustrative purposes

AASB 124.18, 19(c)
AASB 124.9

(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:

	2019	2018
	$	$
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.

Source Reference

Tropical Council

Notes to the financial statements
For the year ended 30 June 2019

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.

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

AASB124.24

Details of Transaction	Additional information	2019 $	2018 $
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 2018-19, completed a new subdivision "Avondale Heights" in 2018-19. 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:

	2019	2018
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 2018-19. 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 2019 there were no amounts owed by council to the company.

(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 2018 to 15 December 2018. 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.

Source Reference

Tropical Council

Notes to the financial statements

For the year ended 30 June 2019

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-19	**30-Jun-18**	**30-Jun-19**	**30-Jun-18**
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 2019. The contract will take effect on 1 September 2019 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.

1. Materiality

AASB 101.7

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 it's 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 ie. 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."

Source Reference

Not mandatory

Tropical Council
Notes to the financial statements
For the year ended 30 June 2019

41 Tied grants by project

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 30/6/19 will *not* reconcile with the externally imposed restrictions upon cash, disclosed in note 11 if:
- Note 41 is prepared on a cash basis, and / or
- if any grants in Note 41 are overspent as at 30/6/19 i.e. a negative balance.
Therefore, if this note is prepared on a cash basis, the amount of unspent grants and subsidies disclosed in note 11 should agree to total grants as at 30/6/19 after excluding overspent grants and adjusting for any year end creditors and accruals.

The following note has been prepared on a cash basis.

	Balance 01/07/18 $	Revenue $	Expense $	Transfers between grants $	Balance 30/06/2019 $
Commonwealth government grants					
Organisation *(insert name)*					
(insert name of program/project)	0	0	0	0	0
(insert name of program/project)	0	0	0	0	0
Total	0	0	0	0	0
Organisation *(insert name)*					
(insert name of program/project)	0	0	0	0	0
(insert name of program/project)	0	0	0	0	0
Total	0	0	0	0	0
Total - Commonwealth government	0	0	0	0	0
State government grants					
Organisation *(insert name)*					
(insert name of program/project)	0	0	0	0	0
(insert name of program/project)	0	0	0	0	0
Total	0	0	0	0	0
Organisation *(insert name)*					
(insert name of program/project)	0	0	0	0	0
(insert name of program/project)	0	0	0	0	0
Total	0	0	0	0	0
Total - State government	0	0	0	0	0
Other grant providers					
Organisation *(insert name)*					
(insert name of program/project)	0	0	0	0	0
(insert name of program/project)	0	0	0	0	0
Total	0	0	0	0	0
Organisation *(insert name)*					
(insert name of program/project)	0	0	0	0	0
(insert name of program/project)	0	0	0	0	0
Total	0	0	0	0	0
Total - Other grant providers	0	0	0	0	0
Total grants	0	0	0	0	0
Add back negative (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 2019

Management Certificate
For the year ended 30 June 2019

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

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

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

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

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

Brisbane City Council
Financial statements
For the year ended 30 June 2019

Management Certificate
For the year ended 30 June 2019

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

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

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

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

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

Tropical Council
Financial statements
For the year ended 30 June 2019

Management Certificate
For the year ended 30 June 2019

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

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

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

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

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

Tropical Council

Current Year Financial Sustainability Statement

Certificate of Accuracy - for the Current Year Financial Sustainability Statement

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

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 2019

Measures of Financial Sustainability	How the measure is calculated	Actual - Consolidated	Actual - Council	Target
Council's performance at 30 June 2019 against key financial ratios and targets:				
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-5%	-6%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	27%	27%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	37%	44%	not greater than 60%

Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the Financial Management (Sustainability) Guideline 2013. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2019.

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 2019

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

The following certificate is applicable to Brisbane City Council:

Certificate of Accuracy
For the year ended 30 June 2019

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	**Chief Executive Officer**
Name	**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

Prepared as at 30 June 2019

Measures of Financial Sustainability

Consolidated

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2019	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
				Projected for the years ended								
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	-5%									
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	greater than 90%	27%									
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	37%									

Council

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2019	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
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%	44%									

Tropical Council's Financial

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.

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

Certificate of Accuracy
For the long-term financial sustainability statement prepared as at 30 June 2019

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

Date: ______/______/______

____
Chief Executive Officer
Name

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 2019

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

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

____
Lord Mayor
Name

Date: ______/______/______

____
Chief Executive Officer
Name

Date:______/______/_______

Appendix A - Useful weblinks for transition from AASB 139 to AASB 9 for credit risk disclosure

This appendix would not be disclosed in a council's reporting, it has been included to assist Councils identify and understand AASB 7 and AASB 9 changes

Published by	Publication Title	Web link	Overview Notes
Australian Accounting Standards	Australian Accounting Standards AASB 101	https://www.aasb.gov.au/Pronouncements/Current-standards.aspx	It is suggested that the Queensland Audit Office "Checklist - how ready are you for AASB 9" be considered in conjunction with AASB 101. Paragraph 31 of AASB 101 *Presentation of Financial Statements*, emphasises disclosures are 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." "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." 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.
Australian Accounting Standards	Australian Accounting Standards AASB 9	https://www.aasb.gov.au/Pronouncements/Current-standards.aspx	Details changes to financial instruments
Australian Accounting Standards	Australian Accounting Standards AASB 7	https://www.aasb.gov.au/Pronouncements/Current-standards.aspx	Contains information on reporting requirements for AASB 9
Australian Accounting Standards	Australian Accounting Standards AASB 2016-8	https://www.aasb.gov.au/Pronouncements/Current-standards.aspx	Found in the Amending Pronouncements (not yet fully compiled) section of the link. AASB 9 does not technically incorporate Statutory Receivables. AASB 2016-8 ammends AASB 9 to bring these into the fold. Some examples of Statutory Provisions would include: Rates, Utility Charges, Developer Contributions, Developer Donations, Fines, Licenses and Registrations, Legislated levies, Airport landing fees (if identified in legislative provisions), etc
Queensland Audit Office	Checklist—how ready are you for AASB 9?	https://www.qao.qld.gov.au/blog/checklist-how-ready-are-you-aasb-9	Checklist. Suggest that Councils adapt to their needs, in the context of AASB 101.31
Local Government Victoria	Guidance on transition to new Accounting Standards 2018-19	https://www.localgovernment.vic.gov.au/__data/assets/word_doc/0026/411479/Guidance_on_transition_to_new_Accounting_Standards_2018-19_FINA-L.docx	Guidance document with illustrative examples, flow charts, tabled scenarios, and commentary
KPMG	KPMG - On your marks: are you ready for AASB 9?	https://assets.kpmg/content/dam/kpmg/au/pdf/2018/ready-for-aasb-9.pdf	Provides a comprehensive example of the steps involved in creating a historical provision matrix
NSW Treasury	Overview on AASB 9 Financial Instruments	https://www.treasury.nsw.gov.au/sites/default/files/2018-05/Overview%20on%20AASB%209%20Financial%20Instruments.pdf	Consistently cites specific AASB paragraphs
Queensland Treasury	FRR-4E-Financial-Instruments-2018-19	https://s3.treasury.qld.gov.au/files/FRR-4E-Financial-Instruments-2018-191.pdf	This guidance is specific to Qld government departments and is not mandatory for Qld Local Government. AASB standards may allow for other methodologies to be adopted. EG: in some circumstances AASB 9 permits the simplified methodology to be used for lease receivables.
Queensland Treasury	FRR 6A: SUNSHINE DEPARTMENT – 2018- 2019 ILLUSTRATIVE FINANCIAL STATEMENTS	https://s3.treasury.qld.gov.au/files/FRR-6A-2018-19-Sunshine-Department-Illustrative-Financial-Statements1.pdf	Pages 27 to 30 provide practical examples. This guidance is specific to Qld government departments and is not mandatory for Qld Local government.
Department of Finance (Commonwealth)	FINANCE POSITION PAPER 2017-18 No. 2 Implementation Options for AASB 9 *Financial Instruments*	https://www.finance.gov.au/sites/default/files/finance-position-paper-aasb-9-financial-instruments-may-2018.pdf?v=1	Overview and cites some specific AASB paragraphs
Queensland Audit Office	Can the International Public Sector Accounting Standard IPSAS 41 Financial Instruments help us in Australia?	https://www.qao.qld.gov.au/blog/guidance-aasb-9-financial-instruments-will-ipsas-41-help-us	Discusses public sector issues in the absence of additional guidance in AASB 9 *Financial Instruments*
Grant Thorton	Get ready for IFRS 9 The impairment requirements	https://www.grantthornton.global/globalassets/1.-member-firms/global/insights/article-pdfs/ifrs/get-ready-for-ifrs-9-issue-2-the-impairment-requirements.pdf	Discussion in relation to using the Simplified model for trade receivables, contract assets and lease receivables (written from an IFRS 9 perspective)
Queensland Audit Office	Impairment (the provision for doubtful debts) aims to ensure the carrying amount of loans/other financial assets aren't overstated	https://www.qao.qld.gov.au/blog/financial-instruments-changes-aasb-9-impairment	High level summary
Queensland Audit Office	Technical Audit update	https://www.qao.qld.gov.au/sites/qao/files/presentations/client_technical_audit_update_19_february_2019.pdf	High level summary
Department of Finance (Commonwealth)	Powerpoint presentation from March 2018 Workshop on AASB 9 Financial Instruments	https://www.finance.gov.au/sites/default/files/AASB9_workshop_march2018.pdf	Summary information

CPA Australia	IFRS 9 Financial Instruments	https://www.cpaaustralia.com.au/~/media/corporate/allfiles/document/professional-resources/ifrs-factsheets/factsheet-ifrs9-financial-instruments.pdf?la=en	Written from an IFRS 9 perspective, provides some flow charts and background discussion, also provides some Australian AASB context
Deloitte	IFRS 9: Financial Instruments – high level summary	https://www2.deloitte.com/content/dam/Deloitte/ru/Documents/audit/ifrs-9-financial-instruments-en.pdf	Written from an IFRS 9 perspective, provides some flow charts and background discussion
BDO	Transition to IFRS 9 Financial Instruments	https://www.bdo.com.au/getattachment/Insights/Audit-Assurance/Webinars/Transition-to-IFRS-9/2018-Client-Webinar-6-Transition-to-IFRS-9-(Presenter-Version).pdf.aspx?lang=en-AU	Summary, provides high level AASB context, background discussion, and some sample journals
ACCA	What is a financial instrument? – part 2	https://www.accaglobal.com/an/en/student/exam-support-resources/fundamentals-exams-study-resources/f7/technical-articles/financial-instrument-part2.html	Written from an IFRS 9 perspective, provides some flow charts and background discussion
BDO	IFRS in practice 2018 IFRS 9 Financial Instruments	https://www.bdo.global/getattachment/Services/Audit-Assurance/IFRS/IFRS-in-Practice/IFRS-9-Financial-Instruments-2018-(1).pdf.aspx?lang=en-GB	Written from an IFRS 9 perspective, (includes some illustrative journal entries for some of the discussed methodologies)
Queensland Audit Office	Are you using the correct versions of AASB 15 and AASB 1058?	https://www.qao.qld.gov.au/blog/are-you-using-correct-versions-aasb-15-and-aasb-1058	Useful background considerations for recognition of income (when considering Receivables)
Queensland Audit Office	Financial instruments changes—AASB 9 classification and measurement	https://www.qao.qld.gov.au/blog/financial-instruments-changes-aasb-9-classification-and-measurement	High level discussion
IFRS	IFRS – IFRS 9 Financial Instruments - supporting material	https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-9/#webcasts	AASB 9 has been written to incorporate IFRS 9. Link to IFRS site. Contains links to: Educational Material, Educational Webcasts and Webinars
Chartered Accountants	Practical challenges of applying the IFRS 9 impairment model to trade and lease receivables	https://www.charteredaccountantsanz.com/-/media/19ec841affde4992bee628190fa9e1d7.ashx	General Discussion
Chartered Accountants	Why corporates should take note of IFRS 9 Impairment implementation issues	https://www.charteredaccountantsanz.com/-/media/8b660dc507a3494292288a814446071e.ashx	General Discussion
PWC	IFRS 9: Expected credit losses	https://www.pwc.com/gx/en/audit-services/ifrs/publications/ifrs-9/ifrs-in-depth-expected-credit-losses.pdf	Written from an IFRS 9 perspective, provides some flow charts and background discussion
Department of Treasury and Finance (Victoria)	Accounting Policy update - Edition 34	https://webcache.googleusercontent.com/search?q=cache:ZlxBmHhtZmUJ:https://www.dtf.vic.gov.au/sites/default/files/2018-01/accounting_policy_update_-_newsletter_edition_33_-_december_2017.docx+&cd=2&hl=en&ct=clnk&gl=au	bi-annual newsletter outlines areas of particular importance in public sector financial reporting (from a Victorian Government perspective)
Department of Treasury and Finance (Victoria)	Accounting Policy update - Edition 35	http://webcache.googleusercontent.com/search?q=cache:bEpuqlISmlcJ:www.dtf.vic.gov.au/sites/default/files/document/Accounting%2520Policy%2520Update%2520-%2520Newsletter%2520edition%252035%2520-%2520December%25202018.docx+&cd=3&hl=en&ct=clnk&gl=au	bi-annual newsletter outlines areas of particular importance in public sector financial reporting (from a Victorian Government perspective)
Queensland Treasury	FRR 1A (Financial Reporting Requirements for Queensland Government Agencies For reporting periods beginning on or after 1 July 2017)	https://s3.treasury.qld.gov.au/files/frr1a-introduction-and-prescribed-accounting-standards-2017-18.pdf	This guidance is specific to Qld government departments and is not mandatory for Qld Local Government. For AASB 9 guidelines refer to pages 16 to 24. Information has been superceeded by 2018-2019 publication FFR 4E Financial Instruments. This version contains more in depth discussion than FFR 4E (2018-19). Guideline makes generic reference to AASB, but does not cite specific sections. Also note AASB standards may allow for other methodologies to be adopted

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