

Tropical Council

Financial Statements for the year ended 30 June 2022

Illustrative financial statements for Queensland Local Governments

Thursday, 31 March 2022

Key to colour coding	
New requirements	Red writing
Commentary/guidance	
Notes required in consolidated financial statements	

Version 1

Tropical Council Financial Statements

For the year ended 30 June 2022

Foreword

Use and application of Tropical 2021-22

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

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

Tropical is for GUIDANCE ONLY and is not mandatory - the illustrative disclosures should be amended to reflect an individual council's balances and transactions.

Content

Tropical does not cover every possible accounting scenario and instead provides example disclosures of transactions typically encountered by councils. Councils' financial statements should reflect each individual council's circumstances and operational characteristics and include relevant info on all material balances and transactions. Councils should ensure if they have any material transactions that are not illustrated in Tropical then they are included in their financial statements by referring to the requirements of the relevant Accounting Standard.

Tropical includes some disclosures which are not material, this is for completeness of common disclosures and not an indication that immaterial or nil disclosures are required.

Tropical does not include any disclosures arising from AASB 1059 Service Concession Arrangements: Grantors, if Councils believe that they have any of these arrangements they should contact the Department and Queensland Audit Office.

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.

Materiality

Councils are encouraged to review the materiality of disclosures with a view to simplifying financial statements and removing immaterial or irrelevant disclosures in particular those which obscure material information. Refer to AASB Practice Statement 2 Making Materiality Judgements, AASB 101 Presentation of Financial Statements and AASB 108 Changes in Accounting Policies, Accounting Estimates and Errors for guidance in relation to the materiality assessment.

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

Rounding

Figures in Tropical have been rounded to the nearest \$1,000. 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.

Tropical Council Financial Statements

For the year ended 30 June 2022

Tropical usability features

Arithmetic functionality and using Tropical as a data entry model (Microsoft Excel Version only)

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.

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

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 2021-22 financial year.

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

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

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

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

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 dated at the agreed date. The certificate is given by the Mayor and Chief Executive Officer (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.gov.au

Departmental local government bulletins on a range of accounting issues can be viewed at <https://www.dlgrma.qld.gov.au/about-us/news-media-and-events2/local-government-bulletins>

Feedback

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

Department of State Development, Infrastructure, Local Government and Planning

Legislation, Governance and Capability

PO Box 15009 City East Qld 4002 Australia

Phone: 07 3452 6721 (Samantha Cieslar)

E-mail: Tropicalworkshop@dsdilgp.qld.gov.au

Tropical Council

Financial statements

For the year ended 30 June 2022

Simplification checklist

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

The following checklist may assist councils to improve the readability of the financial statements:

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

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

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

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

3. Is the information presented in plain english?

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

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

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

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

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

Tropical Council

Financial statements

For the year ended 30 June 2022

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Note: the following documents must be included in Council's Annual Report with the audited General Purpose Financial Statements:

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

Care must be taken to ensure that the financial statements, management certificate and Independent Auditor's Report are presented together in the annual report.

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.

Tropical Council
Statement of Comprehensive Income
For the year ended 30 June 2022

		2022	2021
	Note	\$'000	\$'000
	Income		
	Revenue		
	Recurrent revenue		
	Rates, levies and charges	352,546	350,084
	Fees and charges	29,767	30,899
	Sales revenue	12,838	13,488
	Grants, subsidies, contributions and donations	20,477	19,027
	Total recurrent revenue	<u>415,628</u>	<u>413,498</u>
	Capital revenue		
	Grants, subsidies, contributions and donations	240,827	214,408
	Total capital revenue	<u>240,827</u>	<u>214,408</u>
	Rental income	-	-
	Interest received	5,237	5,021
	Profit from equity accounted investments	-	-
	Other income	-	1,159
	Other capital income	1,258	659
	Total income	<u>662,950</u>	<u>634,745</u>
	Expenses		
	Recurrent expenses		
	Employee benefits	(141,345)	(137,594)
	Materials and services	(153,570)	(144,420)
	Finance costs	(21,841)	(21,445)
	Depreciation and amortisation		
	Property, plant and equipment	(148,706)	(120,096)
	Intangible assets	(2,520)	(2,102)
	Right of use assets	(2,696)	(2,711)
	Other expenses	(612)	(601)
		<u>(471,290)</u>	<u>(428,969)</u>
	Capital expenses	(3,084)	(10,037)
	Total expenses	<u>(474,374)</u>	<u>(439,006)</u>
	Net result	<u>188,576</u>	<u>195,739</u>
	Other comprehensive income		
	Items that will not be reclassified to net result		
	Increase / (decrease) in asset revaluation surplus	7,182	20,040
	Items that may be subsequently reclassified to net result		
	[insert details if Councils have any of these items]		
	Total other comprehensive income for the year	<u>7,182</u>	<u>20,040</u>
	Total comprehensive income for the year	<u>195,758</u>	<u>215,779</u>

The above statement should be read in conjunction with the accompanying notes and accounting policies.

Source Reference

AASB 101.10(b), 81A - 105

AASB 101.92

AASB 101.97

Not mandatory

Financial Management (sustainability)
Guideline 2013

AASB Framework.78 & 80

AASB Framework.74
-77**Tropical Council**
Statement of Comprehensive Income
For the year ended 30 June 2022

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

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

Capital revenue and expenses

The Statement of Comprehensive Income includes separate categories for capital and recurrent income and expenses. The concept of recurrent (or operating) versus capital has been used by many councils in the Queensland local government sector in the past. However it is not required by local government legislation or Australian Accounting Standards.

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

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

Disclosure of gains and losses on disposal of assets

The Framework for the Preparation and Presentation of Financial Statements (para 78 and 80) states that losses, including those arising on the disposal of non-current assets, form part of expenses and should be disclosed as such, i.e. net losses on disposal of assets should be classified as an expense.

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

Disclosure of Other Comprehensive Income for Equity Accounting Investments

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

Source Reference

AASB 101.10(a) & 54 - 80A

**Tropical Council
Statement of Financial Position
as at 30 June 2022**

	Note	2022 \$'000	2021 \$'000	1 July 2020 * \$'000
Current assets				
AASB 101.54(i)	10	194,209	110,350	-
AASB 101.54(h)	11	49,432	52,646	-
AASB 101.54(g)	12	1,654	2,187	-
AASB 15.105	19	10,896	9,922	-
	13	6,012	8,027	-
AASB 101.54(d)	20	-	-	-
		<u>262,203</u>	<u>183,132</u>	<u>-</u>
AASB 5. 38 & 40	14	-	-	-
		<u>262,203</u>	<u>183,132</u>	<u>-</u>
Total current assets				
Non-current assets				
AASB 101.54(h)	11	1,422	2,337	-
AASB 101.54(d)	20	-	-	-
AASB 101.54(e)	15	-	-	-
AASB 101.54(b)	16	-	-	-
AASB 101.54(a)	17	5,198,119	5,156,879	-
AASB 16.47(a)	20	10,035	12,721	-
AASB 101.54(c)	18	5,804	8,324	-
		<u>5,215,380</u>	<u>5,180,261</u>	<u>-</u>
Total non-current assets				
		<u>5,477,583</u>	<u>5,363,393</u>	<u>-</u>
Total assets				
Current liabilities				
AASB 101.54(k)	21	72,101	74,403	-
AASB 15.105	19	20,088	47,001	-
AASB 101.54(m)	22	28,007	32,879	-
AASB 16.47(b)	20	2,177	2,602	-
AASB 101.54(l)	23	36,155	43,118	-
		295	363	-
		<u>158,823</u>	<u>200,366</u>	<u>-</u>
Total current liabilities				
Non-current liabilities				
AASB 101.54(k)	21	-	-	-
AASB 15.105	19	6,344	11,750	-
AASB 101.54(m)	22	306,445	335,950	-
AASB 16.47(b)	20	8,686	10,769	-
AASB 101.54(l)	23	29,035	33,722	-
	24	1,257	1,623	-
		<u>351,767</u>	<u>393,814</u>	<u>-</u>
Total non-current liabilities				
		<u>510,590</u>	<u>594,180</u>	<u>-</u>
Total liabilities				
Net community assets				
		<u>4,966,993</u>	<u>4,769,213</u>	<u>-</u>
Community equity				
		903,556	896,374	-
		4,061,415	3,872,839	-
		<u>4,964,971</u>	<u>4,769,213</u>	<u>-</u>
Total community equity				

AASB 101.40A, AASB101.10(f)

The third Statement of Financial Position (i.e. as at 1 July 2020) should ONLY be used if council has applied an accounting policy retrospectively or has made a retrospective restatement of items due to a change in accounting policy or error in its financial statements or has reclassified items in its financial statements.

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

The above statement should be read in conjunction with the accompanying notes and accounting policies.

Tropical Council

**Statement of Changes in Equity
For the year ended 30 June 2022**

	Asset revaluation surplus \$'000	Retained surplus \$'000	Total \$'000
Balance as at 1 July 2021	896,374	3,872,839	4,769,213
Net result	-	188,576	188,576
Other comprehensive income for the year			
Increase / (decrease) in asset revaluation surplus	7,182	-	7,182
Share of comprehensive income of equity accounted investments	-	-	-
Total comprehensive income for the year	7,182	188,576	195,758
Balance as at 30 June 2022	903,556	4,061,415	4,964,971
Balance as at 1 July 2020	876,334	3,677,100	4,553,434
Net result	-	195,739	195,739
Other comprehensive income for the year			
Increase / (decrease) in asset revaluation surplus	20,040	-	20,040
Share of comprehensive income of equity accounted investments	-	-	-
Total comprehensive income for the year	20,040	195,739	215,779
Balance as at 30 June 2021	896,374	3,872,839	4,769,213

The above statement should be read in conjunction with the accompanying notes and accounting policies.

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

Tropical Council**Notes to the financial statements****For the year ended 30 June 2022**

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

Councils, auditors and advisors are reminded of the materiality definition

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

AASB 101.31

The following underlining of paragraph 31 of AASB 101 *Presentation of Financial Statements*, emphasise that disclosures are only required where they are material:

"An entity need not provide a specific disclosure required by an Australian Accounting Standard if the information resulting from that disclosure is not material. This is the case even if the Australian Accounting Standard contains a list of specific requirements or describes them as minimum requirements."

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

In these illustrative statements, the accounting policies contain significant detail, however councils 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', i.e. if the disclosures specified in the accounting standards are not sufficient to explain the particular transactions / balance then councils should add additional disclosures to the financial statements.

AASB101.117-133

1 Information about these financial statements**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 2021 to 30 June 2022. 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

Council is a not-for-profit entity for financial reporting purposes and **these financial statements** complies with Australian Accounting Standards **and Interpretations** as applicable to not-for-profit entities.

AASB 101.117 (a), .118

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

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

AASB 101.51(b)

1.B Basis of consolidation

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

Transactions between council and entities controlled by council have been eliminated when preparing consolidated accounts. In addition, the accounting policies of controlled entities have been adjusted on consolidation where necessary, to ensure the financial statements of the consolidated entity are prepared using accounting policies that are consistent with those of the council. Information on controlled entities that have been consolidated is included in Note 15.

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

Tropical Council**Notes to the financial statements****For the year ended 30 June 2022**

AASB 108.28

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

When preparing this note, councils should review new and amended AASB Standards and Interpretations that apply to the 2021/2022 financial year to consider their relevance and impact

Tropical adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2021, none of the standards had a material impact on reported position, performance and cash flows.

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

Tropical has assumed that none of the new standards have had a material impact on Council.

AASB 108.30

1.D Standards issued by the AASB not yet effective

Councils are required to disclose the known or estimable impact of accounting standards that are issued but not yet effective.

Tropical Council has not early adopted any standards or interpretations. The note below lists the standards issued but not yet effective at the time of writing (December 2021).

AASB 108.30, 31

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2022, these standards have not been adopted by Council and will be included in the financial statements on their effective date. Where the standard is expected to have a material impact for council then further information has been provided in this note.

The following list identifies all the new and amended Australian Accounting Standards, and Interpretation, that were issued but not yet effective at 30 June 2022 at the time of compiling these illustrative statements that could be applicable to Councils (February 2022).

Councils should not include this complete list in the notes to the financial statements. It is provided to assist in deciding which are likely to have a material impact. The list was compiled during December 2021 and Councils will also need to consider any new or amended standards that are issued after this date but prior to signing of the financial statements.

**Effective for
reporting periods
beginning on or
after:**

AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current and associated standards (amended by AASB 2020-6)* 1 January 2023

AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments* 1 January 2022

AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates (amended by AASB 2021-6)* 1 January 2023

AASB 2014-10 *Sale or Contribution of Assets between and Investor and its Associate or Joint Venture (amended by AASB 2015-10, AASB 2017-5 and AASB 2021-7)* 1 January 2025

AASB 101.122-133

1.E Estimates and judgements

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

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

Valuation of investment property (Note 16)

Valuation and depreciation of property, plant and equipment (Note 17)

Impairment of property, plant and equipment (Note 9)

Provisions (Note 23)

Contingent liabilities (Note 27)

Financial instruments and financial liabilities (note 35)

Revenue recognition (Note 3)

Tropical Council**Notes to the financial statements****For the year ended 30 June 2022**

AASB 101.51(e)

1.F Rounding and comparatives

Tropical is presented in thousand dollars, whether or not rounding occurs (for example, to the nearest \$1000) is at the discretion of each council and would depend on the quantum of the amounts disclosed in the financial statements. Usually rounding would be appropriate for larger councils. If rounding occurs, then the suggested wording is "Amounts included in the financial statements have been rounded to the nearest \$1000 or, where that amount is \$500 or less, to zero". ASIC Class Order 2016/191 may provide some assistance to councils in determining an appropriate level of rounding.

AASB 101.51(d)

The financial statements are in Australian dollars and have been rounded to the nearest \$1,000, unless otherwise stated.

AASB 101.41

Comparative information is generally restated for reclassifications, errors and changes in accounting policies unless permitted otherwise by transition rules in a new Accounting Standard / Comparative information is prepared on the same basis as prior year.

AASB 1058.27a

1.G Volunteer services

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

Councils should consider, for example, volunteers at art galleries, festivals and other community events and facilities.

AASB 101.117

1.H Taxation

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

1.I COVID-19

Council's operations for the year ended 30 June 2022 have been impacted by the COVID-19 pandemic. The following steps were taken by Council in response to the pandemic during the year:

Councils should consider the relevant disclosure in this note which would be useful to users, for example:

- details of rate waivers / concessions / extensions
- rental concessions
- financial support provided to sporting and community organisations
- fee relief to local businesses
- waiving overdue interest charges
- reduction in capital expenditure
- reduced hours / capacity in facilities
- amending supplier payment terms.

Councils should include specific information relating to the COVID impact for their Council, including closures etc and should disclose factual information about results rather than hypothetical analysis. The disclosure should include any changes up to the signing of the financial statements and disclose changes during the year, for example opening of borders and omicron variant, where relevant.

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 :

Business services and finance

Council's Business Services and Finance teams provide professional financial and other 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.

Construction and maintenance

Construction and maintenance is responsible for constructing new and maintaining existing infrastructure across a diverse range of assets that underpin the wellbeing of the Tropical community. These assets include roads, drains, stormwater, boat ramps, cemeteries, parks and open spaces and coastal areas.

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.

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

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

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 2022

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									
	\$'000	\$'000	\$'000	\$'000			\$'000	\$'000					
Business services and finance	14,081	204,938	20,000	-	(48,258)	190,761	(78,837)	(2,356)	13,026	(68,167)	104,950	122,594	339,132
Construction and maintenance	4,072	9,098	21,419	11,331	(4,637)	41,283	(120,847)	(41,037)	14,419	(147,465)	(97,895)	(106,182)	1,355,509
Community services	1,178	9,463	-	-	(6,936)	3,705	(41,399)	(116)	7,080	(34,435)	(30,614)	(30,730)	367,985
Planning & development	374	8,257	-	-	(56)	8,575	(22,449)	-	14	(22,435)	(13,860)	(13,860)	24,341
Transport infrastructure	277	27,855	200,863	3,045	(24,925)	207,115	(85,333)	(21,736)	24,809	(82,260)	(57,317)	124,855	2,035,616
Waste management	38	47,889	-	-	(11,264)	36,663	(27,819)	(163)	8,988	(18,994)	17,832	17,669	22,640
Water infrastructure	340	195,895	282	5,305	(26,974)	174,848	(147,070)	(6,240)	54,714	(98,596)	76,905	76,252	1,332,360
Total Council		503,395	242,564	19,681	(123,050)	662,950	(523,754)	(71,648)	123,050	(472,352)	1	190,598	5,477,583
Controlled entity net of eliminations													
Total consolidated	20,360	503,395	242,564	19,681	(123,050)	662,950	(523,754)	(71,648)	123,050	(472,352)	1	190,598	5,477,583

Year ended 30 June 2021

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									
	\$'000	\$'000	\$'000	\$'000			\$'000	\$'000					
Business services and finance	5,466	210,230	2,100	-	(50,158)	167,638	(84,856)	-	15,947	(68,909)	96,629	98,729	34,033
Construction and maintenance	3,703	10,015	139	23,170	(5,580)	31,447	(126,103)	(8,637)	20,979	(113,761)	(96,986)	(82,314)	1,546,418
Community services	1,884	8,606	-	237	(6,936)	3,791	(42,987)	47	7,085	(35,855)	(32,348)	(32,064)	367,985
Planning & development	612	8,451	-	(159)	(79)	8,825	(25,952)	(2)	33	(25,921)	(16,935)	(17,096)	24,341
Transport infrastructure	113	27,137	148,984	26,043	(24,652)	177,625	(83,701)	2,371	25,442	(55,888)	(55,661)	121,737	2,035,616
Waste management	54	59,540	-	659	(17,201)	43,052	(45,177)	(1,505)	13,705	(32,977)	10,921	10,075	22,640
Water infrastructure	7,030	214,839	4,239	9,655	(33,396)	202,367	(152,571)	(7,935)	54,811	(105,695)	90,713	96,672	1,332,360
Total Council	18,862	538,818	155,462	59,605	(138,002)	634,745	(561,347)	(15,661)	138,002	(439,006)	(3,667)	195,739	5,363,393
Controlled entity net of eliminations													
Total consolidated	18,862	538,818	155,462	59,605	(138,002)	634,745	(561,347)	(15,661)	138,002	(439,006)	(3,667)	195,739	5,363,393

- 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.

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). The net impact of the sum of inter-function transactions should be nil.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

AASB 15.115 /

3 Revenue

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

(a) Rates, levies and charges

Rates, levies and charges are recognised as revenue at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

The rate, levies and charges break-down is an example only and should be customised to suit council's operations. For Aboriginal councils it will be more appropriate to refer to a "community levy" rather than "rates"

Note	2022 \$'000	2021 \$'000
General rates / Community levy (depending on council)	174,745	173,442
Separate rates	-	-
Water consumption, rental and sundries	181,654	179,948
Sewerage	21,515	21,906
Waste management	-	-
Garbage charges	-	-
Total rates and utility charge revenue	377,914	375,296
Less: Discounts	(14,923)	(14,854)
Less: Pensioner remissions	(10,445)	(10,358)
	<u>352,546</u>	<u>350,084</u>

AASB 15.115 / AASB 15.119 / AASB

(b) Fees and charges

Revenue arising from fees and charges are recognised at the point in time when the performance obligation is completed and the customer receives the benefit of the services being provided.

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

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

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

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.

Refuse fees	19,701	19,685
Regulatory assessment fees	2,905	3,265
Infringements	831	828
Licences and registrations	2,035	2,029
Commercial fees	2,515	2,623
Other fees and charges	1,780	2,469
	<u>29,767</u>	<u>30,899</u>

AASB 15.115 / AASB 15.119

(c) Sales revenue

Sale of goods revenue is recognised at the point in time that the customer obtains control of the goods, generally at delivery. Revenue from services is recognised when the service is rendered.

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

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

Note	2022 \$	2021 \$
Rendering of services		
Contract and recoverable works	8,225	9,124
Child care centre	4,356	4,257
Motor vehicle repairs	-	-
	<u>12,581</u>	<u>13,381</u>
Sale of goods		
Nursery	257	107
Post office	-	-
	<u>257</u>	<u>107</u>
Total sales revenue	<u>12,838</u>	<u>13,488</u>

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022
(d) Grants, subsidies, contributions and donations

AASB 15.115 & 119 /
AASB 1058.26

Councils will need to consider which standard (AASB 15 or AASB 1058) their grant income falls within. AASB 15 is relevant where the contract is enforceable and contains sufficiently specific performance obligations, otherwise AASB 1058 is the applicable standard.

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

Grant income under AASB 15

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

Performance obligations vary in each agreement but include [provide details of performance obligations e.g. events, vaccinations]. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

Where control is transferred over time, revenue is recognised using either costs or time incurred.

Grant income under AASB 1058

Where Council receives an asset for significantly below fair value, the asset is recognised at fair value, related liability (or equity items) are recorded and income then is recognised for any remaining asset value at the time that the asset is received

Capital grants

Where council receive funding under an enforceable contract to acquire or construct a specified item of property, plant and equipment which will be under Council's control on completion, revenue is recognised as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred.

Donations and contributions

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

Donations and contributions are generally recognised on receipt of the asset since there are no enforceable performance obligations.

AASB 1058

Physical assets contributed to council by developers in the form of road works, stormwater, water and wastewater infrastructure and park equipment are recognised as revenue when Council obtains control of the asset and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets. Non-cash contributions with a value in excess of the recognition thresholds are recognised as non-current assets. Those below the thresholds are recorded as expenses.

Developers also pay infrastructure charges for trunk infrastructure, such as pumping stations, treatment works, mains, sewers and water pollution control works. These infrastructure charges are generally within the scope of AASB 1058 since there is no enforceable performance obligation associated with them and therefore the infrastructure charges are recognised as revenue when received.

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

	Note	2022 \$'000	2021 \$'000
(i) Operating			
General purpose grants		2,456	2,556
State government subsidies and grants		7,215	5,488
Commonwealth government subsidies and grants		9,648	9,458
Donations		-	-
Contributions		1,158	1,525
		<u>20,477</u>	<u>19,027</u>

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

(ii) Capital

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

Government subsidies and grants	182,372	155,283
Contributions	58,455	59,125
Contributions - finance lease assets recognised in respect of newly built houses	-	-
Total capital grants, subsidies and contributions	<u>240,827</u>	<u>214,408</u>
Less: discount allowed developer	-	-
	<u>240,827</u>	<u>214,408</u>

ATSI Councils - 40
year lease

Not mandatory

Not mandatory

For transparency and accountability to council stakeholders, the department is recommending that councils include any discounts given to developers on infrastructure charges.

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 1058.37

(iii) Timing of revenue recognition for grants, subsidies, contributions and donations

AASB 15.119 / AASB
1058.26

		2022		2021	
		Revenue recognised at a point in time \$'000	Revenue recognised over time \$'000	Revenue recognised at a point in time \$'000	Revenue recognised over time \$'000
Grants and subsidies	3d	75,846	125,845	74,143	98,642
Donations	3d	-	-	-	-
Contributions	3d	59,613	-	60,650	-
		<u>135,459</u>	<u>125,845</u>	<u>134,793</u>	<u>98,642</u>

The timing of revenue recognition has been noted in the relevant accounting policies for revenue notes 3(a) - 3(c), however this sub-note will have both point in time and over time revenue recognition for grants and subsidies.

Donations and contributions revenue would generally be recognised at the point in time that it is received.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

	<u>Note</u>	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
	4 Interest and other income		
AASB 7.20	a Interest received		
	Interest received from bank and term deposits is accrued over the term of the investment.		
	Interest received from term deposits	-	-
	Interest received from financial institutions	5,237	5,021
	Other sources	-	-
AASB 16.90(aii)	Finance income on the net investment in the lease	-	-
	Interest from overdue rates and utility charges	-	-
		<u>5,237</u>	<u>5,021</u>
	b Other income		
	Dividends are recognised when they are declared.		
AASB 118.35(b) ATSI Councils - 40 year lease	Dividend	-	-
	Gain on revaluation of finance leases 20	-	-
	Other income	-	1,159
		<u>-</u>	<u>1,159</u>
		<u>5,237</u>	<u>5,021</u>
	5 Capital income		
	Gain / loss on disposal of non-current assets		
AASB Framework.78 & 80 and AASB 101.34	Proceeds from sale of property, plant and equipment	-	-
	Less: Carrying value of disposed property, plant and equipment 17	-	-
		<u>-</u>	<u>-</u>
	Proceeds from sale of land and improvements	-	-
	Less: Carrying value of disposed land 17	-	-
		<u>-</u>	<u>-</u>
	Provision for restoration of land 23		
	Discount rate adjustment to refuse restoration provision	1,258	659
		<u>1,258</u>	<u>659</u>
Interpretation 1	If the restoration relates to an asset in councils books which is being carried at revalued amount then the discount rate adjustment is taken to the revaluation surplus where there is sufficient reserve for that class of assets rather than being included in revenue or expenses.		
AASB 116 AUS 39.1 & 40.1	Revaluations		
	Revaluation increment of property, plant and equipment reversing previous revaluation decrement 17	-	-
	Revaluation increment / (decrement) relating to investment property 16	-	-
		<u>-</u>	<u>-</u>
	Total capital income	<u>1,258</u>	<u>659</u>
	6 Employee benefits		
	Employee benefit expenses are recorded when the service has been provided by the employee.		
	Staff wages and salaries	136,427	134,678
	Councillors' remuneration	1,480	1,477
	Termination benefits	-	336
	Superannuation 28	15,390	15,369
		<u>153,297</u>	<u>151,860</u>
	Other employee related expenses	2,248	5,688
		<u>155,545</u>	<u>157,548</u>
	Less: Capitalised employee expenses	<u>(14,200)</u>	<u>(19,954)</u>
		<u>141,345</u>	<u>137,594</u>
	Councillor remuneration represents salary and other allowances paid in respect of carrying out their duties.		
	Total Council employees at the reporting date:	2022	2021
		Number	Number
	Elected members	11	11
	Administration staff	886	826
	Depot and outdoors staff	685	658
	Total full time equivalent employees	<u>1,582</u>	<u>1,495</u>

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

7 Materials and services

These line items are not mandatory. Councils should use appropriate headings to reflect their transactions. As a guide, councils should show separately any component of 'materials and services' which exceeds 10% of the total or which is individually likely to be of significance to users.

Expenses are recorded on an accruals basis as Council receives the goods or services.

	Note	2022 \$'000	2021 \$'000
AASB 1054.10			
Accommodation services		6,671	7,211
Administration supplies and consumables		15,145	13,246
Advertising, marketing and promotion		3,811	4,170
Audit of annual financial statements by the Auditor-General of Queensland *		292	291
Communications and IT		10,975	10,633
Contractors, consultants and service		27,842	24,128
Equipment and tools		5,504	5,110
Insurance		4,197	4,126
Repairs and maintenance		18,087	18,199
Subscriptions and registrations		12,680	12,644
Travel		3,421	3,963
Utilities		16,743	16,785
Vehicle and plant operating costs		12,300	12,264
Other materials and services		13,880	11,650
		<u>153,570</u>	<u>144,420</u>

* Total audit fees quoted by the Queensland Audit Office relating to the 2021-22 financial statements are \$292,500 (2021: \$291,000)

The audit expense shown in the table about should be the amount quoted by Queensland Audit Office in the external audit plan.

8 Finance costs

AASB 7.20			
Finance costs charged by the Queensland Treasury Corporation		-	-
Finance costs relating to other bank loans		20,702	18,780
Bank charges		-	-
Impairment of receivables		112	1,617
Interest on leases		248	262
Unwinding of discount on provisions	24	779	786
		<u>21,841</u>	<u>21,445</u>

AASB 101.82(ba) Where material, councils must present impairment of debts (separating those arising from contracts with customers) separately on the Statement of Comprehensive Income.

	Note	2022 \$'000	2021 \$'000
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9 Capital expenses

AASB 136.126(a)			
Impairment loss			
Non-current assets classified as held for sale	14	-	-
Property, plant and equipment		-	-
Total impairment losses recorded as expenses		<u>-</u>	<u>-</u>
AASB 136.130			
The impairment loss on assets classified as held for sale arises because on transfer of land from property, plant and equipment it is no longer measured at its fair value but at fair value less disposal costs (note 14). The impairment loss of \$XX 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.

AASB Framework.78 & 80 and AASB 101.34

Loss on disposal of non-current assets

Proceeds from sale of property, plant and equipment		-	41,053
Less: Carrying value of disposed property, plant and equipment	17	3,084	(53,902)
		<u>3,084</u>	<u>(12,849)</u>

Provision for restoration of land

Discount rate adjustment	23	-	-
		<u>-</u>	<u>-</u>

The discount rate adjustment to the quarry rehabilitation liability was recorded in expenses due to an insufficient asset revaluation surplus for that class.

Interpretation 1 If the restoration relates to an asset in councils books which is being carried at revalued amount then the discount rate adjustment is taken to the revaluation reserve where there is sufficient reserve for that class of assets rather than being included in revenue or expenses.

AASB 116.40			
Revaluation decrement			
Revaluation decrement on property, plant and equipment	17	-	2,812
		<u>-</u>	<u>2,812</u>

Loss on transfer of assets via finance lease

ATSI Councils - 40 year lease			
Book value of property, plant and equipment transferred	17	-	-
Less: Initial recognition of finance leases		-	-
		<u>-</u>	<u>-</u>
Total capital expenses		<u>3,084</u>	<u>(10,037)</u>

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

AASB 107.6 & 45 **10 Cash and cash equivalents**
Cash and cash equivalents in the statement of cash flows include cash on hand, all cash and cheques received but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Cash at bank and on hand	766	836
Deposits at call	193,443	109,514
Term deposits	-	-
Balance per Statement of Financial Position	<u>194,209</u>	<u>110,350</u>
Less bank overdraft	-	-
Balance per Statement of Cash Flows	<u>194,209</u>	<u>110,350</u>

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

AASB 7.33(a) Council is exposed to credit risk through its investments in the QTC Cash Fund and QTC Working Capital Facility. The QTC Cash Fund is an asset management portfolio investing in 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-", the likelihood of the counterparty not having capacity to meet its financial commitments is low.

Cash and cash equivalents		194,209	110,350
Less: Externally imposed restrictions on cash	(i)	(41,258)	(60,805)
Unrestricted cash		<u>152,951</u>	<u>49,545</u>

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

(i) Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:

AASB 107.48	Unspent government grants and subsidies	41,258	60,805
	Unspent loan monies	-	-
	Total externally imposed restrictions on cash assets	<u>41,258</u>	<u>60,805</u>

(ii) Internal allocations of cash at the reporting date:

Internal allocations of cash may be lifted by a Council with a resolution.

Future capital works	1,587	1,205
Future asset replacement	10,258	9,420
Future constrained works	5,412	3,254
Future recurrent expenditure	<u>15,489</u>	<u>16,542</u>
Total internally allocated cash	<u>32,746</u>	<u>30,421</u>

Cash and deposits at call are held in the Australia Bank in term deposits and business cheque accounts.

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 since Council has no control over the assets.

	Note	2022 \$'000	2021 \$'000
Local government legislation	Trust funds held for outside parties		
	Monies collected or held on behalf of other entities yet to be paid out	1,816	1,876
	Security deposits	<u>1,816</u>	<u>1,876</u>
	Some funds belonging to Council are held in the trust funds of third parties. These include grants for water and sewerage infrastructure.		
	Funds held in trust by outside parties [insert details]	<u>-</u>	<u>-</u>

Source Reference

**Tropical Council
Notes to the financial statements
For the year ended 30 June 2022**
11 Receivables

AASB 101.78(b)	Receivables, loans and advances are amounts owed to council at year end and are recognised at the amount due at the time of sale or service delivery or advance. Settlement of receivables is required within 30 days after the invoice is issued.
AASB 101.117, AASB 9.5.1.1	Terms for loans and advances are usually a maximum of five years with interest charged at non-commercial rates. Security is not normally obtained. 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. Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. All known bad debts were written-off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue.
AASB 7.21 AASB 136.59 & 63	The loss is recognised in finance costs. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.

Debtors should include GST where applicable.

Current	2022	2021
	\$'000	\$'000
Rates and charges	30,778	29,762
Statutory Charges	7,543	7,499
Grants	9,754	12,626
Lease Receivables	-	-
Other debtors	<u>2,313</u>	<u>3,696</u>
	<u>50,388</u>	<u>53,583</u>
Less: Loss Allowance	<u>(956)</u>	<u>(937)</u>
	<u>49,432</u>	<u>52,646</u>
Non-current		
Loans to Community organisations	<u>1,422</u>	<u>2,337</u>
	<u>1,422</u>	<u>2,337</u>

AASB 7.33(b)	Council applies normal business credit protection procedures prior to providing goods or services to minimise credit risk.
AASB 7.34(c)	There is a geographical concentration of risk in the Council's jurisdiction, and since the area is largely (<i>e.g. agricultural/mining</i>), there is also a concentration in the (<i>e.g. agricultural/mining</i>) sector.
AASB 7.35K(b)	The council does not require collateral in respect of trade and other receivables.
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.

The following paragraph does not apply to Aboriginal shire councils:

AASB 7.33(b), AASB 7.35F(c), AASB 7.35(k), AASB 7.36	Rates and Charges: Council is empowered under the provisions of the Local Government Act 2009 to sell an owner's property to recover outstanding rate debts and therefore the expected credit loss is immaterial. Impairment of rates and charges will occur only if arrears are deemed to be greater than the proceeds Council would receive from the sale of the respective property. In accordance with AASB 9.B4.1.2, Tropical Council in reviewing its debtor management systems identified that property rates and utility charges were processed via a stand alone ERP (enterprise resource planning) system. Council also noted that it employed a dedicated team whose sole responsibility was for rates and utilities collections. Aging of rateable revenue is not a consideration for calculating ECL (expected credit loss). As a statutory receivable AASB 2016-8 does not prescribe calculation of ECL. Tropical Council also identified after reviewing its historical data records that no bad debts had occurred for any of its rate and utility charges. The credit enhancement to sell an owner's property to recover outstanding rate debts is only applicable to this particular type of statutory receivables
AASB 7.35F(c), AASB 7.35K (b), AASB 7.36	Statutory charges: In some limited circumstances Tropical Council may write off impaired statutory charges, on this basis Tropical Council calculates an ECL for Statutory Charges (non-rates & utility charges). Although not material, disclosure is being made for the purposes of public interest and transparency.
AASB 7.35F(c), AASB 7.35K (b), AASB 7.36	Grants: payable by State and Commonwealth governments and their agencies. A credit enhancement exists as these payments are effectively government guaranteed and both the state and Commonwealth governments have high credit ratings, accordingly Tropical Council determines the level of credit risk exposure to be immaterial and therefore does not record an Expected Credit Loss for these counterparties.
AASB 7.35F(c), 35A (b), 35K (b), 36	Lease Receivables: Tropical Council has elected to use the simplified approach for Lease Receivables. Internal historical data shows no defaults have occurred, Tropical Council has determined Expected Credit Losses for this receivables grouping to be immaterial, accordingly an expected credit loss of lease receivables is not calculated.
AASB 7.35F(c)	Other Debtors: Tropical Council identifies other debtors as receivables which are not rates and charges; statutory charges; lease receivables; or grants Tropical has applied the simplified approach for trade receivables, contract assets and lease receivables and the loss allowance is measured at an amount equal to lifetime expected credit losses.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

AASB 7.34(a), 34(c)

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

	2022 \$'000	2021 \$'000
Rates and Utility Charges	38,321	37,261
State & Commonwealth Government	9,754	12,626
Community organisations	1,422	2,337
Other	2,313	3,696
Total	<u>51,810</u>	<u>55,920</u>

Movement in accumulated impairment losses
is as follows:

AASB 7.35H

AASB7.42P

Opening balance at 1 July	937	-	3,748
Less: Debts written off during the year	(111)		(2,558)
Additional impairments recognised	130		1,617
Less: Impairments reversed	-		(1,870)
Closing Balance at 30 June	<u>956</u>		<u>937</u>

If impairment of receivables is not material, then Councils should state that fact and remove the reconciliation table and the provision matrices below. Tropical has included the table for completeness to illustrate the requirement in AASB 7.

The impairment loss relates to other debtors.

Expected credit loss assessment

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

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

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

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

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

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

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

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

2022

Aging	Closing Balance 30/6/2022 \$'000	Historical probability of default	Loss given default	Lifetime Expected Credit Loss \$'000
-------	-------------------------------------	---	-----------------------	--

Statutory charges

AASB 7.35M, 7.35N

Current	20,158	0.80%	100%	161
1-30 days	5,127	1.08%	100%	55
31-60 days	4,889	1.59%	100%	78
61-90 days	4,954	2.00%	100%	99
90+ days	3,293	3.00%	100%	99
	<u>38,421</u>			<u>492</u>

Other debtors

AASB 7.35M, 7.35N

Current	9,370	1.3%	100%	117
1-30 days	2,458	5.0%	100%	123
31-60 days	1,579	10.0%	100%	158
61-90 days	82	80.0%	100%	66
90+ days			100%	-
	<u>13,489</u>			<u>464</u>

2021

Aging	Closing Balance 30/6/2021 \$'000	Historical probability of default	Loss given default	Lifetime Expected Credit Loss \$'000
-------	-------------------------------------	---	-----------------------	--

Statutory charges

AASB 7.35M, 7.35N

Current	21,005	0.85%	100%	179
1-30 days	4,586	1.10%	100%	50
31-60 days	3,273	1.80%	100%	59
61-90 days	4,561	2.50%	100%	114
90+ days	3,836	3.00%	100%	115
	<u>37,261</u>			<u>517</u>

Other debtors

AASB 7.35M, 7.35N

Current	15,633	1.0%	100%	156
1-30 days	2,642	5.0%	100%	132
31-60 days	256	10.0%	100%	26
61-90 days	110	80.0%	100%	88
90+ days	18	100.0%	100%	18
	<u>18,659</u>			<u>420</u>

Interest is charged on outstanding rates . No interest is charged on other debtors.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

	2022 \$'000	2021 \$'000
Loans		
Current		
[Provide details]	-	-
Non-current		
Loans and advances to community organisations [Other - provide details]	-	-

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

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

Inventories held for distribution are:

- goods to be supplied at nil or nominal charge and
- goods to be used for the provision of services at nil or nominal charge.

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

AASB 102.8 & AASB
102AUS8.1

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. Proceeds from the sale of this land will be recognised as sales revenue on the signing of a valid unconditional contract of sale.

Note	2022 \$'000	2021 \$'000
Inventories held for sale		
Miscellaneous saleable items	1,654	2,187
Supermarket stock	-	-
Other trading stocks	-	-
	<u>1,654</u>	<u>2,187</u>
Inventories held for distribution		
Quarry and road materials	-	-
Plant and equipment stores	-	-
	<u>-</u>	<u>-</u>
Land purchased for development and sale	-	-
Total inventories	<u>1,654</u>	<u>2,187</u>

AASB 102.Aus9.1

13 Other assets

Water charges not yet levied	955	941
GST recoverable	348	420
Contract cost assets	2,158	2,945
Prepayments	2,551	3,721
	<u>6,012</u>	<u>8,027</u>

AASB 15.128

a

Contract cost assets		
Costs to fulfil a contract	<u>2,158</u>	<u>2,945</u>

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

Costs to fulfil a contract

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

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

14 Non-current assets held for sale

AASB 5.30 & 41

Assets are classified as non-current assets as held for sale when the carrying amount of these assets will be recovered principally through a sales transaction rather than continuing use. Non-current assets classified as held for sale are available for immediate sale in their present condition and management believe the sale is highly probable within 12 months. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell and are not depreciated.

AASB 5

Internal transfer from land and improvements	-	-
Impairment adjustment in period	9	-
	<u>-</u>	<u>-</u>

Council has decided to sell land previously used as a depot as it is no longer required.

AASB 136.130 (f),
AASB13.93

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 2022		
	15 Interests in other entities		
	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 <i>Separate Financial Statements</i> . That standard requires council to account for subsidiaries, joint ventures and associates using cost, equity accounting or in accordance with AASB 9, in the separate financial statements.		
		2022	2021
	Note	\$'000	\$'000
	Subsidiaries		
	Tropical Sunset Retirement Home Pty Ltd	15a	
	Equity accounted investments		
AASB 127.10	XYZ Events Pty Ltd (Joint venture)	15b	
		-	-
		-	-
AASB 127.10 & AASB 7.30	a Subsidiaries		
	Council holds XX% of the shares and voting interest in Tropical Sunset Retirement Home Pty Ltd 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.		
	b. Equity accounted investments		
	AASB 12 requires the following information to be disclosed for each of the council's material joint ventures and associates. In these illustrative financial statements council has only one joint venture which, for the purposes of illustration, is assumed to be material. Tropical does not have any joint operations, if council has joint arrangements which are classified as joint operations rather than joint ventures then refer to AASB 12 for relevant disclosures.		
	Tropical does not have any equity accounted investments, the disclosures are shown below for completeness.		
	The Council has a 33.3% (2021 - 33.3%) voting and ownership interest in XYZ Events Pty Ltd, the principal activity of which is to provide a venue for public functions and entertainment. XYZ's principal place of business is 22 George Street, Sunnyville, Queensland. Council classifies XYZ Events Pty Ltd as a joint venture and therefore applies equity accounting in these financial statements.		
AASB 11.16 & 24, AASB 12.21(b) (i)	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 \$xx was made in this financial year (2021 \$xx).		
AASB 12.B12 - B14	<i>XYZ Events Pty Ltd:</i>		
	Note	2022	2021
		\$'000	\$'000
	Revenue	-	-
	Expenses	-	-
	Profit or loss from continuing operations	-	-
	Post-tax profit or loss from discontinued operations	-	-
	Profit (loss) for the year	-	-
	Other comprehensive income for the year	-	-
	Total comprehensive income for the year	-	-
AASB 12.B13	The above profit (loss) for the year includes:		
	Depreciation and amortisation	-	-
	Interest income	-	-
	Interest expense	-	-
	Income tax expense	-	-
	Current assets	-	-
	Non-current assets	-	-
	Total assets	-	-
	Current liabilities	-	-
	Non-current liabilities	-	-
	Total liabilities	-	-
	Net assets	-	-
AASB 12.B13	The above amounts include:		
	Cash and cash equivalents	-	-
	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	-	-
	Ownership interest in the joint venture	33.3%	33.3%
	other adjustments (specify)	-	-
	Carrying amount of the Council's interest in the joint venture	-	-
	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	-	-
	Share of profit (loss)	-	-
	Distribution received	-	-
	Carrying amount at the end of financial year	-	-

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

16 Investment property

AASB 140.7 - Aus 9.1

The carrying amount of investment property held at fair value is compared to fair value each year to ensure that it is not materially different from fair value. The increment / decrement arising from any material difference is taken to the Statement of Comprehensive Income as income or expense. Councils need to determine the purpose for which land or buildings are held before classifying them as investment property since land / buildings held for service delivery objectives are not in the scope of AASB 140 *Investment Property*. For example - Land and buildings that are held for community housing to provide a social service rather than primarily for rental and therefore should not be classified as investment property.

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

AASB 140.5-20

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

AASB 140.35

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

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

AASB 140.76

	Note	2022 \$'000	2021 \$'000
<i>Owned investment property</i>			
Fair value at beginning of financial year			
Revaluation adjustment	5	-	-
Transfer of land held for unascertained future purposes from propertv. plant and equioment	17	-	-
Fair value at end of financial year		-	-

Investment property comprises:

- rental property - [provide details]
- land which is held for future development or an undetermined future use.

AASB 101.122-133

Key judgements and estimates:

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

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

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

AASB 101.122

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

How we determined the fair value of rental property

Council obtains independent valuations from a qualified valuer with relevant experience in the location and category of the investment property being valued, at least every 3 years for all rental properties. The last valuation was undertaken by ABC Valuers as at 30 June 20XX. In the interim years, Council compares the carrying amount of investment property to its fair value using relevant market information and indices and records a revaluation movement where the two values are materially different.

AASB140.75(e)

AASB 13.93(d)

Council's rental properties comprise residential and commercial properties in areas with regular sales of comparable properties and were valued using the sales comparison approach and discounted cash flow (income) 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. The income approach uses the rent earned from the investment properties and applies a discount rate to the rental income. The valuations obtained from both approaches were compared and a best estimate made of the value of the properties.

AASB140.75 (e)

The following factors are used in determining fair value of investment properties:

- current and recent sales prices for similar properties in close proximity to Council's investment property and other areas, adjusted to reflect differences.
- discounted cash flow projections based on reliable estimates of future cash flows

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.	\$1,000 increase in residual value will increase fair value by \$50	\$1,000 decrease in residual value will decrease fair value by \$50

How we determined the fair value of land

AASB13.93

Land fair values were determined by independent valuer, J Long Valuers effective 30 June 2019. They were valued using the sales comparison approach. Sales prices of comparable land sites in close proximity were adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre. The carrying amount at 30 June 2022 was reviewed and determined not to be materially different from fair value.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

17 Property, plant and equipment

AASB 116.73

30 June 2022

Current-year financial sustainability statement

Note	Land and improvements	Buildings	Other plant and equipment	Road, drainage and bridge network	Water	Sewerage	Other infrastructure assets	Work in progress	Total
	Fair Value	Fair Value	Fair value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
	Level 2	Levels 2 & 3	Level 3	Level 3	Level 3	Level 3	Level 3		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	498,329	240,072	1,074,307	520,217	2,255,589	2,481,285	75,548	470,494	7,615,841
	9,156	1,309	87,000	599	-	-	114	16,565	114,743
	19,880	-	51,225	-	-	-	-	-	71,105
5,9	(2,456)	-	-	-	(628)	-	-	-	(3,084)
25	3,584	2,155	854	-	-	215	374	-	7,182
5	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-
	89,223	29,173	23,532	24,521	1,086	62	1,500	(169,097)	-
	617,716	272,709	1,236,918	545,337	2,256,047	2,481,562	77,536	317,962	7,805,787
	(75,724)	(34,129)	(411,591)	(162,436)	(1,036,535)	(700,073)	(38,474)	-	(2,458,962)
	(5,639)	(16,569)	(55,359)	(3,626)	(24,031)	(40,730)	(2,752)	-	(148,706)
	-	-	-	-	-	-	-	-	-
25	-	-	-	-	-	-	-	-	-
25	-	-	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	(81,363)	(50,698)	(466,950)	(166,062)	(1,060,566)	(740,803)	(41,226)	-	(2,607,668)
	536,353	222,011	769,968	379,275	1,195,481	1,740,759	36,310	317,962	5,198,119
	Land: Not depreciated.	40 - 100	2 - 20	5 - 100	20 - 80	20 - 60	20 - 40	-	-
	Improvements - 7 - 40								

AASB 136.126

17 Property, plant and equipment
Tropical Council
Notes to the Financial Statements
For the year ended 30 June 2022

30 June 2021

Basis of measurement

Fair value category

Asset values

Opening gross value as at 1 July 2020

Additions

- Renewals

- Other additions

Disposals

Revaluation adjustment to other comprehensive income(asset revaluation surplus)

Revaluation adjustment to income (capital income)

Assets classified as held for sale

Assets transferred to investment property

Transfers between classes

Closing gross value as at 30 June 2021**Accumulated depreciation and impairment**

Opening balance as at 1 July 2020

Depreciation expense

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Impairment adjustment to asset revaluation surplus

Impairment adjustment to income

Revaluation adjustment to income

Transfers between classes

Accumulated depreciation as at 30 June 2020**Carrying amount as at 30 June 2021**

Range of estimated useful life in years

Note

	Land and improvements	Buildings	Other plant and equipment	Road, drainage and bridge	Water	Sewerage	Other infrastructure assets	Work in progress	Total
	Fair Value	Fair Value	Fair value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
	Level 2	Levels 2 & 3		Level 3	Level 3	Level 3	Level 3		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	466,646	182,010	997,285	520,376	2,232,570	2,458,906	62,240	377,213	7,297,246
	4,718	49,085	155			616	10,937	282,029	347,540
	1,056		3,212		2,452	774	235		7,729
5	(15,155)	(122)	(27,318)	(453)		(10,854)			(53,902)
25	22,409		(829)	(1)		(3,608)	2,069		20,040
9	-	(2,812)	-	-	-	-	-	-	(2,812)
14									-
16									-
	18,655	11,911	101,802	295	20,567	35,451	67	(188,748)	-
	498,329	240,072	1,074,307	520,217	2,255,589	2,481,285	75,548	470,494	7,615,841
	(70,600)	(29,638)	(395,490)	(159,097)	(1,011,232)	(663,586)	(35,802)	-	(2,365,445)
	(5,800)	(4,604)	(35,482)	(3,702)	(25,303)	(42,533)	(2,672)	-	(120,096)
5	676	113	19,381	363	-	6,046	-	-	26,579
25	-	-	-	-	-	-	-	-	-
25	-	-	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	(75,724)	(34,129)	(411,591)	(162,436)	(1,036,535)	(700,073)	(38,474)	-	(2,458,962)
	422,605	205,943	662,716	357,781	1,219,054	1,781,212	37,074	470,494	5,156,879
	Land: Not depreciated.	40 - 100	2 - 20	5 - 100	20 - 80	20 - 60	20 - 40	-	-
	Improvements								
	- 7 - 40								

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

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

17 Property, plant and equipment

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

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

(a) Recognition

Purchases of property, plant and equipment are recognised as assets unless they are below the asset recognition threshold or maintenance expenditure.

Individual assets valued below the asset recognition threshold are recognised as an asset if connected to a larger network, for example the components of parks.

Land under roads and reserve land under the *Land Act 1994* or *Land Title Act 1994* is controlled by Queensland State Government and not recognised in the Council financial statements.

DLGCRR Local
Government
Bulletin 06/09

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

Deed of Grant in Trust Land

Land Act 1994

This note will only be applicable to the Northern Peninsula Regional Council and the Torres Strait Island Regional Council. The Council is located on land assigned to it under various Deeds of Grant in Trust (DOGIT) pursuant to Section 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.

Land Act 1994

This note will only be applicable to Aboriginal shire councils:
The Council is located on land assigned to it under a Deed of Grant in Trust (DOGIT) under Section 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 depend on the amount set by council, there is no requirement for this to be disclosed.

(b) Measurement

AASB 116.7,
AASB 116.29 -
31,73

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

AASB 116.15,
AASB 116.13

Cost is determined as the fair value of consideration plus costs incidental to the acquisition. Direct labour, materials and an appropriate portion of overheads incurred in the acquisition or construction of assets are also included as capital costs.

AASB116.Aus15.
1

Property, plant and equipment received in the form of contributions, for significantly less than fair value or as offsets to infrastructure charges are recognised as assets and revenue at fair value.

When Council raises a provision for the restoration of a Council-controlled site, such as a landfill site, the provision is initially recognised against property, plant and equipment. Subsequent changes in the provision relating to the discount rate or the estimated amount or timing of restoration costs are recognised against asset revaluation surplus.

	(c) Depreciation
AASB 116.55	Assets are depreciated from the date of acquisition or when an asset is ready for use.
AASB116.50, 58 & 60	Land, work in progress, certain cultural and heritage assets with heritage listing, road formations and formation work associated with the construction of dams, levee banks and reservoirs are not depreciated.
AASB 116.56	Depreciation, where applicable, is calculated on a straight-line basis such that the cost of the asset less its residual value is recognised progressively over its estimated useful life to Council. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.
AASB 116.43 - 44	The useful life of leasehold improvements is the shorter of the useful life of the asset or the remaining life of the lease.
AASB 116.51	Where assets have separately identifiable components, these components have separately assigned useful lives.
	Depreciation methods, estimated useful lives and residual values 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.
AASB 101.122-133	Key judgements and estimates: 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	(d) Impairment
AASB 136.9, 59, 6, Aus6.1	Property, plant and equipment held at cost is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.
AASB 136.60	An impairment loss is recognised as an expense in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.
AASB 136.117 & 119	Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation surplus increase.
	(e) Valuation
AASB 101.122-133	Key judgements and estimates: Some of the Council's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Council uses market-observable data to the extent it is available and other inputs as necessary.
AASB 101.122	Councils to insert specific details of their own key judgements made, as appropriate. Disclosure should be sufficiently detailed for the reader to understand the significance and potential impact on the financial statements.
	(i) Valuation
AASB 13.93(g)	Council considers the carrying amount of its property, plant and equipment on an annual basis compared to fair value and makes adjustment where these are materially different. Every [x] years, council performs a full comprehensive revaluation by engaging an external professionally qualified valuer.
AASB116.36, AASB 13.93(g)	In the intervening years, Council undertakes: •a management valuation using internal engineers and asset managers to assess the condition and cost assumptions associated with all infrastructure assets and an appropriate cost index for the region. •A "desktop" valuation for land and improvements, buildings and major plant asset classes which 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.
	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	<p>Revaluation increases are recognised in the asset revaluation surplus unless they are reversing a previous decrease which was taken through the income statement, in that case the increase is taken to the income statement to the extent of the previous decrease.</p> <p>Revaluation decreases are recognised in the asset revaluation surplus, where there is sufficient amount available in the asset revaluation surplus relating to that asset class. Where there isn't sufficient amount available in the surplus, the decrease is recognised in the statement of comprehensive income</p> <p>Where the class of asset has previously decreased in value and this reduction was recognised as an expense, an increase in the value of the class is recognised in the statement of comprehensive income.</p>
AASB 116.35	<p>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.</p> <p>Fair values are classified into three levels as follows:</p> <ul style="list-style-type: none"> - Level 1 - fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities - Level 2 - Fair value based on inputs that are directly or indirectly observable, such as prices for similar assets, for the asset or liability - Level 3 - Fair value based on unobservable inputs for the asset and liability
AASB13.93 (c), (e)(iv) AASB13.95, 93(e)(iv)	<p>There were no transfers between levels during the year.</p> <p>Further disclosure in relation to identified asset classes need only be provided for material asset classes. Minor asset classes could potentially be excluded from further note disclosure on the basis of materiality.</p> <p>If there have been transfers between levels then Council's policy should be disclosed, e.g. Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.</p>

Source Reference

**Tropical Council
Notes to the financial statements
For the year ended 30 June 2022**

AASB13.93(d)

(ii) Valuation techniques used to derive fair values

Asset class and fair value hierarchy	Valuation approach	Last comprehensive valuation date	Valuer engaged	Key assumptions and estimates (related data sources)	Index applied (change in index recognised this year)	Other interim revaluation adjustment
Land and improvements (level 2)	Market value	30-Jun-19	J Long Valuers	Current zoning Sale prices per square metre (database of recent sales) of comparable properties, adjusted for differences in key attributes such as property size)	<name of the index used>	Nil
Buildings (level 2) 2021: \$167,202k 2020: \$159,722k	Market value	30-Jun-20	Knight Frank	Sale prices per square metre (database of recent sales) of comparable properties, adjusted for differences in key attributes such as condition)	<name of the index used>	Nil
Buildings (level 3) 2021: \$54,809k 2020: \$46,221k	Current replacement cost	30-Jun-20	Knight Frank	Gross replacement cost · Indexed for subsequent changes in construction costs (XYZ index) · Unit rates for construction as at the comprehensive revaluation date (Industry standard cost guides, project costs from recently completed buildings)	<name of the index used>	Nil
Other plant and equipment (level 3)	Current replacement cost	30-Jun-18	ABC Valuers	Current replacement cost of modern equivalent asset, asset condition, useful life and residual value	<name of the index used>	Nil
Roads, drainage and bridge networks (level 3)	Current replacement cost	30-Jun-21	Australian Fair Valuers	Existing supply contract rates for raw materials appropriate for the asset based on age, size, location and condition Labour rates based on Council's EBA Average cost of outsourced projects Remaining life of assets including existing conditions	<name of the index used>	Review of condition reports based on weather events
Water and sewerage assets (level 3)	Current replacement cost	30-Jun-19	Carpo Ltd	Development, soil and depth factors taking into account current condition Gross replacement cost per m2 based on appropriate materials Remaining useful lives and physical obsolescence	<name of the index used>	nil
Other infrastructure assets (level 3)	Current replacement cost	30-Jun-19	Northern Water Management Pty Ltd	Gross replacement cost · Indexed for subsequent changes in construction costs (XYZ index) · Unit rates for construction as at the comprehensive revaluation date (Industry standard cost guides, project costs from recently completed projects, manufactures specifications and other data Accumulated depreciation •Useful life estimates (average lives of disposed assets, lives applied by neighbouring councils, planned replacements per asset management plan, differences between actual and expected asset condition ratings)	<name of the index used>	Revision of useful life estimate

The information included in the table above is illustrative only and should be tailored for a council's specific valuation methodology, inputs and assumptions.

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.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

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

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

AASB13.93(i) AASB 13 requires the fair value of non-financial assets to be calculated based on their "highest and best use". If the highest and best use of a non-financial asset differs from its current use then this must be disclosed together with an explanation for why the asset is being used in a manner that differs from its highest and best use.

AASB 138.118 - 128 **18 Intangible assets**

Tropical illustrates software recognised at cost as the only intangible asset. The note should be customised to suit councils' operations by referring to the disclosure requirements in AASB 138.118 - 128. For example, if impairment has been recognised then impairment losses need to be separately disclosed or if Council has other classes of intangible assets then the disclosures should be repeated for that class.

AASB 138.54 Expenditure on research activities is recognised as an expense in the period in which it is incurred.

AASB 138.88, .100 & .104 Amortisation methods, estimated useful lives and residual values are reviewed at the end of each reporting period and adjusted where appropriate.

<u>Note</u>	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
Software		
Opening gross carrying value	16,197	9,668
Additions	-	6,529
Disposals	-	-
Closing gross carrying value	<u>16,197</u>	<u>16,197</u>
Accumulated amortisation		
Opening balance	7,873	5,771
Amortisation in the period	<u>2,520</u>	<u>2,102</u>
Closing balance	<u>10,393</u>	<u>7,873</u>
Net carrying value of intangibles at end of year	<u>5,804</u>	<u>8,324</u>

AASB 138.57 & 118 The software is amortised on a straight line basis over an estimated life of 10 years.

If Council has any material intangible assets relating to configuration or customisation of software as a service, refer to International Interpretations Committee Agenda Decision to confirm the appropriateness of the accounting. (<https://www.ifrs.org/content/dam/ifrs/supporting-implementation/agenda-decisions/2021/configuration-or-customisation-costs-in-a-cloud-computing-arrangement-mar-21.pdf>)

19 Contract balances

Contract assets represents the excess of costs incurred in relation to a contract with the customer or construction of an asset over the amounts that council has invoiced the customer or the grantor. Where Council has invoiced the customer or the grantor amounts in excess of what it has incurred in relation to a contract or in constructing an asset, this gives rise to a contract liability.

	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
AASB 15.116 a Contract assets	<u>10,896</u>	<u>9,922</u>

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

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

AASB 15.116 b Contract liabilities		
Funds received upfront to construct Council controlled assets	15,225	41,967
Non-capital performance obligations not yet satisfied	11,207	16,784
	<u>26,432</u>	<u>58,751</u>

Deposits received in advance relate to council services such as airport landing fees, retirement home fees, child care and caravan parks).

Provide details of performance obligations in grants which have not been satisfied.

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

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

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

	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Funds to construct Council controlled assets	36,545	13,225
Non-capital performance obligations	13,161	6,803
	<u>49,706</u>	<u>20,028</u>

c Significant changes in contract balances

Describe significant movements in contract assets and contract liabilities that have occurred during the year - for example change in the timing of the work, impairment of a contract asset, significant monies received in advance.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

20 Leases**Council as a lessee**

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

Terms and conditions of leases

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

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

AASB 16.59a

Council has leases in place over buildings, vehicles and equipment.

Buildings

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

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

Vehicles

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

Equipment

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

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

Right of use assets

	Buildings	Vehicles	Equipment	Other - provide details	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2021	12,103	-	618	-	12,721
Additions to right-of-use assets	-	-	10	-	10
Adjustments to right-of-use assets due to re-measurement of lease liability	-	-	-	-	-
Depreciation charge	(2,352)	-	(344)	-	(2,696)
Impairment of right-of-use assets	-	-	-	-	-
Balance at 30 June 2022	<u>9,751</u>	<u>-</u>	<u>284</u>	<u>-</u>	<u>10,035</u>
Adoption of AASB 16 at 1 July 2020	14,455	-	977	-	15,432
Transfer from leased assets (former finance leases)	-	-	-	-	-
Additions to right-of-use assets	-	-	-	-	-
Adjustments to right-of-use assets due to re-measurement of lease liability	-	-	-	-	-
Depreciation charge	(2,352)	-	(359)	-	(2,711)
Impairment of right-of-use assets	-	-	-	-	-
Balance at 30 June 2021	<u>12,103</u>	<u>-</u>	<u>618</u>	<u>-</u>	<u>12,721</u>

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

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

AASB 16.58

Lease liabilities

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

	< 1 year \$'000	1–5 years \$'000	> 5 years \$'000	Total \$'000	Total per statement of financial position \$'000
2022	2,177	7,515	1,545	11,237	10,863
2021	2,602	7,650	4,045	14,297	13,371

AASB 16.59b

Liabilities not recognised - extension options

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

There are \$1,720,000 in potential future lease payments which are not included in the lease liability as the exercise of the option has been assessed as not reasonably certain.

AASB 16.59b

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

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

AASB 16.53

Amounts included in the statement of comprehensive income related to leases

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

	2022 \$'000	2021 \$'000
Interest on lease liabilities	248	262
Variable lease payments based on usage not included in the measurement of lease liabilities	-	0
Income from sub-leasing right-of-use assets		
Depreciation of right to use assets	2,696	2,711
Expenses relating to short-term leases	205	191
Expenses relating to low-value assets	63	46
	<u>3,212</u>	<u>3,210</u>
Total cash outflows for leases	<u>3,105</u>	<u>3,041</u>

AASB 16.Aus59.1

Leases at significantly below market value - Concessionary / peppercorn leases

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

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

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

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

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

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

Council as a lessor

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

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

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

The following finance lease sub-note is applicable only for 40 year indigenous housing arrangements.

If Councils have other finance leases as a lessor then they should consult AASB 16 (paragraphs 84 - 94) for disclosure requirements.

Finance leases:

Council has leased (*insert number of dwellings under lease*) dwellings as lessor to the Queensland Government for 40 years. The total lease payment per dwelling in the current year was (*insert the amount of the rent component plus the rates component*). 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.

	2022 \$'000	2021 \$'000
Finance leases		
Selling profit or loss	-	-
Finance income on the net investment in the lease	-	-
Income relating to variable lease payments not included in the measurement of the net investment in the lease	-	-
Total income relating to finance leases	<u>-</u>	<u>-</u>
Current other financial assets		
Finance leases receivable	<u>-</u>	<u>-</u>
Non-current other financial assets		
Finance leases receivable	<u>-</u>	<u>-</u>

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

Gross minimum lease payments receivable	-	-
Add: Estimated contingent rent	-	-
Less: Present value adjustment	-	-
Fair value of lease payments	<u>-</u>	<u>-</u>

The fair value of lease payments are receivable as follows:

Not later than one year	-
Between one and two years	-
Between two and three years	-
Between three and four years	-
Between four and five years	-
Later than five years	-
	<u>-</u>

Movements in finance leases were as follows:

Opening balance	-	-
Add: Initial recognition of new leases	-	-
Less: Lease receipts	-	-
Add: Gain on revaluation	-	-
Closing balance	<u>-</u>	<u>-</u>

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

Operating leases:

Where Council retains the risks and rewards relating to a lease, the lease is are classified as an operating leases.

The minimum lease receipts arising from operating leases are as follows:

	<u>Note</u>	2022 \$'000	2021 \$'000
Not later than one year		-	-
Between one and two years		-	-
Between two and three years		-	-
Between three and four years		-	-
Between four and five years		-	-
Later than five years		-	-
		<u>-</u>	<u>-</u>

Details of all operating lease receivables 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.

The assets are included in the statement of financial position as:

- investment property - where the asset is held predominantly for rental or capital growth purposes (refer note 16) or
- property, plant and equipment - where the rental is incidental or the asset is held to meet Council's service delivery objectives (refer note 17).

Tropical Council
Notes to the financial statements
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Assets classified as investment property

The council has entered into commercial property leases on its investment property , [provide details].

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

AASB 140.75(f) /
AASB 16.90b

Rental income (excluding variable lease payments not dependent on an index or rate)

Rental income relating to variable lease payments not dependent on an index or rate

- -

AASB 140.75 (f)(ii)

Direct operating expenses from property that generated rental income

AASB 140.75 (f)(iii)

Direct operating expenses from property that did not generate rental income

- -

AASB 140.75(h)

Contractual obligations for future repairs and maintenance

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

AASB 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.

Assets classified as property, plant and equipment

AASB 140.75(f) /
AASB 16.90b

Rental income (excluding variable lease payments not dependent on an index or rate)

70,400 70,400

Rental income relating to variable lease payments not dependent on an index or rate

- -

Amount of property, plant and equipment leased out by Council under operating leases [provide information by class of asset]

Total property, plant and equipment leased out by Council under operating leases

21 Payables

Accounting for GST

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

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

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

Note	2022 \$'000	2021 \$'000
Current		
Creditors	16,546	16,615
Prepaid rates	17,567	17,373
Accrued wages and salaries	2,151	2,058
Accrued expenses	30,194	31,318
Other creditors	5,643	7,039
	<u>72,101</u>	<u>74,403</u>
Non-current		
Other payables	-	-
	<u>-</u>	<u>-</u>

AASB 7.8

22 Borrowings

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 [monthly /quarterly/semi annually/annually] in arrears.

AASB 7.8(g)

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 2022 to 31 December 2025.

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

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 (QTC) borrowing guidelines and ensure that sustainability indicators remain within acceptable levels at all times.

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

Note	2022 \$'000	2021 \$'000
Current		
Loans - QTC	28,007	32,879
Loans - other	-	-
	<u>28,007</u>	<u>32,879</u>
Non-current		
Loans - QTC	306,445	335,950
Loans - other	-	-
	<u>306,445</u>	<u>335,950</u>

The QTC loan market value at the reporting date was \$xx. 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.

Statutory Bodies Financial Arrangements Act 1982 s34
AASB 7.14(a)
AASB 7.18
AASB 116.74 (a)

Loans - other: On [insert date], the council received approval from the Treasurer to enter into a borrowing arrangement with (INSERT NAME OF FINANCIAL INSTITUTION). This loan is unsecured and is repayable overtime with full repayment to be made by [insert date].

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 2022 or 2021 financial years.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

23 Provisions

Liabilities are recognised for employee benefits such as annual and long service leave in respect of services provided by the employees up to the reporting date. Short-term benefits which are expected to be wholly settled within 12 months are calculated on wage and salary levels which are expected to be paid and includes related employee on-costs. Amounts not expected to be wholly settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values.

Long Service Leave

The provision for long service leave represents the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The provision is discounted using the Commonwealth Bond yield rates published on the Department of State Development, Infrastructure, Local Government and Planning website.

AASB101.69

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

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

AASB 119.10 & 11

Discount rates as at 30 June are published each year by the department at the following link <https://www.dlgrma.qld.gov.au/local-government/finance/annual-financial-reporting/discounting-employee-benefits>. These rates will assist in calculating long-term employee benefits.

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

Interpretation 1

Refuse dump restoration and quarry rehabilitation

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

The calculation of the provisions use assumptions including 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. The provisions are reviewed at least annually and updated based on the facts and circumstances available at the time.

Refuse restoration provision represents 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.

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.

Quarry rehabilitation provision represents the present value of the anticipated future costs associated with the closure of the quarries, refilling the basin, and reclamation and rehabilitation of these sites.

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.

	Note	Current		Non-current	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Current					
Annual leave		14,864	15,915	-	-
Long service leave		14,012	13,934	3,013	2,876
Quarry rehabilitation		4,556	9,322	23,034	27,910
Self-insurance		2,723	3,947	2,988	2,936
		<u>36,155</u>	<u>43,118</u>	<u>29,035</u>	<u>33,722</u>

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

Movements in non-employee benefit provisions:		2022	2021
		\$'000	\$'000
Quarry rehabilitation			
Balance at beginning of financial year		37,232	25,839
Increase due to unwinding of discount		760	752
Additional provisions		-	11,721
Amounts used		(9,144)	(421)
Increase/(decrease) due to change in discount rate	5,9	(1,258)	(659)
Balance at end of financial year		<u>27,590</u>	<u>37,232</u>

AASB 137.85

This is the present value of the estimated cost of restoring the quarry site to a useable state at the end of its useful life which is expected to be 2052.

AASB 137.84

Self-insurance		2022	2021
		\$'000	\$'000
Balance at beginning of financial year		6,883	7,966
Increase due to unwinding of discount		19	17
Additional provisions		338	469
Amounts used		(1,380)	(579)
Reversal of unused amounts			(990)
Increase (decrease) due to change in discount rate	5,9	(149)	-
Balance at end of financial year		<u>5,711</u>	<u>6,883</u>

AASB 137.85

This is the expected outstanding claims (uninsured losses) arising from Tropical's decision to undertake self-insurance for certain risks faced.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

Note	2022 \$'000	2021 \$'000
24 Other liabilities		
Developer contributions	1,257	1,623
	<u>1,257</u>	<u>1,623</u>

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. Tropical Council only has developer contributions which are cash contributions.

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

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

25 Asset revaluation surplus

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

26 Commitments for expenditure

	2022 \$'000	2021 \$'000
Contractual commitments		
Contractual commitments at end of financial year but not recognised in the financial statements are as follows:		
Garbage collection contract (expires 3 August 2022)	10,358	19,853
Cleaning contractors	2,518	2,586
	<u>12,876</u>	<u>22,439</u>

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

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

Capital commitments

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

	2022 \$'000	2021 \$'000
<i>Property, Plant and Equipment</i>		
Plant and equipment	11,566	18,225
Buildings	825	1,002
Land and improvements	2,586	12,488
Other	-	-
	<u>14,977</u>	<u>31,715</u>
These expenditures are payable as follows:		
Within one year	4,484	15,215
One to five years	9,335	16,500
Later than five years	1,158	-
	<u>14,977</u>	<u>31,715</u>

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

27 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 2021 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

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

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

Tropical Council
Notes to the financial statements
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AASB 119.148 **28 Superannuation - Regional Defined Benefit Fund**

The following note is based on advice received from LGIA Super

AASB 119.148(a) Council contributes to the LGIA Super Regional Defined Benefits Fund (the scheme), at the rate of 12% for each permanent employee who is a defined benefit member. This rate is set in accordance with the LGIA Super trust deed and may be varied on the advice of an actuary. The Regional Defined Benefits Fund is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the Local Government Act 2009.

AASB119.148(d)(i) and (ii) The scheme is a pooled defined benefit plan and it is not in accordance with the deed to allocate obligations, plan assets and costs at the council level.

AASB119.148(d)(iv) Any amount by which the scheme is over or under funded may affect future contribution rate obligations, but has not been recognised as an asset or liability of the council.

AASB 119.148 (b) Tropical Council may be liable to the scheme for a portion of another local governments' obligations should that local government be unable to meet them, However the risk of this occurring is extremely low and in accordance with the LGIA Super trust deed changes to council's obligations will only be made on the advice of an actuary.

AASB 119.148(d)(vi) The last completed actuarial assessment of the scheme as required under Superannuation Prudential Standard 160 was undertaken as at 1 July 2021. The actuary indicated that "At the valuation date of 1 July 2021, 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 measure of vested benefits represents the value of benefit entitlements should all participating employees voluntarily exit the scheme. 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.

AASB 119.148(d)(iii) No changes have been made to prescribed employer contributions which remain at 12% of employee salary or wages and there are no known requirements to change the rate of contributions.

The next triennial actuarial review is not due until 1 July 2024.

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

AASB 119.135(a) 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.

	<u>Note</u>	<u>2022</u> <u>\$</u>	<u>2021</u> <u>\$</u>
AASB 119.135(c)	Superannuation contributions made to the Regional Defined Benefits Fund		
AASB 119.53	Other superannuation contributions for employees		
AASB 124.19(g)	Total superannuation contributions paid by Council for employees	6	

AASB 1054.16 **29 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities**

	<u>2022</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>
Net result	188,576	195,739
Non-cash items:		
Depreciation and amortisation	153,922	124,910
Impairment of receivables	112	1,617
Unwinding discount on provisions	(779)	(769)
Impairment of property plant and equipment	-	-
	<u>153,255</u>	<u>125,758</u>
Investing and development activities (non-cash):		
Net (profit)/loss on disposal of non-current assets	3,084	12,849
Profit retained in joint venture	-	-
	<u>3,084</u>	<u>12,849</u>
Changes in operating assets and liabilities:		
(Increase)/ decrease in receivables	4,017	(10,027)
(Increase)/ decrease in other assets	2,015	229
(Increase)/ decrease in contract assets	(974)	(5,820)
(Increase)/decrease in inventory	533	(428)
Increase/(decrease) in payables	(2,302)	(20,086)
Increase/(decrease) in contract liabilities	(32,319)	(73,691)
Increase/(decrease) in other liabilities	(435)	(71)
Increase/(decrease) in provisions	(10,871)	15,301
	<u>(40,336)</u>	<u>(94,593)</u>
Net cash inflow from operating activities	<u>304,579</u>	<u>239,753</u>

AASB 2016-2, AASB 107.44A-44E **30 Reconciliation of liabilities arising from financing activities**

	<u>As at</u> <u>30 June 2021</u> <u>\$'000</u>	<u>Cash flows</u> <u>\$'000</u>	<u>Non-cash</u> <u>changes (new</u> <u>leases)</u> <u>\$'000</u>	<u>As at</u> <u>30 June 2022</u> <u>\$'000</u>
Borrowings	368,829	(34,377)	-	334,452
Lease liability	(2,541)	(2,518)	10	(5,049)
	<u>366,288</u>	<u>(36,895)</u>	<u>10</u>	<u>329,403</u>
2021	As at 30 June 2020 \$'000	Cash flows \$'000	Non-cash changes (new leases) \$'000	As at 30 June 2021 \$'000
Borrowings	378,250	(9,421)	-	368,829
Lease liability	-	(2,804)	263	(2,541)
	<u>378,250</u>	<u>(12,225)</u>	<u>263</u>	<u>366,288</u>

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

31 Correction of error

AASB 108.49

If a material error relating to a prior period is discovered and is retrospectively restatement in the financial statement, a description of the nature and impact of the error should be disclosed.

The errors described above have been corrected by restating the balances at the beginning of the comparative period (1 July 2020) with the adjustments taken to equity [provide details of the equity account] at that date. Comparatives have been changed to reflect the corrected amounts and the impact on each item in the financial statements is shown below.

Statement of financial position at 1 July 2020

	Original balance as presented at 30 June 2020 \$'000	Adjustment	Restated balance at 1 July 2020
[insert relevant line items]	_____	_____	_____

If the adjustment had none or an immaterial impact on the Statement of Financial Position at 1 July 2020 then this fact should be stated rather than the table above being presented

Comparative figures for 30 June 2021

	Original balance as presented at 30 June 2021 \$'000	Adjustment \$'000	Restated balance at 30 June 2021 \$'000
Statement of financial position	_____	_____	_____
[insert relevant line items]			
Statement of comprehensive income			
[insert relevant line items]			

AASB 101.40A

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

32 Changes in accounting policy

AASB 108.28 - 31

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

Provide details of any changes in accounting policies during the year, including the reason for the change and the impact on the financial statements, as well as a third statement of financial position, if the impact at 1 July 2020 is material - the disclosure above for errors can be used.

AASB 110.19 - 22

33 Events after the reporting period

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

On 1 August 2022 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.

Consider whether there has been any events since 30 June, including severe weather conditions that have affected infrastructure and other assets. Where the conditions occur before balance date, councils need to assess assets, including road assets, for impairment at balance date.

In September 2022 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.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

AASB 7.31 - 42

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

Tropical has the following financial assets / liabilities:

- Cash
- Receivables
- Payables
- Borrowings

The associated risks from these instruments are disclosed in this note, specific information required by AASB 7 is included in the relevant note where appropriate, e.g. credit risk is included within the receivables note.

If Councils have other financial instruments then the relevant disclosures from AASB 7 should be added either to the relevant note or to this note.

AASB 7.32

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

AASB 7.33

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

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

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

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

Tropical Council does not enter into derivatives.

AASB 7.33c

If these policies have changed since the prior period, these changes must be disclosed.

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.

AASB 7.33(a)

Exposure to credit risk is managed through regular analysis of credit counterparty ability to meet payment obligations.

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 amount of financial assets at the end of the reporting period represent the maximum exposure to credit risk.

AASB 7.39

Liquidity risk

AASB 7.31, 33

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

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

Exposure to liquidity risk

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

AASB 7.39(c)

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

AASB 107.50(a)

	2022	2021
	\$'000	\$'000
Overdraft - QTC working capital facility - limit	500	500
Available at 30 June	500	500

Tropical Council
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AASB 7.39(a)

The following table sets out the liquidity risk in relation to financial liabilities (excluding lease liabilities - refer note 20) 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:

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000
2022					
Trade and other payables	72,101	-	-	72,101	72,101
Loans - QTC	28,007	194,474	201,335	423,816	334,452
Loans - other	0			0	0
	<u>100,108</u>	<u>194,474</u>	<u>201,335</u>	<u>495,917</u>	<u>406,553</u>
2021					
Trade and other payables	74,403	-	-	74,403	74,403
Loans - QTC	32,879	184,964	243,618	461,461	368,829
Loans - other	0			0	0
	<u>107,282</u>	<u>184,964</u>	<u>243,618</u>	<u>535,864</u>	<u>443,232</u>

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.

AASB 7.40

Market risk

AASB 7.33

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

Interest rate risk

AASB 7.40

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

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

Sensitivity

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

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

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	
	\$'000	1% increase	1% decrease	1% increase	1% decrease
	\$'000	\$'000	\$'000	\$'000	\$'000
2022					
QTC cash fund	193,443	1,934	(1,934)	1,934	(1,934)
Loans - QTC*	334,452	-	-	-	-
Loans - other	-	-	-	-	-
Net total		<u>1,934</u>	<u>(1,934)</u>	<u>1,934</u>	<u>(1,934)</u>
2021					
QTC cash fund	109,514	1,095	(1,095)	1,095	(1,095)
Loans - QTC*	368,829	-	-	-	-
Loans - other	-	-	-	-	-
Net total		<u>1,095</u>	<u>(1,095)</u>	<u>1,095</u>	<u>(1,095)</u>

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.

Tropical Council
Notes to the financial statements
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AASB 7.21

(b) Fair value

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

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

AASB 7.8, 25-26, 29-30

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

AASB 7.25

Note	2022		2021	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets				
QTC cash fund	xxx	xxx	xxx	xxx
Other investments	xxx	xxx	xxx	xxx
	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Financial liabilities				
Loans - QTC	xxx	xxx	xxx	xxx
Loans - Other	xxx	xxx	xxx	xxx
	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>

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

The valuation technique used in measuring financial liabilities is discounted cash flows. This valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

S32 - 36
Local
Government
Regulation
2012

35 National Competition Policy

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

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

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

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

(a) A building certifying activity that:

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

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

(b) A roads activity, other than a roads activity for which business is conducted only through a sole supplier arrangement, that involves:

(i) the construction or maintenance of state controlled roads for which the local government submits an offer to carry out work in response to a tender invitation.

(ii) construction or road maintenance on another local government's roads which the local government has put out to tender.

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

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

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

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

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

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

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

Business activities to which the code of competitive conduct is applied

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

- Roads
- Water and sewerage
- Waste management
- Plant operations

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

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

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

	Roads	Water and sewerage	Waste management	Plant operations
	2022	2022	2022	2022
	\$'000	\$'000	\$'000	\$'000
Revenue for services provided to the Council	-	31,892	13,366	-
Revenue for services provided to external clients	1,190	189,204	42,393	-
Community service obligations	-	3,250	3,653	-
	1,190	224,346	59,412	-
Less : Expenditure	(10,258)	(140,168)	(48,830)	-
Surplus/(deficit)	(9,068)	84,178	10,582	-

Description of CSO's provided to business activities:

Activities	CSO description	Net cost
		\$'000
Waste services	Concessions on landfill charges and clean-up events	3,653
Water and sewerage	Concessions on water and wastewater charges	3,250

Source
Reference

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

Not mandatory 36 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 2022 follows:

Controlled Entities - Financial Results:

Controlled Entity	Ownership Interest	Revenue		Expenses		Profit / (Loss)		Assets		Liabilities	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
[insert name of controlled entity]	100%										

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

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

The Art Gallery promotes local artists and provides art based activities for adults and children in the council area. It is funded primarily through State funding and commission on art sales.

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

37 **Trust Funds**

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.

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.

	2022 \$'000	2021 \$'000
Accumulated funds		
Accumulated funds	-	-
Surplus/(Deficit)	-	-
Total Accumulated Net Assets	<u>-</u>	<u>-</u>
Assets		
Cash at Bank		
Liabilities		
Current Liabilities	0	0
Net Assets	<u>-</u>	<u>-</u>
Revenue and Expenses		
Revenue		
Expenses		
Surplus/(Deficit)	<u>-</u>	<u>-</u>

Tropical Council

**Notes to the financial statements
For the year ended 30 June 2022**

38 Transactions with related parties

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

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

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

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

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

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 15). Details of the other subsidiaries are disclosed in Note 37.

The following transactions occurred with subsidiaries:

Subsidiary	Grants and subsidies provided by council		Goods and services supplied by council, on normal terms and conditions			
			Rental accommodation		Garbage charges	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
[insert entity name]						
Total	-	-	-	-	-	-

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 20120-21 and 2021-22 financial years.

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

	2022 \$'000	2021 \$'000	
Profit distribution from [insert entity name](note 15)			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:

	2022 \$'000	2021 \$'000
Short-term employee benefits	3,006	3,217
Post-employment benefits	322	326
Long-term benefits	175	180
Termination benefits	0	0
Total	3,503	3,723

Detailed remuneration disclosures are provided in the annual report.

Tropical Council

Notes to the financial statements

For the year ended 30 June 2022

AASB 124.18, 19(c)

(e) Transactions with other related parties

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

AASB 124.9 Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

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

AASB124.24

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

Details of Transaction	Additional information	2022 \$'000	2021 \$'000
Fees and charges charged to entities controlled by key management personnel	40(e)(i)		
Infrastructure contributions from entities controlled by key management personnel	40(e)(ii)		
Employee expenses for close family members of key management personnel	40(e)(iii)		
Purchase of materials and services from entities controlled by key management personnel	40(e)(iv)		
Key management personnel services provided by a related entity	40(e)(v)		

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	\$'000
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.	
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.	
Other fees and charges	Various other related parties	
Total		-

(ii) Green Developments Pty Ltd, a company jointly controlled by Councillor Fred Smith and a close family member during 2021-22, completed a new subdivision "Avondale Heights" in 2021-22. 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:

	2022 \$'000	2021 \$'000
Rental of an office building		
Petrol		
Consultancy services		
Total	\$	-

Included in the above are consultancy services purchased from Bright Water Pty Ltd amounting to \$145,000 during 2021-22. 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 2022 there were no amounts owed by council to the company.

Tropical Council

Notes to the financial statements

For the year ended 30 June 2022

(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 2021 to 15 December 2021. A number of smaller amounts, totalling \$19,890, were also paid to recruitment agencies for temporary key management personnel at various times throughout the year. These amounts have been excluded from the KMP remuneration disclosures in (d) above.

AASB 124.18(b)

(f) Outstanding balances

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

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

Receivables	Housing rent owed by key management personnel		Amounts owed by entities controlled by key management personnel	
	30/06/2022 \$'000	30/06/2021 \$'000	30/06/2022 \$'000	30/06/2021 \$'000
Past due 31-60 days				
Past due 61-90 days				
More than 90 days overdue				
Total Owning	0	0	0	0

The \$XX 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 \$XX 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 2022. The contract will take effect on 1 September 2022 and is valued at \$50,000. The contract was the result of a tender process in accordance with council's normal procedures and policies. Councillor Fred Smith was not involved in the decision to award this contract to Cleaning Up Pty Ltd.

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

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

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

AASB 124.23

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

AASB 101.7

1. Materiality

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

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

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

AASB 124.9

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

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

AASB 124.23

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

Tropical Council
Notes to the financial statements
For the year ended 30 June 2022

39 Tied grants by project

Not mandatory

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

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

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

The total grants balance as at 30/6/22 will *not* reconcile with the externally imposed restrictions upon cash, disclosed in note 11 if:

- Note 40 is prepared on a cash basis, and / or
- if any grants in Note 40 are overspent as at 30/6/22 i.e. a negative balance.

Therefore, if this note is prepared on a cash basis, the amount of unspent grants and subsidies disclosed in note 10 should agree to total grants as at 30/6/22 after excluding overspent grants and adjusting for any year end creditors and accruals.

The following note has been prepared on a cash basis.

	Balance 01/07/21 \$'000	Revenue \$'000	Expense \$'000	Transfers between grants \$'000	Balance 30/06/2022 \$'000
Commonwealth government grants					
Organisation (<i>insert name</i>)					
(<i>insert name of program/project</i>)	0	0	0	0	0
(<i>insert name of program/project</i>)	0	0	0	0	0
Total	0	0	0	0	0
Organisation (<i>insert name</i>)					
(<i>insert name of program/project</i>)	0	0	0	0	0
(<i>insert name of program/project</i>)	0	0	0	0	0
Total	0	0	0	0	0
Total - Commonwealth government	0	0	0	0	0
State government grants					
Organisation (<i>insert name</i>)					
(<i>insert name of program/project</i>)	0	0	0	0	0
(<i>insert name of program/project</i>)	0	0	0	0	0
Total	0	0	0	0	0
Organisation (<i>insert name</i>)					
(<i>insert name of program/project</i>)	0	0	0	0	0
(<i>insert name of program/project</i>)	0	0	0	0	0
Total	0	0	0	0	0
Total - State government	0	0	0	0	0
Other grant providers					
Organisation (<i>insert name</i>)					
(<i>insert name of program/project</i>)	0	0	0	0	0
(<i>insert name of program/project</i>)	0	0	0	0	0
Total	0	0	0	0	0
Organisation (<i>insert name</i>)					
(<i>insert name of program/project</i>)	0	0	0	0	0
(<i>insert name of program/project</i>)	0	0	0	0	0
Total	0	0	0	0	0
Total - Other grant providers	0	0	0	0	0
Total grants	0	0	0	0	0
Add back negative (i.e. overspent) grants	0	0	0	0	0
Unspent grant revenue	0	0	0	0	0

**Tropical Council
Financial statements
For the year ended 30 June 2022**

**Management Certificate
For the year ended 30 June 2022**

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

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages x to x, present a true and fair view, in accordance with Australian Accounting Standards, of the council's and the consolidated entity's transactions for the financial year and financial position at the end of the year.

**Mayor
Name**

**Chief Executive Officer
Name**

Date: ____/____/____

Date: ____/____/____

**Brisbane City Council
Financial statements
For the year ended 30 June 2022**

**Management Certificate
For the year ended 30 June 2022**

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

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

- (i) the prescribed requirements of the *City of Brisbane Act 2010* and *City of Brisbane Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages x to x, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's and the consolidated entity's transactions for the financial year and financial position at the end of the year.

**Lord Mayor
Name**

**Chief Executive Officer
Name**

Date: ____/____/____

Date: ____/____/____

Tropical Council
Financial statements
For the year ended 30 June 2022

Management Certificate
For the year ended 30 June 2022

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

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages x to x, present a true and fair view, in accordance with Australian Accounting Standards, of the council's transactions for the financial year and financial position at the end of the year.

Mayor
Name

Chief Executive Officer
Name

Date: ____/____/____

Date: ____/____/____

###

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 2022

Measures of Financial Sustainability

	How the measure is calculated	Actual -Council	Actual - Consolidated	Target
Council's performance at 30 June 2022 against key financial ratios and targets:				
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-12%		Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	-77%		greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	59%		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 2022.

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 2022

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

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

Mayor
Name

Date: ____/____/____

Chief Executive Officer
Name

Date: ____/____/____

The following certificate is applicable to Brisbane City Council:

Certificate of Accuracy
For the year ended 30 June 2022

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

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

Lord Mayor
Name

Date: ____/____/____

Chief Executive Officer
Name

Date: ____/____/____

###

Long Term Financial Sustainability Statement - Unaudited

Certificate of Accuracy - for the Long Term Financial Sustainability Statement

Tropical Council
Unaudited Long-Term Financial Sustainability Statement
Prepared as at 30 June 2022

Projected for the years ended

Measures of Financial Sustainability
Consolidated

Measure Target Actuals at 30 June 2022 30 June 2023 30 June 2024 30 June 2025 30 June 2026 30 June 2027 30 June 2028 30 June 2029 30 June 2030 30 June 2031

Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	-12%											
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	greater than 90%	-77%											
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	59%											

Council

Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	0%											
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	greater than 90%	0%											
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	0%											

Tropical Council's Financial Management Strategy

Example 1

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

Example 2

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

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

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

Certificate of Accuracy For the long-term financial sustainability statement prepared as at 30 June 2022	
This long-term financial sustainability statement has been prepared pursuant to Section 178 of the <i>Local Government Regulation 2012</i> (the regulation).	
In accordance with Section 212(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated.	
_____	_____
Mayor Name	Chief Executive Officer Name
Date: ____/____/____	Date: ____/____/____

The following certificate is applicable to Brisbane City Council:

Certificate of Accuracy For the long-term financial sustainability statement prepared as at 30 June 2022	
This long-term financial sustainability statement has been prepared pursuant to Section 170 of the <i>City of Brisbane Regulation 2012</i> (the regulation).	
In accordance with Section 202(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated.	
_____	_____
Lord Mayor Name	Chief Executive Officer Name
Date: ____/____/____	Date: ____/____/____