

Torres Strait Island Regional Council
Financial Statements
For the year ended 30 June 2023

Torres Strait Island Regional Council

Financial statements

For the year ended 30 June 2023

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Torres Strait Island Regional Council
Statement of Comprehensive Income
For the year ended 30 June 2023

| | Note | 2023 \$ | 2022 \$ |
|--|-------------|--------------------------|--------------------------|
| Income | | | |
| Recurrent revenue | | | |
| Community levies, rates and charges | 3(a) | 1,832,135 | 1,646,091 |
| Fees and charges | 3(b) | 4,653,766 | 4,530,560 |
| Sales revenue | 3(c) | 14,193,050 | 18,237,100 |
| Grants, subsidies, contributions and donations | 3(d) | 37,291,208 | 30,357,337 |
| Total recurrent revenue | | <u>57,970,159</u> | <u>54,771,088</u> |
| Capital revenue | | | |
| Grants, subsidies, contributions and donations | 3(d) | 27,001,367 | 34,522,666 |
| Total capital revenue | | <u>27,001,367</u> | <u>34,522,666</u> |
| Interest received | 4(a) | 661,744 | 194,259 |
| Other income | 4(b) | 2,537,583 | 893,574 |
| Rental income | 4(c) | 4,764,401 | 4,768,317 |
| Total income | | <u>92,935,255</u> | <u>95,149,904</u> |
| Expenses | | | |
| Recurrent expenses | | | |
| Employee benefits | 6 | (26,970,757) | (26,371,018) |
| Materials and services | 7 | (39,846,668) | (31,511,033) |
| Finance costs | 8 | (489,365) | (3,344,130) |
| Depreciation and amortisation | | | |
| Property, plant and equipment | 11 | (53,460,277) | (46,870,661) |
| Right of use assets | 13 | (619,836) | (658,803) |
| Total recurrent expenses | | <u>(121,386,904)</u> | <u>(108,755,645)</u> |
| Capital expenses | 5 | (15,455,071) | (9,875,493) |
| Total expenses | | <u>(136,841,975)</u> | <u>(118,631,138)</u> |
| Net result | | <u>(43,906,720)</u> | <u>(23,481,234)</u> |
| Other comprehensive income | | | |
| Increase in asset revaluation surplus | 11 | 109,757,644 | 111,047,830 |
| Total other comprehensive income for the year | | <u>109,757,644</u> | <u>111,047,830</u> |
| Total comprehensive income for the year | | <u>65,850,924</u> | <u>87,566,596</u> |

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

Torres Strait Island Regional Council
Statement of Financial Position
As at 30 June 2023

| | Note | 2023 | 2022 |
|--------------------------------------|-------------|----------------------|----------------------|
| | | \$ | \$ |
| Current assets | | | |
| Cash and cash equivalents | 9 | 36,254,265 | 33,267,131 |
| Short term deposit | | 66,774 | 66,277 |
| Receivables | 10 | 5,437,069 | 7,552,769 |
| Inventories | | 411,754 | 322,928 |
| Contract assets | 12 | 5,319,290 | 11,918,277 |
| Lease receivables | 13 | 534,849 | 399,599 |
| Total current assets | | 48,024,001 | 53,526,982 |
| Non-current assets | | | |
| Lease receivables | 13 | 11,233,247 | 10,525,433 |
| Property, plant and equipment | 11 | 1,062,073,243 | 993,379,581 |
| Right of use assets | 13 | 1,180,980 | 1,800,817 |
| Total non-current assets | | 1,074,487,470 | 1,005,705,831 |
| Total assets | | 1,122,511,471 | 1,059,232,813 |
| Current liabilities | | | |
| Payables | 14 | 7,767,117 | 8,290,124 |
| Provisions | 15 | 3,783,663 | 8,699,940 |
| Contract liabilities | 12 | 12,491,846 | 13,358,148 |
| Lease liabilities | 13 | 616,466 | 621,912 |
| Total current liabilities | | 24,659,092 | 30,970,124 |
| Non-current liabilities | | | |
| Provisions | 15 | 8,144,029 | 3,788,675 |
| Lease liabilities | 13 | 621,246 | 1,237,832 |
| Total non-current liabilities | | 8,765,275 | 5,026,507 |
| Total liabilities | | 33,424,367 | 35,996,631 |
| Net community assets | | 1,089,087,104 | 1,023,236,181 |
| Community equity | | | |
| Asset revaluation surplus | 11 | 735,386,497 | 625,628,853 |
| Retained surplus | | 353,700,607 | 397,607,327 |
| Total community equity | | 1,089,087,104 | 1,023,236,180 |

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

Torres Strait Island Regional Council
Statement of Changes in Equity
For the year ended 30 June 2023

| | Asset revaluation surplus | Retained surplus | Total |
|--|--|-----------------------------|----------------------|
| | \$ | \$ | \$ |
| Balance as at 1 July 2022 | 625,628,853 | 397,607,327 | 1,023,236,180 |
| Net result | - | (43,906,720) | (43,906,720) |
| Other comprehensive income for the year | | | |
| Increase in asset revaluation surplus | 109,757,644 | - | 109,757,644 |
| Total comprehensive income for the year | <u>109,757,644</u> | <u>(43,906,720)</u> | <u>65,850,924</u> |
| Balance as at 30 June 2023 | <u>735,386,497</u> | <u>353,700,607</u> | <u>1,089,087,104</u> |
| Balance as at 1 July 2021 | 514,581,023 | 421,088,561 | 935,669,584 |
| Net result | - | (23,481,234) | (23,481,234) |
| Other comprehensive income for the year | | | |
| Increase in asset revaluation surplus | 111,047,830 | - | 111,047,830 |
| Total comprehensive income for the year | <u>111,047,830</u> | <u>(23,481,234)</u> | <u>87,566,596</u> |
| Balance as at 30 June 2022 | <u>625,628,853</u> | <u>397,607,327</u> | <u>1,023,236,180</u> |

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

Torres Strait Island Regional Council
Statement of Cash Flows
For the year ended 30 June 2023

| | Note | 2023 \$ | 2022 \$ |
|---|------|--------------------------|--------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 29,010,724 | 32,377,041 |
| Payments to suppliers and employees | | (67,044,575) | (62,016,834) |
| | | (38,033,851) | (29,639,793) |
| Interest received | | 627,415 | 179,171 |
| Recurrent grants and contributions | | 38,037,950 | 31,866,346 |
| Borrowing costs | | - | (22,020) |
| Net cash inflow (outflow) from operating activities | 19 | <u>631,514</u> | <u>2,383,705</u> |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (28,947,794) | (35,176,782) |
| Proceeds from insurance claims | | 634,380 | - |
| Finance lease receipts | | 399,599 | 376,956 |
| Capital grants, subsidies, contributions and donations | | 30,921,936 | 21,182,346 |
| Net cash inflow (outflow) from investing activities | | <u>3,008,121</u> | <u>(13,617,480)</u> |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | - | (36,210) |
| Repayments made on leases (principal only) | | (652,501) | (642,095) |
| Net cash inflow (outflow) from financing activities | | <u>(652,501)</u> | <u>(678,305)</u> |
| Net increase (decrease) in cash and cash equivalents held | | 2,987,133 | (11,912,080) |
| Cash and cash equivalents at the beginning of the financial year | | 33,267,132 | 45,179,212 |
| Cash and cash equivalents at the end of the financial year | 9 | <u><u>36,254,265</u></u> | <u><u>33,267,132</u></u> |

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

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

1 Information about the financial statements

1.A Basis of preparation

The Torres Strait Island Regional Council is constituted under the Queensland *Local Government Act 2009* and is domiciled in Australia.

These general purpose financial statements are for the period 1 July 2022 to 30 June 2023 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain classes of property, plant and equipment. The Council uses the Australian dollar as its functional currency, its presentation currency and rounds to the nearest dollar.

The income of local government and public authorities is exempt from income tax. However Council is subject to Fringe Benefits Tax and Goods and Services Tax ('GST'). The net amount of GST recoverable from the Australian Taxation Office (ATO) or payable to the ATO is shown as an asset or liability respectively.

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

Comparative information is prepared on the same basis as the prior financial year.

1.B Date of authorisation

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

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

Council has adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2022. The standards did not have a material impact on reported position, performance and cash flows of Council.

1.D Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2023. 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.

No standard issued by the AASB which is not yet effective is expected to have a material impact for Council.

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

Council makes 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:

- Revenue recognition - Note 3
- Valuation and depreciation of property, plant and equipment - Note 11
- Leases - Note 13
- Provisions - Note 15
- Contingent liabilities - Note 17
- Financial instruments and financial risk management - Note 22

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

2 Analysis of results by function

(a) Components of Council functions

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

Executive Services

The core functions of Executive Services include management of the Office of the Mayor and Office of the CEO, facilitation of Council and Committee meetings, executive administration and internal audit.

Health and Community Services

The objective of the Health and Community Services function is to develop, manage and deliver community and public health services that meet the needs of all sectors of the community. The core functions includes community services, housing services, environmental health services, health and wellbeing services and divisional administrative services.

Engineering Services

Engineering Services provides a high level of services in integrated infrastructure management which ensures environmental protection and meets community expectations. The outcomes achieved by Engineering Services are linked with Council's commitment to public health, transport, water and wastewater infrastructure. The core functions include water services, wastewater services, civil works services, waste services and fuel and fleet.

Building Services

The objective of the Building Services function is to provide repairs and maintenance on social housing and new construction on behalf of the State and Federal Government.

Corporate Services

Corporate Services is responsible for the provision of Council-wide services. The core functions include legal services, governance, strategic (corporate) planning, human resources, WH&S, information technology services, corporate risk and insurance, media, engagement and advocacy and enterprise development.

Financial Services

Financial Services provides professional financial management and advisory services to Council. The core functions include financial accounting, management accounting, procurement and strategic asset management services.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

2 Analysis of results by function (continued)

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

Year ended 30 June 2023

| Functions | Gross program income | | | | 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 | | | | | | | | |
| | \$ | \$ | \$ | \$ | | | | | | | | |
| Executive Services | 646,200 | - | - | - | 646,200 | 3,517,900 | - | 149,164 | 3,667,064 | (2,871,700) | (3,020,864) | 2,870,805 |
| Health and Community Services | 3,356,194 | 9,248,590 | 7,064,883 | - | 19,669,667 | 39,541,378 | - | 4,695,878 | 44,237,256 | (26,936,594) | (24,567,589) | 417,148,757 |
| Engineering Services | 7,109,130 | 6,174,896 | 16,743,656 | - | 30,027,681 | 51,301,432 | - | 186,240 | 51,487,672 | (38,017,406) | (21,459,990) | 613,177,902 |
| Building Services | - | 11,026,776 | 1,645,683 | - | 12,672,459 | 12,503,391 | - | (441,046) | 12,062,345 | (1,476,615) | 610,114 | - |
| Corporate Services | 80,000 | 166,609 | - | - | 246,609 | 5,061,000 | - | (106,255) | 4,954,745 | (4,814,390) | (4,708,136) | - |
| Financial Services | 26,099,684 | 2,025,807 | 1,547,146 | - | 29,672,636 | 9,461,804 | 15,455,070 | (4,483,982) | 20,432,892 | 18,663,686 | 9,239,744 | 89,314,006 |
| Total Council | 37,291,208 | 28,642,679 | 27,001,367 | - | 92,935,254 | 121,386,904 | 15,455,070 | - | 136,841,974 | (55,453,018) | (43,906,721) | 1,122,511,471 |

Year ended 30 June 2022

| Functions | Gross program income | | | | 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 | | | | | | | | |
| | \$ | \$ | \$ | \$ | | | | | | | | |
| Executive Services | 546,200 | - | - | - | 546,200 | 2,978,319 | - | 32,488 | 3,010,807 | (2,432,119) | (2,464,607) | 2,623,552 |
| Health and Community Services | 3,779,576 | 9,089,785 | 4,586,071 | - | 17,455,432 | 34,317,210 | - | 3,826,540 | 38,143,749 | (21,447,849) | (20,688,318) | 401,048,628 |
| Engineering Services | 1,963,704 | 5,177,558 | 29,353,579 | - | 36,494,841 | 42,386,856 | - | 406,697 | 42,793,553 | (35,245,594) | (6,298,712) | 589,707,401 |
| Building Services | - | 15,660,783 | 428,308 | - | 16,089,091 | 13,152,441 | - | (491,302) | 12,661,139 | 2,508,342 | 3,427,951 | - |
| Corporate Services | 48,567 | 135,041 | - | - | 183,608 | 4,975,544 | - | (105,012) | 4,870,532 | (4,791,936) | (4,686,924) | - |
| Financial Services | 24,019,290 | 206,734 | 154,708 | - | 24,380,733 | 10,945,275 | 9,875,493 | (3,669,410) | 17,151,358 | 13,280,750 | 7,229,375 | 65,853,232 |
| Total Council | 30,357,337 | 30,269,901 | 34,522,666 | - | 95,149,905 | 108,755,645 | 9,875,493 | - | 118,631,138 | (48,128,406) | (23,481,233) | 1,059,232,813 |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

3 Revenue

(a) Community levies, rates and charges

Community levies, rates and annual charges are recognised as revenue when Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

| | 2023 \$ | 2022 \$ |
|-----------------------------|------------------|------------------|
| Water charges commercial | 484,074 | 354,682 |
| Sewerage charges commercial | 1,029,312 | 999,872 |
| Garbage charges commercial | 242,968 | 226,785 |
| Rates from 40 year leases | 75,781 | 64,752 |
| | <u>1,832,135</u> | <u>1,646,091</u> |

(b) Fees and charges

Council provides a range of goods and services to the community and other third parties for a fee. These fees are set in a fees and charges register adopted by Council at the annual budget meeting. Revenue arising from fees and charges is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods or 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. There is no material obligation for Council in relation to refunds or returns.

| | 2023 \$ | 2022 \$ |
|----------------------------|------------------|------------------|
| Airport landing fees | 448,653 | 463,621 |
| Commercial property rental | 2,410,432 | 2,360,925 |
| Maritime fees | 1,612,588 | 1,549,008 |
| Hire of Council buildings | 94,948 | 85,500 |
| Other fees and charges | 87,145 | 71,506 |
| | <u>4,653,766</u> | <u>4,530,560</u> |

Timing of revenue recognition for fees and charges

| | 2023 | | 2022 | |
|------------------|------------------------------|---------------------------------------|------------------------------|---------------------------------------|
| | Revenue recognised over time | Revenue recognised at a point in time | Revenue recognised over time | Revenue recognised at a point in time |
| Fees and charges | 2,410,432 | 2,243,334 | 2,360,925 | 2,169,635 |
| | <u>2,410,432</u> | <u>2,243,334</u> | <u>2,360,925</u> | <u>2,169,635</u> |

Torres Strait Island Regional Council
Notes to the financial statements
For the year ended 30 June 2023

3 Revenue (continued)

(c) Sales revenue

Council provides a range of goods and services to the community and other third parties for a fee. These fees are set in a fees and charges register adopted by Council at the annual budget meeting. Revenue is recognised at a point in time when the customer obtains control of the goods or services, generally when the customer has taken undisputed delivery of the goods or provision of service.

Revenue from contract and recoverable works generally comprises a recoupment of material costs together with an hourly charge for the use of equipment and employees. Contract revenue from repairs and maintenance is recognised at the point in time when works are signed off as completed and only recorded as a contract asset once this performance obligation is met.

Contract revenue and associated costs in relation to upgrades, are recognised by reference to the stage of completion of the contract and the total revenue budget. 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 191 contracts in progress at the year end.

| | 2023 | 2022 |
|--------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Contract and recoverable works | 11,002,144 | 15,643,151 |
| Plant and equipment hire | 112,637 | 95,440 |
| Childcare services | 113,085 | 114,068 |
| Accommodation | 954,705 | 776,496 |
| Sale of fuel and gas | 1,740,998 | 1,330,121 |
| Sale of powercards | 269,481 | 277,824 |
| | <u>14,193,050</u> | <u>18,237,100</u> |

Timing of revenue recognition for sales

| | 2023 | | 2022 | |
|---------------|-------------------------------------|--|-------------------------------------|--|
| | Revenue recognised over time | Revenue recognised at a point in time | Revenue recognised over time | Revenue recognised at a point in time |
| Sales revenue | 12,182,571 | 2,010,479 | 16,629,154 | 1,607,946 |
| | <u>12,182,571</u> | <u>2,010,479</u> | <u>16,629,154</u> | <u>1,607,946</u> |

(d) Grants, subsidies, contributions and donations

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 obligation is satisfied.

The performance obligations vary in each agreement but include salaried positions and specific travel in relation to those positions. 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. Within grant agreements there may be performance obligations where control transfers at a point in time and others where there is 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.

Torres Strait Island Regional Council
Notes to the financial statements
For the year ended 30 June 2023

3 Revenue (continued)

(d) Grants, subsidies, contributions and donations (continued)

Grant income under AASB 1058

Assets arising from grants in the scope of AASB 1058 are recognised at the fair value when the assets are received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard. Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

Capital grants

Capital grants received to enable Council to acquire or construct an item of property, plant and equipment to identified specifications which will be under Council's control and which are enforceable are recognised as revenue as and when the obligation to construct or purchase is completed. For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

Donations and contributions

When 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 assets since there are no performance obligations.

| | 2023 | 2022 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Operating | | |
| General purpose grants | 18,761,597 | 17,037,694 |
| State Government subsidies and grants | 17,510,947 | 11,293,883 |
| Commonwealth Government subsidies and grants | 1,018,664 | 2,025,760 |
| | <u>37,291,208</u> | <u>30,357,337</u> |

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.

| | | |
|--|-------------------|-------------------|
| State Government subsidies and grants | 26,137,973 | 34,130,779 |
| Commonwealth Government subsidies and grants | 515,570 | 391,887 |
| Contributed assets | 347,824 | - |
| | <u>27,001,367</u> | <u>34,522,666</u> |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

3 Revenue (continued)

(d) Grants, subsidies, contributions and donations (continued)

Timing of revenue recognition for grants, subsidies, contributions and donations

| | 2023 | | 2022 | |
|----------------------|------------------------------------|---|------------------------------------|---|
| | Revenue recognised over time \$ | Revenue recognised at a point in time \$ | Revenue recognised over time \$ | Revenue recognised at a point in time \$ |
| Grants and subsidies | 34,620,487 | 29,324,263 | 35,619,940 | 29,260,062 |
| Contributions | - | 347,824 | - | - |
| | <u>34,620,487</u> | <u>29,672,088</u> | <u>35,619,940</u> | <u>29,260,062</u> |

4 Interest and other income

Note

2023

2022

\$

\$

(a) Interest received

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

| | | |
|---|----------------|----------------|
| Interest received from financial institutions | 661,744 | 194,259 |
| | <u>661,744</u> | <u>194,259</u> |

(b) Other income

Other income is recognised on receipt. Gains on the revaluation of finance leases and refuse restoration are non-cash adjustments.

| | | | |
|--|----|------------------|----------------|
| Insurance claims received | | 19,701 | 530 |
| Gain/(loss) on revaluation of finance leases | 13 | 1,242,662 | - |
| Commission income | | 521,155 | 514,256 |
| Other revenue | | 334,440 | 377,783 |
| Gain on disposal of finance lease | | - | 1,005 |
| Gain on refuse restoration | 15 | 419,625 | - |
| | | <u>2,537,583</u> | <u>893,574</u> |

(c) Rental income

Rental revenue from community housing is recognised as income as rent is received.

| | | |
|------------------------------------|------------------|------------------|
| Residential property rental income | 4,764,401 | 4,768,317 |
| | <u>4,764,401</u> | <u>4,768,317</u> |

Council currently holds a social welfare housing portfolio and these buildings are held to meet service delivery objectives, rather than to earn rental income or for capital appreciation purposes.

As the buildings held by Council do not meet the definition of investment property, these buildings are accounted for in accordance with AASB 16 *Property, Plant and Equipment*.

Torres Strait Island Regional Council
Notes to the financial statements
For the year ended 30 June 2023

| 5 Capital expenses | Note | 2023 | 2022 |
|--|-------------|-------------------|------------------|
| | | \$ | \$ |
| Loss on disposal of non-current assets | | | |
| Book value of property, plant and equipment disposed | | 8,114,489 | 3,953,820 |
| Add: Other costs of disposal | | 467,700 | - |
| Less: Proceeds from insurance claims | | (634,380) | - |
| | | <u>7,947,809</u> | <u>3,953,820</u> |
| Loss on disposal of registered <i>Land Holding Act</i> leases | | | |
| Book value of property, plant and equipment | | 7,507,262 | 5,921,673 |
| | | <u>7,507,262</u> | <u>5,921,673</u> |
| | | <u>15,455,071</u> | <u>9,875,493</u> |

6 Employee benefits

Employee benefit expenses are recorded when the service has been provided by the employee.

| | | | |
|--|----|-------------------|-------------------|
| Staff wages and salaries | | 19,811,486 | 19,237,121 |
| Councillors' remuneration | | 1,076,907 | 1,040,209 |
| Annual, sick and long service leave entitlements | | 3,866,734 | 4,022,360 |
| Superannuation | 18 | 2,551,605 | 2,547,323 |
| | | <u>27,306,732</u> | <u>26,847,013</u> |
| Other employee related expenses | | 349,687 | 254,841 |
| | | <u>27,656,419</u> | <u>27,101,854</u> |
| Less: Capitalised employee expenses | | (685,662) | (730,836) |
| | | <u>26,970,757</u> | <u>26,371,018</u> |

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

| | | |
|--|-------------|-------------|
| | 2023 | 2022 |
| Total Council employees at the reporting date: | | |
| Elected members | 16 | 16 |
| Administration staff | 325 | 324 |
| Total full time equivalent employees | <u>341</u> | <u>340</u> |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

| 7 Materials and services | Note | 2023 | 2022 |
|---|-------------|-------------------|-------------------|
| | | \$ | \$ |
| Expenses are recorded on an accruals basis as Council receives the goods or services. | | | |
| Advertising and marketing | | 72,117 | 38,543 |
| Audit services | | 182,600 | 194,500 |
| Communications and IT | | 1,877,648 | 1,588,484 |
| Consultants | | 2,266,274 | 993,289 |
| Contractors | | 10,507,465 | 7,063,232 |
| Donations paid | | 408,706 | 325,678 |
| Freight | | 1,296,309 | 1,180,572 |
| Insurance | | 5,039,377 | 4,455,059 |
| Legal fees | | 330,104 | 281,178 |
| Materials - carpentry, plumbing, electrical | | 502,807 | 1,759,336 |
| Motor vehicle expenses | | 2,747,600 | 2,194,819 |
| Other materials and services | | 1,725,288 | 1,686,323 |
| Power | | 1,233,027 | 984,779 |
| Powercards, fuel and gas for resale | | 2,216,711 | 2,605,103 |
| Rent paid | | 145,463 | 148,606 |
| Repairs and maintenance | | 5,850,533 | 3,575,103 |
| Subscriptions and registrations | | 110,289 | 98,664 |
| Supplies and consumables | | 429,937 | 329,094 |
| Temporary staff costs | | 500,986 | 464,281 |
| Travel | | 2,583,653 | 1,810,973 |
| Less: Expenses capitalised | | (180,226) | (266,583) |
| | | <u>39,846,668</u> | <u>31,511,033</u> |

* Total audit fees quoted by the Queensland Audit Office relating to the 2022/23 financial statements are \$182,600 (2021/22: \$194,500)

8 Finance costs

Losses on revaluation of finance leases and impairment of receivables are non-cash adjustments.

| | | | |
|--|----|----------------|------------------|
| Finance costs charged by Queensland Treasury Corporation | | - | 674 |
| Bank charges | | 76,479 | 91,144 |
| Impairment of receivables | | 382,417 | 377,198 |
| Refuse restoration | | - | 626,058 |
| Interest on leases | 13 | 30,469 | 30,798 |
| Loss on revaluation of finance leases | 13 | - | 2,218,258 |
| | | <u>489,365</u> | <u>3,344,130</u> |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

9 Cash and cash equivalents

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

Council's cash at bank and term deposits are held with National Australia Bank on normal terms. The bank currently has a short term credit rating of A-1+ and long term rating of AA-. Deposits at call are held with the Queensland Treasury Corporation.

| | Note | 2023 \$ | 2022 \$ |
|-------------------------------------|------|-------------------|-------------------|
| Cash at bank | | 25,256,423 | 5,433,366 |
| Deposits at call | | 10,997,842 | 27,833,765 |
| Balance per Statement of Cash Flows | | <u>36,254,265</u> | <u>33,267,131</u> |

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

| | | |
|--|-------------------|-------------------|
| Unspent government grants and subsidies | 17,366,644 | 13,358,148 |
| Total externally imposed restrictions on cash assets | <u>17,366,644</u> | <u>13,358,148</u> |

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

| | | |
|---|------------------|------------------|
| Funds set aside and held in reserves for DOGIT land | 2,806,548 | 2,236,034 |
| Total internally allocated cash assets | <u>2,806,548</u> | <u>2,236,034</u> |

Trust funds held for outside parties

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities:

| | | |
|-----------------------|----------------|----------------|
| Island funeral funds | 235,574 | 246,598 |
| Church funds | 9,910 | 9,781 |
| Other community funds | 53,037 | 51,989 |
| | <u>298,521</u> | <u>308,368</u> |

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 relating to island funeral funds, church funds and other community funds. 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.

Funds held in trust by outside parties

| | | |
|--|-------------------|-------------------|
| DFK Kidsons holding funds for the Major Infrastructure and Other Program | 28,324,917 | 26,660,691 |
| | <u>28,324,917</u> | <u>26,660,691</u> |

The Major Infrastructure and Other Program is jointly funded by the Australian and Queensland Governments to deliver and upgrade major infrastructure capital works in the Torres Strait. DFK Kidsons holds funds for multiple councils in regards to the Major Infrastructure and Other Program. The amount disclosed above relates to Torres Strait Island Regional Council's portion of the funds. Infrastructure assets are not recognised by the Council until they have reached completion.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

10 Receivables

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

Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. Council actively pursues outstanding housing debts from both current and former tenants as per its Rental Debt Policy. Recovery action is undertaken for tenants who are more than 14 days in arrears. Housing Officers review rent accounts fortnightly and make contact with tenants in person to negotiate affordable rent and arrears payment plans. All known bad debts were written-off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue. The impairment loss is recognised in finance costs.

| | 2023 \$ | 2022 \$ |
|---|-------------------|-------------------|
| Current | | |
| Receivable - Housing | 13,003,266 | 13,087,441 |
| Less impairment | (12,588,032) | (12,604,082) |
| Receivable - Rates | 855,561 | 567,020 |
| Less impairment | (325,833) | (323,108) |
| Receivable - Other | 1,865,602 | 3,227,173 |
| Less impairment | (204,505) | (180,023) |
| | <u>2,606,059</u> | <u>3,774,421</u> |
| Accrued revenue | 2,255,586 | 2,881,054 |
| Prepayments | 362,121 | 469,927 |
| GST receivable | 213,303 | 427,366 |
| | <u>5,437,069</u> | <u>7,552,768</u> |
| Opening balance at 1 July | 13,107,214 | 13,001,646 |
| Less: Debts written off during the year | (371,260) | (271,630) |
| Additional impairments recognised | 494,154 | 377,198 |
| Less: Impairments reversed | (111,738) | - |
| Closing balance at 30 June | <u>13,118,370</u> | <u>13,107,214</u> |

Council assesses credit risk before providing goods or services and applies normal business credit protection to minimise the risk.

Council does not require collateral in respect of trade and other receivables. Council does not have trade receivables for which no loss allowance is recognised because of collateral.

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

| | | |
|---------------------|-------------------|-------------------|
| Housing charges | 12,819,911 | 13,087,441 |
| Government entities | 1,191,290 | 2,510,807 |
| Utility charges | 855,561 | 567,020 |
| Other | 857,667 | 716,366 |
| Total | <u>15,724,429</u> | <u>16,881,634</u> |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

10 Receivables (continued)

Expected credit loss assessment

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.

Loss rates are based on actual credit loss experience over the past ten years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Council's view of economic conditions over the expected lives of the receivables.

For housing receivables this rate ranges from 16% - 98% depending on the aging of the debt (2021/22: 10% - 97%). In relation to other receivables, this rate ranges from 1% - 32% depending on the aging of the debt (2021/22: 0.28% - 51%).

2023

| Aging | Closing balance 30 June 2023 \$ | Historical probability of default | Loss given default | Lifetime expected credit loss \$ |
|-------|---------------------------------------|-----------------------------------|--------------------|-------------------------------------|
|-------|---------------------------------------|-----------------------------------|--------------------|-------------------------------------|

Housing

| | | | | |
|------------|-------------------|--------|------|-------------------|
| Current | 136,131 | 16.00% | 100% | 21,781 |
| 1-30 days | 80,203 | 97.00% | 100% | 77,797 |
| 31-60 days | 64,094 | 97.00% | 100% | 62,172 |
| 61+ days | 12,722,837 | 97.67% | 100% | 12,426,282 |
| | <u>13,003,266</u> | | | <u>12,588,032</u> |

Other debtors

| | | | | |
|------------|------------------|--------|------|----------------|
| Current | 918,094 | 0.96% | 100% | 8,784 |
| 1-30 days | 203,349 | 7.01% | 100% | 14,258 |
| 31-60 days | 166,100 | 27.69% | 100% | 45,998 |
| 61+ days | 1,433,620 | 32.18% | 100% | 461,298 |
| | <u>2,721,163</u> | | | <u>530,338</u> |

2022

| Aging | Closing balance 30 June 2022 \$ | Historical probability of default | Loss given default | Lifetime expected credit loss \$ |
|-------|---------------------------------------|-----------------------------------|--------------------|-------------------------------------|
|-------|---------------------------------------|-----------------------------------|--------------------|-------------------------------------|

Housing

| | | | | |
|------------|-------------------|--------|------|-------------------|
| Current | 120,072 | 10.00% | 100% | 12,007 |
| 1-30 days | 48,165 | 96.00% | 100% | 46,238 |
| 31-60 days | 46,117 | 96.00% | 100% | 44,272 |
| 61+ days | 12,873,088 | 97.11% | 100% | 12,501,565 |
| | <u>13,087,442</u> | | | <u>12,604,082</u> |

Other debtors

| | | | | |
|------------|------------------|--------|------|----------------|
| Current | 2,242,553 | 0.28% | 100% | 6,389 |
| 1-30 days | 302,933 | 3.82% | 100% | 11,586 |
| 31-60 days | 312,988 | 2.04% | 100% | 6,399 |
| 61+ days | 935,719 | 51.16% | 100% | 478,757 |
| | <u>3,794,194</u> | | | <u>503,131</u> |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

11 Property, plant and equipment

Council - 30 June 2023

Basis of measurement

Asset values

Opening gross value as at 1 July 2022

Additions

Capital contributions

Assets capitalised from work in progress

Disposals

Revaluation adjustment to asset revaluation surplus

Closing gross value as at 30 June 2023

| Buildings (Communities) | Buildings (Corporate) | Recreational facilities | Transport network | Stormwater drainage network | Flood mitigation network | Water | Wastewater | Marine infrastructure | Waste | Land | Plant and equipment | Work in progress | Total |
|----------------------------|--------------------------|----------------------------|----------------------|-----------------------------------|-----------------------------|-------------|-------------|--------------------------|------------|------------|------------------------|------------------|---------------|
| Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Cost | Cost | |
| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 682,225,378 | 132,700,517 | 32,916,279 | 313,457,970 | 15,517,040 | 40,845,182 | 273,641,873 | 288,279,971 | 54,931,029 | 3,314,102 | 2,623,552 | 9,325,591 | 59,861,625 | 1,909,640,109 |
| - | - | - | - | - | - | - | - | - | - | - | - | 27,670,222 | 27,670,222 |
| - | - | - | - | - | - | - | - | 347,824 | - | - | - | - | 347,824 |
| 6,561,699 | 1,592,179 | 877,616 | 5,582,410 | 570,768 | 14,241,171 | 13,108,695 | 17,525,013 | 12,127 | - | - | 1,946,394 | (62,018,071) | - |
| (20,549,203) | (1,046,553) | (848,605) | (1,292,722) | (100,749) | - | (9,653,792) | (8,692,058) | (804,356) | - | - | (1,128,724) | - | (44,116,762) |
| 100,533,677 | 19,921,752 | 4,929,329 | 26,588,147 | 1,310,385 | 5,514,100 | 32,963,586 | 34,988,543 | 4,631,363 | 497,115 | 247,252 | - | - | 232,125,249 |
| 768,771,552 | 153,167,895 | 37,874,619 | 344,335,804 | 17,297,443 | 60,600,452 | 310,060,362 | 332,101,469 | 59,117,988 | 3,811,218 | 2,870,805 | 10,143,261 | 25,513,776 | 2,125,666,643 |

Accumulated depreciation and impairment

Opening balance as at 1 July 2022

Depreciation provided in period

Revaluation adjustment to asset revaluation surplus

Impairment adjustment to asset revaluation surplus

Depreciation/impairment on disposals

Accumulated depreciation as at 30 June 2023

| | | | | | | | | | | | | | |
|-------------|------------|------------|-------------|-----------|------------|-------------|-------------|------------|-----------|---|-------------|---|---------------|
| 356,128,300 | 77,024,856 | 20,746,776 | 133,766,810 | 6,591,497 | 10,902,180 | 144,523,414 | 134,727,558 | 22,661,476 | 1,883,444 | - | 7,304,217 | - | 916,260,528 |
| 22,615,444 | 4,851,620 | 1,171,994 | 5,433,926 | 313,394 | 1,261,711 | 7,974,496 | 7,951,884 | 1,226,955 | 117,742 | - | 541,112 | - | 53,460,277 |
| 55,480,278 | 12,181,446 | 3,212,322 | 11,732,286 | 578,778 | 1,604,895 | 17,757,908 | 16,664,309 | 1,965,804 | 300,178 | - | - | - | 121,478,205 |
| - | - | - | - | - | - | - | - | 889,401 | - | - | - | - | 889,401 |
| (9,592,775) | (652,391) | (502,834) | (1,123,388) | (95,712) | - | (7,962,873) | (6,739,915) | (761,325) | - | - | (1,063,799) | - | (28,495,011) |
| 424,631,247 | 93,405,532 | 24,628,259 | 149,809,634 | 7,387,958 | 13,768,786 | 162,292,944 | 152,603,836 | 25,982,311 | 2,301,364 | - | 6,781,530 | - | 1,063,593,400 |

Book value as at 30 June 2023

Range of estimated useful life in years

| | | | | | | | | | | | | | |
|-------------|------------|------------|-------------|-----------|------------|-------------|-------------|------------|-----------|--------------------------|-----------|-------------------------|---------------|
| 344,140,305 | 59,762,364 | 13,246,360 | 194,526,170 | 9,909,486 | 46,831,666 | 147,767,417 | 179,497,634 | 33,135,676 | 1,509,853 | 2,870,805 | 3,361,730 | 25,513,776 | 1,062,073,243 |
| 15 - 50 | 10 - 50 | 5 - 50 | 10 - 100 | 47 - 53 | 10 - 50 | 3 - 60 | 5 - 100 | 10 - 50 | 15 - 25 | Land: Not Depreciated | 1 - 25 | WIP: Not Depreciated | |

Additions comprise:

| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
|-----------|-----------|---------|-----------|---------|------------|------------|------------|---------|----|----|-----------|----|------------|
| 5,836,352 | 1,157,719 | 794,521 | 636,475 | - | - | 3,998,693 | 4,748,014 | 359,951 | - | - | 82,870 | - | 17,614,595 |
| 725,347 | 434,460 | 83,095 | 4,945,934 | 570,768 | 14,241,171 | 9,110,002 | 12,776,999 | - | - | - | 1,863,523 | - | 44,751,299 |
| 6,561,699 | 1,592,179 | 877,616 | 5,582,409 | 570,768 | 14,241,171 | 13,108,695 | 17,525,013 | 359,951 | - | - | 1,946,393 | - | 62,365,894 |

Asset revaluation surplus

Opening balance as at 1 July 2022

Movements - Revaluation

Movements - Impairments

Closing balance as at 30 June 2023

| | | | | | | | | | | | | | |
|-------------|------------|------------|-------------|-----------|-----------|------------|-------------|------------|---------|---------|---|---|-------------|
| 209,344,874 | 33,419,003 | 9,128,841 | 147,118,085 | 4,591,843 | 5,399,308 | 81,699,178 | 114,897,380 | 19,367,513 | 481,411 | 181,417 | - | - | 625,628,853 |
| 45,053,399 | 7,740,306 | 1,717,007 | 14,855,860 | 731,607 | 3,909,204 | 15,205,678 | 18,324,234 | 2,665,559 | 196,937 | 247,252 | - | - | 110,647,045 |
| - | - | - | - | - | - | - | - | (889,401) | - | - | - | - | (889,401) |
| 254,398,273 | 41,159,309 | 10,845,848 | 161,973,945 | 5,323,450 | 9,308,512 | 96,904,856 | 133,221,614 | 21,143,671 | 678,349 | 428,670 | - | - | 735,386,497 |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

11 Property, plant and equipment (continued)

Council - 30 June 2022

Basis of measurement

Asset values

Opening gross value as at 1 July 2021

Additions

Assets capitalised from work in progress

Impairment from work in progress

Disposals

Revaluation adjustment to asset revaluation surplus

Closing gross value as at 30 June 2022

| Buildings (Communities) | Buildings (Corporate) | Recreational facilities | Transport network | Stormwater drainage network | Flood mitigation network | Water | Wastewater | Marine infrastructure | Waste | Land | Plant and equipment | Work in progress | Total |
|----------------------------|--------------------------|----------------------------|----------------------|-----------------------------------|-----------------------------|-------------|-------------|--------------------------|------------|------------|------------------------|------------------|---------------|
| Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Cost | Cost | |
| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 580,834,044 | 111,387,246 | 27,371,220 | 288,420,578 | 14,301,419 | 37,645,329 | 246,896,617 | 267,501,593 | 50,860,398 | 2,761,752 | 2,559,563 | 8,948,492 | 36,430,143 | 1,675,918,394 |
| - | - | - | - | - | - | - | - | - | - | - | - | 36,683,646 | 36,683,646 |
| 4,984,477 | 995,810 | 70,815 | 578,602 | - | - | 3,354,280 | 2,108,624 | 782,458 | - | - | 377,099 | (13,252,165) | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| (16,566,199) | (1,587,026) | - | (52,498) | - | - | (1,330,073) | (7,328,691) | (956,831) | - | - | - | - | (27,821,318) |
| 112,973,056 | 21,904,487 | 5,474,244 | 24,511,288 | 1,215,621 | 3,199,853 | 24,721,049 | 25,998,445 | 4,245,004 | 552,350 | 63,989 | - | - | 224,859,387 |
| 682,225,378 | 132,700,517 | 32,916,279 | 313,457,970 | 15,517,040 | 40,845,182 | 273,641,873 | 288,279,971 | 54,931,029 | 3,314,102 | 2,623,552 | 9,325,591 | 59,861,625 | 1,909,640,109 |

Accumulated depreciation and impairment

Opening balance as at 1 July 2021

Depreciation provided in period

Revaluation adjustment to asset revaluation surplus

Depreciation/impairment on disposals

Accumulated depreciation as at 30 June 2022

| | | | | | | | | | | | | | |
|-------------|------------|------------|-------------|-----------|------------|-------------|-------------|------------|-----------|---|-----------|---|--------------|
| 287,223,830 | 60,836,167 | 16,301,627 | 118,296,602 | 5,786,298 | 9,139,396 | 124,961,844 | 121,493,743 | 21,383,482 | 1,437,763 | - | 6,663,384 | - | 773,524,136 |
| 19,062,061 | 4,320,857 | 987,385 | 5,027,759 | 288,814 | 908,696 | 7,300,565 | 7,078,876 | 1,123,041 | 131,774 | - | 640,833 | - | 46,870,661 |
| 59,094,279 | 12,802,107 | 3,457,764 | 10,478,981 | 516,385 | 854,068 | 13,118,668 | 12,153,235 | 1,022,142 | 313,907 | - | - | - | 113,811,556 |
| (9,251,870) | (934,275) | - | (36,532) | - | - | (857,663) | (5,998,296) | (867,189) | - | - | - | - | (17,945,825) |
| 356,128,300 | 77,024,856 | 20,746,776 | 133,766,810 | 6,591,497 | 10,902,180 | 144,523,414 | 134,727,558 | 22,661,476 | 1,883,444 | - | 7,304,217 | - | 916,260,528 |

Book value as at 30 June 2022

Range of estimated useful life in years

| | | | | | | | | | | | | | |
|-------------|------------|------------|-------------|-----------|------------|-------------|-------------|------------|-----------|--------------------------|-----------|-------------------------|-------------|
| 326,097,079 | 55,675,661 | 12,169,503 | 179,691,160 | 8,925,543 | 29,943,002 | 129,118,459 | 153,552,413 | 32,269,553 | 1,430,658 | 2,623,552 | 2,021,374 | 59,861,625 | 993,379,581 |
| 15 - 50 | 10 - 50 | 5 - 50 | 10 - 100 | 47 - 53 | 10 - 50 | 3 - 60 | 5 - 100 | 10 - 50 | 15 - 25 | Land: Not Depreciated | 1 - 25 | WIP: Not Depreciated | |

Additions comprise:

Renewals

Other additions

Total additions

| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
|-----------|---------|--------|---------|----|----|-----------|-----------|---------|----|----|---------|----|------------|
| 3,798,059 | 754,090 | - | 110,702 | - | - | 1,330,073 | 2,108,624 | 782,458 | - | - | - | - | 8,884,006 |
| 1,186,418 | 241,719 | 70,815 | 467,900 | - | - | 2,024,207 | - | - | - | - | 377,099 | - | 4,368,158 |
| 4,984,477 | 995,810 | 70,815 | 578,602 | - | - | 3,354,280 | 2,108,624 | 782,458 | - | - | 377,099 | - | 13,252,165 |

Asset revaluation surplus

Opening balance as at 1 July 2021

Movements - Revaluation

Movements - Impairments

Closing balance as at 30 June 2022

| | | | | | | | | | | | | | |
|-------------|------------|-----------|-------------|-----------|-----------|------------|-------------|------------|---------|---------|---|---|-------------|
| 155,466,097 | 24,316,623 | 7,112,361 | 133,085,777 | 3,892,607 | 3,053,543 | 70,096,797 | 101,052,170 | 16,144,651 | 242,968 | 117,428 | - | - | 514,581,023 |
| 53,878,777 | 9,102,380 | 2,016,480 | 14,032,307 | 699,236 | 2,345,765 | 11,602,381 | 13,845,210 | 3,222,862 | 238,443 | 63,989 | - | - | 111,047,830 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 209,344,874 | 33,419,003 | 9,128,841 | 147,118,085 | 4,591,843 | 5,399,308 | 81,699,178 | 114,897,380 | 19,367,513 | 481,411 | 181,417 | - | - | 625,628,853 |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

11 Property, plant and equipment (continued)

(a) Recognition

Each class of property, plant and equipment is stated at cost or fair value, less where applicable, any accumulated depreciation and accumulated impairment loss. Items of plant and equipment, infrastructure assets and buildings with a total value of less than \$10,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

By operation of the *Local Government Act 2009*, *Torres Strait Islander Land Act 1991* and *Land Act 1994*, Council retains ownership of the below classes of property, plant and equipment. This includes leasehold and licensed assets on Mer Island and Badu Island.

Acquisition of assets

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect's fees and engineering design fees and all other establishment costs.

Property, plant and equipment received in the form of contributions are recognised as assets and revenues at cost as supplied by the contributor entity, where that value exceeds the recognition threshold for the respective asset class.

Capital and operating expenditure

Wages, materials expenditure and an appropriate portion of direct costs for the acquisition or construction of assets is treated as capital expenditure. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity of the non-current asset are expensed as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

Assets under construction are not depreciated until they are completed and commissioned, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

(b) Measurement

All asset classes excluding plant and equipment and work in progress (WIP) are measured on the revaluation basis, at fair value, in accordance with AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*. Plant and equipment and WIP are measured at amortised cost.

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

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

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

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

11 Property, plant and equipment (continued)

(c) Depreciation

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

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

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

Depreciation methods and estimated useful lives of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the 5 yearly full valuation process for assets measured at written down current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in the tables earlier in this note.

(d) Land under roads

Torres Strait Island Regional Council does not control any land under roads. Land under the road network within the Council area that has been dedicated and opened for public use under the *Land Act 1994* or the *Land Title Act 1994* is not controlled by Council but is controlled by the State pursuant to the relevant legislation. This land is not recognised in these financial statements.

(e) Impairment

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.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

11 Property, plant and equipment (continued)

(f) Deed of Grant in Trust land

The Council is located on land assigned to it under various Deeds of Grant in Trust (DOGIT) held under the *Torres Strait Islander Land Act 1991* (Qld) (TSILA), *Aboriginal Land Act 1991* (Qld) and the *Land Act 1994* (Qld). The land comprises an area of approximately 483.6 square kilometres, across the following Islands:

- Boigu Island
- Dauan Island
- Erub Island
- Hammond Island
- Iama Island
- Moa Island (comprising two DOGITs of St Paul's and Kubin communities)
- Mabuiag Island
- Poruma Island
- Saibai Island
- Ugar Island
- Warraber Island
- Masig Island

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

The reserve land for Mer Island was managed by the Department of Communities, Child Safety and Disabilities Services until 14 December 2012. On 14 December 2012 Mer Gedkem Le (Torres Strait Islanders) Corporation RNTBC became the trustee of Torres Strait Islander land under the TSILA in communal freehold of Mer Island. The Corporation is trustee for the Native Title Holders.

The DOGIT land for Badu Island was administered by Council in the capacity as trustee until 1 February 2014. On 1 February 2014, Mura Badulgal (Torres Strait Islanders) Corporation RNTBC became the trustee of Torres Strait Islander land under the TSILA in communal freehold of Badu Island. The Corporation is trustee for the Native Title Holders.

Essential service buildings and infrastructure on Badu Island and Mer Island are leased by Council for the terms of 5 years, 30 years and 99 years at agreed values.

The relevant leased assets are still reported as assets of the Council; land is not reported. Nominal rental is paid for the majority of essential service buildings. These buildings have not been classified as leases, as prior to change in land agreements the assets were originally constructed by Council. No lease liability has been recognised in the financial statements for the leases, with the exception of the former child care centre, one staff residence and one contractor camp on Badu Island, for which future commitments are \$87,346 over the next year.

Pursuant to the terms and conditions of the respective leases, it is intended that the Council continue to maintain these assets for the benefit of the community, as Council possesses the necessary skills and knowledge to best utilise these assets.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

11 Property, plant and equipment (continued)

(g) Valuation

(i) Valuation processes

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

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

All of Council's property, plant and equipment measured at fair value at reporting date is categorised at level 2 or 3. Council does not have any assets measured at fair value which meet the criteria for categorisation as level 1.

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

Council measures and recognises assets in all asset classes relating to property, plant and equipment, other than plant and equipment and WIP, at fair value on a recurring basis.

All asset classes carried at fair value were last comprehensively valued as at 30 June 2020.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of assets does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 5 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

In the intervening years, Council engages independent, professionally qualified valuers to perform a "desktop" valuation. A desktop valuation involves management providing updated information to the valuer regarding additions, disposals and changes in methodology such as useful life and condition rating. The valuer then determines suitable indices which are applied to each of these asset classes. These indices are then reviewed by Asset Class Managers and Executives to ensure accuracy of these indices for Council.

Council's property, plant and equipment valuation policies and procedures are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information. Management prepares a report for the Audit Committee's review and endorsement.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

11 Property, plant and equipment (continued)

(g) Valuation (continued)

(ii) Valuation techniques used to derive fair values

| Asset class and fair value hierarchy | Valuation approach | FV hierarchy | Last comprehensive valuation date | Valuer engaged | Key assumptions and estimates | Current year fair value assessment |
|---|--------------------------|--------------|-----------------------------------|--------------------|--|--|
| Buildings (Communities) | Current replacement cost | Level 3 | 30/06/2020 | Jones Lang Lasalle | <p>Current replacement cost Unit rates developed from building projects completed in the Torres Strait and supplemented by published cost guides including the Rawlinsons Construction Cost Guide and Cordell Cost Guide. Allowances are made for the remote locality of the assets.</p> <p>Accumulated depreciation Componentisation - Structure, Site Improvements, Roof, and Fixtures and Fittings Total useful life estimates, condition assessments, remaining useful life estimates.</p> | Desktop valuation performed as at 30 June 2023 resulted in a 15% index, which when applied increased fair value by \$45,053,399 |
| Buildings (Corporate) 2023: \$2,038,316 2022: \$1,910,265 | Market approach | Level 2 | 30/06/2020 | Jones Lang Lasalle | Comparable transactions of industrial properties within the Cairns market, adjusted for differences in key attributes such as size of improvements, functionality and condition. | Desktop valuation performed as at 30 June 2023 resulted in a 15% index, which when applied increased fair value by \$265,867 |
| Buildings (Corporate) 2023: \$57,724,048 2022: \$53,765,396 | Current replacement cost | Level 3 | 30/06/2020 | Jones Lang Lasalle | <p>Current replacement cost Unit rates developed from building projects completed in the Torres Strait and benchmarked against cost estimate publication. Allowances are made for the remote locality of the assets.</p> <p>Accumulated depreciation Componentisation - Substructure, superstructure, roof, internal fabric, internal service, external services, site improvements, and furniture and fittings. Total useful life estimates, condition assessments, remaining useful life estimates.</p> | Desktop valuation performed as at 30 June 2023 resulted in a 15% index, which when applied increased fair value by \$7,474,439 |
| Recreational facilities | Current replacement cost | Level 3 | 30/06/2020 | Jones Lang Lasalle | <p>Current replacement cost Unit rates developed from building projects completed in the Torres Strait and benchmarked against cost estimate publications. Allowances are made for the remote locality of the assets.</p> <p>Accumulated depreciation Componentisation - Substructure, superstructure, roof, internal fabric, internal service, external services, site improvements, and furniture and fittings. Total useful life estimates, condition assessments, remaining useful life estimates.</p> | Desktop valuation performed as at 30 June 2023 resulted in a 15% index, which when applied increased fair value by \$1,717,007 |
| Transport network | Current replacement cost | Level 3 | 30/06/2020 | Jones Lang Lasalle | <p>Current replacement cost Unit rates developed based on in-house project costs, sub-contractor and head contractor project costs and benchmarked against cost estimate publications. Locality adjustments are also applied.</p> <p>Accumulated depreciation Segmentation - high level, between intersections Componentisation - formation, pavement, seal and kerb and channel Total useful life estimates, condition assessments, remaining useful life estimates.</p> | Desktop valuation performed as at 30 June 2023 resulted in a 8.5% index, which when applied increased fair value by \$14,855,860 |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

11 Property, plant and equipment (continued)

(g) Valuation (continued)

(ii) Valuation techniques used to derive fair values (continued)

| Asset class and fair value hierarchy | Valuation approach | FV hierarchy | Last comprehensive valuation date | Valuer engaged | Key assumptions and estimates | Current year fair value assessment |
|--------------------------------------|--------------------------|--------------|-----------------------------------|--------------------|---|---|
| Stormwater drainage network | Current replacement cost | Level 3 | 30/06/2020 | Jones Lang Lasalle | Current replacement cost Unit rates - developed based cost estimate publications including Rawlinsons Construction Cost Guide and Cordell Cost Guide. Locality adjustments are also applied. Accumulated depreciation Total useful life estimates, condition assessments, remaining useful life estimates. | Desktop valuation performed as at 30 June 2023 resulted in a 8.5% index, which when applied increased fair value by \$731,607 |
| Flood mitigation network | Current replacement cost | Level 3 | 30/06/2020 | Jones Lang Lasalle | Current replacement cost Unit rates - developed based cost estimate publications including Rawlinsons Construction Cost Guide and Cordell Cost Guide. Locality adjustments are also applied. Accumulated depreciation Total useful life estimates, condition assessments, remaining useful life estimates. | Desktop valuation performed as at 30 June 2023 resulted in a 13.5% index, which when applied increased fair value by \$3,909,204 |
| Water | Current replacement cost | Level 3 | 30/06/2020 | Jones Lang Lasalle | Current replacement cost Unit rates - developed based on in-house project costs, sub-contractor and head contractor project costs and benchmarked against cost estimate publications. Locality adjustments are also applied. Accumulated depreciation Componentisation - electrical, mechanical and civil. Total useful life estimates, condition assessments, remaining useful life estimates. | Desktop valuation performed as at 30 June 2023 resulted in a 12.3% index, which when applied increased fair value by \$15,205,678 |
| Wastewater | Current replacement cost | Level 3 | 30/06/2020 | Jones Lang Lasalle | Current replacement cost Unit rates - developed based on in-house project costs, sub-contractor and head contractor project costs and benchmarked against cost estimate publications. Locality adjustments are also applied. Accumulated depreciation Componentisation - electrical, mechanical and civil. Total useful life estimates, condition assessments, remaining useful life estimates. | Desktop valuation performed as at 30 June 2023 resulted in a 12.3% index, which when applied increased fair value by \$18,324,234 |
| Marine infrastructure | Current replacement cost | Level 3 | 30/06/2020 | Jones Lang Lasalle | Current replacement cost Unit rates - developed based on in-house project costs, sub-contractor and head contractor project costs and benchmarked against cost estimate publications. Locality adjustments are also applied. Accumulated depreciation Total useful life estimates, condition assessments, remaining useful life estimates. | Desktop valuation performed as at 30 June 2023 resulted in a 8.5% index, which when applied increased fair value by \$2,665,559 |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

11 Property, plant and equipment (continued)

(g) Valuation (continued)

(ii) Valuation techniques used to derive fair values (continued)

| Asset class and fair value hierarchy | Valuation approach | FV hierarchy | Last comprehensive valuation date | Valuer engaged | Key assumptions and estimates | Current year fair value assessment |
|---|--------------------------|--------------|-----------------------------------|--------------------|---|--|
| Waste | Current replacement cost | Level 3 | 30/06/2020 | Jones Lang Lasalle | <p>Current replacement cost Unit rates developed from projects completed in the Torres Strait and benchmarked against cost estimate publications. Allowances are made for the remote locality of the assets.</p> <p>Accumulated depreciation Total useful life estimates, condition assessments, remaining useful life estimates.</p> | Desktop valuation performed as at 30 June 2023 resulted in a 15% index, which when applied increased fair value by \$196,937 |
| Land assets 2023: \$2,221,387 2022: \$2,019,443 | Market approach | Level 2 | 30/06/2020 | Jones Lang Lasalle | Comparable transactions of industrial properties within the Cairns market, adjusted for differences in key attributes such as size, topography and location. | Desktop valuation performed as at 30 June 2023 resulted in a 10% index, which when applied increased fair value by \$201,944 |
| Land assets 2023: \$649,418 2022: \$604,109 | Market approach | Level 3 | 30/06/2020 | Jones Lang Lasalle | Transactions of properties within Thursday Island market, adjusted for differences in key attributes such as size, topography and location. Professional judgement given the thinly traded nature of the Thursday Island property market. | Desktop valuation performed as at 30 June 2023 resulted in a 7.5% index, which when applied increased fair value by \$45,308 |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

12 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 in excess of the costs incurred in relation to a contract or in constructing an asset, this gives rise to a contract liability.

| Note | 2023 \$ | 2022 \$ |
|--|------------|------------|
| Contract assets | 5,319,290 | 11,918,277 |
| Contract liabilities | | |
| Funds received upfront to construct Council controlled assets | 8,369,041 | 9,653,637 |
| Non-capital performance obligations not yet satisfied | 4,122,806 | 3,704,512 |
| | 12,491,846 | 13,358,148 |
| Revenue recognised that was included in the contract liability balance at the beginning of the year: | | |
| Funds to construct Council controlled assets | 7,529,654 | 13,847,285 |
| Non-capital performance obligations (including deposits received in advance) | 3,401,507 | 385,782 |
| | 10,931,160 | 14,233,067 |

Satisfaction of contract liabilities

The contract liabilities in relation to capital grants relate to funding received prior to the work being performed since revenue is recognised as Council constructs the assets. Council expects to recognise the contract liability as income in the next year.

13 Leases

Council as a lessee

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

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-of-use asset 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.

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.

Terms and conditions of leases:

Buildings

Council leases two buildings which are used for offices and accommodation. The leases are for periods of two and four years and include details of any renewal options if applicable, and contain extensions and termination options.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

13 Leases (continued)

| Right of use assets | Note | 2023 \$ | 2022 \$ |
|--------------------------------------|------|------------------|------------------|
| Balance at 1 July | | 1,800,817 | 698,349 |
| Additions to right of use assets | | - | 1,760,207 |
| Re-measurement of lease liability | | - | 42,253 |
| Derecognition of right of use assets | | - | (41,189) |
| Amortisation charge | | (619,836) | (658,803) |
| Closing balance | | 1,180,981 | 1,800,817 |
| Lease liabilities | | | |
| Balance at 1 July | | 1,859,743 | 710,774 |
| Additions to lease liabilities | | - | 1,760,207 |
| Re-measurement of lease liability | | - | 42,253 |
| Derecognition of lease liabilities | | - | (42,194) |
| Lease payments | | (652,500) | (642,095) |
| Interest expense | | 30,469 | 30,798 |
| Closing balance | | 1,237,712 | 1,859,743 |
| Current | | | |
| Lease liability | | 616,466 | 621,912 |
| | | 616,466 | 621,912 |
| Non-current | | | |
| Lease liability | | 621,246 | 1,237,832 |
| | | 621,246 | 1,237,832 |
| Total lease liabilities | | 1,237,712 | 1,859,744 |

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.

| 2023 | < 1 year | 1-5 years | > 5 years | Total | Total per statement of financial position |
|-------------|--------------------|------------------|---------------------|--------------|--|
| | \$ | \$ | \$ | \$ | \$ |
| Buildings | 616,466 | 627,800 | - | 1,244,267 | 1,237,712 |
| 2022 | < 1 year | 1-5 years | > 5 years | Total | Total per statement of financial position |
| | \$ | \$ | \$ | \$ | \$ |
| Buildings | 652,500 | 1,247,435 | - | 1,899,935 | 1,859,743 |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

13 Leases (continued)

Amounts included in the statement of comprehensive income related to leases

| | Note | 2023 \$ | 2022 \$ |
|--|------|----------------|----------------|
| Interest on lease liabilities | | 30,469 | 30,798 |
| Gain on derecognition of leases | | - | - |
| Amortisation of right of use assets | | 619,836 | 658,803 |
| Expenses relating to short-term leases | | 26,998 | 46,555 |
| | | <u>677,303</u> | <u>736,157</u> |
| Total cash outflows for leases | | <u>679,498</u> | <u>688,650</u> |

Leases at significantly below market value - Concessionary/peppercorn leases

Council has a number of leases at significantly below market value for land.

The leases are on 99 year arrangements and require the payment of \$1 per annum. The use of the right of use asset is restricted by the lessors to specified community uses which Council must provide.

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

Council as a lessor

Council has leased the following dwellings and vacant sites as lessor to the Queensland Government for 40 years:

- 51 dwellings located on Moa Island (Kubin)
- 6 dwellings and 3 vacant site on Saibai Island
- 6 dwellings and 4 vacant sites on Boigu Island
- 21 vacant sites on Kirirri Island
- 25 vacant sites on Moa Island (St Pauls)
- 6 vacant sites on Lama Island
- 2 vacant sites on Ugar Island
- 5 vacant sites on Poruma Island
- 10 vacant sites on Masig Island
- 8 vacant sites on Warraber Island
- 7 vacant sites on Erub Island
- 7 vacant sites on Mabuiag Island
- 3 vacant sites on Dauan Island

The total lease payment per dwelling in the current year ranged between \$2,198 and \$2,414 (\$2,074 to \$2,277 for 2021/22). These lease payments are required to be adjusted each year by the change in the Consumer Price Index (All Groups). As the gross lease payments are insufficient to cover the fair value (current 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 or losses on revaluation of finance lease assets are recognised as other income annually.

The Queensland Government has the right to surrender any part of the lease at any time by giving Council three months' written notice. Per the lease agreement any improvements to the property transfer to Council when the lease terminates. No leases were surrendered between 1 July 2022 and 30 June 2023 (2021/22, nil).

Current

| | | |
|------------------|----------------|----------------|
| Lease receivable | 534,849 | 399,599 |
| | <u>534,849</u> | <u>399,599</u> |

Non-current

| | | |
|------------------|-------------------|-------------------|
| Lease receivable | 11,233,247 | 10,525,433 |
| | <u>11,233,247</u> | <u>10,525,433</u> |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

13 Leases (continued)

| | Note | 2023 \$ | 2022 \$ |
|--|------|---------------------|--------------------|
| A reconciliation between the gross investment in the lease and the fair value of lease payments is as follows: | | | |
| Gross minimum lease payments receivable: | | | |
| Not later than one year | | 534,849 | 399,599 |
| Later than one year but not later than five years | | 1,935,771 | 1,598,397 |
| Later than five years | | 13,361,458 | 11,409,578 |
| | | <u>15,832,077</u> | <u>13,407,574</u> |
| Add: Estimated contingent rent | | 8,212,629 | 7,247,858 |
| Less: Present value adjustment | | <u>(12,276,611)</u> | <u>(9,730,400)</u> |
| Fair value of lease payments | | <u>11,768,095</u> | <u>10,925,032</u> |
| The fair value of lease payments is receivable as follows: | | | |
| Not later than one year | | 534,849 | 399,599 |
| Later than one year but not later than five years | | 1,842,287 | 1,547,307 |
| Later than five years | | 9,390,961 | 8,978,126 |
| | | <u>11,768,095</u> | <u>10,925,032</u> |
| Movements in finance leases were as follows: | | | |
| Opening balance | | 10,925,032 | 13,520,246 |
| Less: Lease receipts | | (399,599) | (376,956) |
| Add/less: Gain/(loss) on revaluation | 4(b) | <u>1,242,662</u> | <u>(2,218,258)</u> |
| Closing balance | | <u>11,768,095</u> | <u>10,925,032</u> |

The calculation of fair value has included an estimate of average annual CPI increases of 2.5% (2.5%: 2021/22) and a discount rate of 4.56% (3.85%: 2021/22).

Notice was received 30 June 2023 of increased index rate for lease rent (\$1,045.26) and rates equivalent (\$2,613.14), back dated to 1 July 2022. The increased rates have resulted in a gain on revaluation.

14 Payables

Trade creditors are recognised as a liability at the time the amount owed can be measured reliably and when it is probable the amount will have to be paid, when the goods are received or the service is performed. Amounts are unsecured and normally settled within 30 days.

| | 2023 \$ | 2022 \$ |
|----------------------------|------------------|------------------|
| Current | | |
| Creditors | 1,491,923 | 2,060,156 |
| Accrued wages and salaries | 1,181,542 | 831,394 |
| Refundable bonds | 2,000 | 2,000 |
| Accrued expenses | 4,956,448 | 4,628,212 |
| Retention | 119,904 | 561,340 |
| Revenue in advance | 15,300 | 207,022 |
| | <u>7,767,117</u> | <u>8,290,124</u> |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

15 Provisions

Annual leave

Annual leave represents the amount which Council has a present obligation to pay resulting from employees' services provided up to balance date. The accrual is based on present value of remuneration rates that will be paid when the liability is expected to be settled and includes related on-costs.

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

Long service leave

The provision for long service leave represents the present value of the estimated future cash outflows to be made by Council resulting from employees' services provided up to balance date. The accrual is based on present value of remuneration rates that will be paid when the liability is expected to be settled including related on-costs and adjusted for the probability of employees remaining in the Council's employment.

The long service leave provision has been discounted using the Commonwealth bond yield rates published on the Department of State Development, Infrastructure, Local Government and Planning website.

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

Landfill restoration and rehabilitation

A provision is made for the cost of rehabilitation of assets and other future restoration costs where it is probable Council will be liable, or required, to incur costs on the cessation of use of these facilities. The provision represents the present value of the anticipated future costs associated with the closure and aftercare management of landfill sites.

The calculation of this provision requires assumptions such as site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for landfill sites is reviewed at least annually and updated based on the facts and circumstances available at the time.

In the prior year the sites were estimated to close in 2023/24 however management estimates that the 15 sites will close between 2026 and 2036. this has resulted in a current liability of nil.

As landfill sites are on state reserves / DOGIT land 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.

| | Current | | Non-Current | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | \$ | \$ | \$ | \$ |
| Current | | | | |
| Annual leave | 2,416,579 | 2,382,872 | - | - |
| Long service leave | 1,367,084 | 1,428,508 | 456,927 | 570,509 |
| Provision for landfill restoration | - | 4,888,560 | 7,687,102 | 3,218,166 |
| | <u>3,783,663</u> | <u>8,699,940</u> | <u>8,144,029</u> | <u>3,788,675</u> |

Details of movements in non-employee provisions:

| | 2023 | 2022 |
|--|------------------|------------------|
| | \$ | \$ |
| Landfill restoration | | |
| Balance at beginning of financial year | 8,106,726 | 7,480,669 |
| Increase due to unwinding of discount | 207,941 | 21,346 |
| Change due to reassessment in closure dates | (951,393) | - |
| Additional provisions | - | 728,479 |
| Increase/(decrease) due to change in discount rate and price | 323,828 | (123,768) |
| Balance at end of financial year | <u>7,687,102</u> | <u>8,106,726</u> |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

16 Commitments for expenditure

Contractual commitments

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

| | 2023 \$ | 2022 \$ |
|-------------------------------------|-------------------|-------------------|
| Consultancy | 766,605 | 653,604 |
| Other | 1,267,488 | 1,163,663 |
| Disaster recovery works (DRFA/REPA) | 1,005,652 | - |
| Contractors | 1,493,468 | 1,609,685 |
| Recoverable work contractors | 6,217,605 | 7,724,799 |
| Freight | 396,025 | 188,039 |
| Contract employees | 9,710 | 133,231 |
| | <u>11,156,553</u> | <u>11,473,021</u> |

Capital Commitments

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

| | | |
|----------------------|------------------|-------------------|
| Capital assets | | |
| Buildings | 2,494,501 | 2,074,001 |
| Water and wastewater | 1,112,435 | 9,720,860 |
| Seawalls | 915,628 | 1,591,970 |
| Other | 1,117,743 | 1,008,100 |
| | <u>5,640,307</u> | <u>14,394,931</u> |

17 Contingent liabilities and assets

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

Contingent Liabilities

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 2023 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 were 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 \$427,583.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

17 Contingent liabilities and assets (continued)

Native Title Compensation Liability

The *Native Title Act 1993* (Cth) requires "future acts", such as the construction of major and minor Council infrastructure, housing, signage and the granting of leases to proponents such as government and individuals, to be conducted using prescribed processes listing under it. In many cases, in order to be valid, a notice process or a registered Indigenous Land Use Agreement under the *Native Title Act 1993* (Cth) is required before conducting a future act. Prior to amalgamation of the Island Councils in 2008, infrastructure and leases were likely to have been progressed without complying with these requirements of the *Native Title Act 1993* (Cth). This infrastructure and leases are termed invalid future acts, for which compensation is payable by Council.

It is difficult to estimate the likely compensation payable because jurisprudence in this area has only recently started emerging. A native title compensation case was decided by the High Court of Australia on 13 March 2019 (*Northern Territory v Griffiths* [2019] HCA 7) that sets out legal principles for determining the quantum of native title compensation payable. That case provides some guidance in relation to a compensation formula. However, the principles in that case cannot be applied to Council's contingent liabilities without making allowances for the differing circumstances in the Torres Strait context. For example, the High Court case involved extinguishment of non-exclusive native title rights, whereas invalid future acts in Torres Strait may not involve extinguishment and are likely to concern exclusive native title rights rather than non-exclusive native title rights. Further, the economic loss component of native title compensation is to be calculated with reference to the freehold value of the land affected, and in Council's local government area there are no land valuations at present.

At this point there are no applications for compensation claims against Council. Numerous compensation claims for alleged invalid future acts are likely to be made in coming years. Council is making deputations to the State of Queensland about the assistance that Council will require in the future to address these claims, should Council's insurance cover be inadequate.

Land Holding Act Lease

Under the *Aboriginal and Torres Strait Islander Land Holding Act 1985* (repealed and replaced with the *Aboriginal and Torres Strait Islander Land Holding Act 2013*), Island Councils across Torres Strait received 354 applications for perpetual leases of land held in trust by those Island Councils. Of the 354 lease applications received by the Island Councils, 116 applications were invalid due to incomplete information or procedural non-compliance. For the remaining 238 applications, the applicant has a legal right to a perpetual lease for the land stated in the application. Due to law reform in 1991, it is no longer possible to apply for a *Land Holding Act* lease. When the Island Councils amalgamated in 2008, TSIRC assumed trustee legal interests in the land subject to Land Holding Act leases and lease entitlements.

The perpetual leases were not all granted in the 1980s with only 61 being granted by 2013. For the 61 leases originally granted, in some cases only the land was leased while the house on the land remained a Council social housing asset. Council and the State are working together to transfer ownership of remaining 22 social houses to the respective Land holding Act leaseholders for \$1 each. When the ownership of any of these houses is transferred, the asset will be removed from Council's asset register and social housing register. The fair value as at 30 June 2023 relating to the potential divestment of these 22 social houses currently under 'land only' leases totals \$7,736,576 (2021/22: \$7,974,294). However, at this time, it is uncertain whether all of these 22 houses will be divested because a lease entitlement may be surrendered or partially surrendered with the result that the house remains a Council asset.

Council and the State are working together to grant all remaining valid lease entitlements either to the original applicant or to the applicant's beneficiaries. Where there is a valid lease entitlement, the lease can be granted without the consent of the native title party because the lease entitlement is a legal right that pre-existed the recognition of native title rights in Australia. This was confirmed by the Supreme Court of Queensland in February 2018. Between then and 30 June 2022, 134 LHA leases have been registered in Torres Strait communities and 16 lease entitlements have been surrendered, with 27 valid lease entitlements remaining to be resolved.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

17 Contingent liabilities (continued)

Land Holding Act Lease (continued)

The purpose of the lease under the Land Holding Act was to provide home ownership. If each of the outstanding 27 lease entitlements becomes a registered lease, Council will divest the social housing asset (if applicable) to the perpetual leaseholder for \$1.00. The fair value as at 30 June 2023 for social housing assets relating to the outstanding 27 lease entitlements totals \$9,275,291 (2021/22: \$15,838,917). However, at this time, it is uncertain whether all of the outstanding 27 lease entitlements will be granted and all of the associated social housing assets divested (a lease entitlement may be surrendered or partially surrendered with the result that the house remains a Council asset). On registration of any of the leases, the asset will be removed from Council's asset register and social housing register.

Contractual Dispute

Proceedings have been brought against Council pursuant to an alleged agreement to subsidise a service. Council is defending the proceedings and counterclaiming for monies owed by the claimant.

Contingent assets

Fees and Charges Revenue

Council initiated legal proceedings against a supplier in a prior period. At 30 June 2023 the case is ongoing. It is too early to determine if there will be financial outcome from the proceedings.

18 Superannuation

Council contributes to LGIASuper previously known as the Local Government Superannuation Scheme (Qld) (the Scheme). LGIASuper is a Multi-employer Plan as defined in Australian Accounting Standard AASB 119 *Employee Benefits*. The Scheme has a number of elements including defined benefit funds and an accumulation benefit fund. Council does not have any employees who are members of the defined benefits funds and so is not exposed to the obligations, assets or costs associated with these funds. Council has employees who are members of the accumulation benefits fund.

| | Note | 2023 \$ | 2022 \$ |
|--|------|------------------|------------------|
| Superannuation contributions made to the LGIA Super Accumulation Benefits Fund | | 2,164,508 | 2,154,914 |
| Other superannuation contributions for employees | | 387,097 | 392,409 |
| Total superannuation contributions paid by Council for employees: | 6 | <u>2,551,605</u> | <u>2,547,323</u> |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

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

| | 2023 \$ | 2022 \$ |
|--|---------------------|---------------------|
| Net result | (43,906,720) | (23,481,234) |
| Non-cash items: | | |
| Depreciation and amortisation | 54,080,113 | 47,529,464 |
| Asset contributions in capital income | (347,824) | - |
| (Gain)/Loss on revaluation of finance lease | (1,242,662) | 2,218,258 |
| (Gain) on derecognition of finance lease | - | (1,005) |
| Unwinding discount on provisions | - | 21,346 |
| | <u>52,489,626</u> | <u>49,768,063</u> |
| Investing and development activities: | | |
| Loss on disposal of non-current assets | 15,802,894 | 9,875,493 |
| Capital grants and contributions | (27,001,384) | (34,522,666) |
| | <u>(11,198,490)</u> | <u>(24,647,173)</u> |
| Financing activities: | | |
| Interest expense on finance leases | 29,972 | 30,598 |
| | <u>29,972</u> | <u>30,598</u> |
| Changes in operating assets and liabilities: | | |
| (Increase)/decrease in receivables | 2,743,018 | 2,134,089 |
| (Increase)/decrease in inventory | (88,808) | (65,104) |
| (Increase)/decrease in contract assets | 110,751 | (546,462) |
| Increase/(decrease) in payables | 286,866 | (3,381,167) |
| Increase/(decrease) in other provisions | (560,924) | 767,416 |
| Increase/(decrease) in contract liabilities | 726,222 | 1,804,678 |
| | <u>3,217,125</u> | <u>713,451</u> |
| Net cash inflow from operating activities | <u>631,514</u> | <u>2,383,705</u> |

20 Reconciliation of liabilities arising from financing activities

| 2023 | As at 30 June 2022 | Cash flows | Non-cash changes | As at 30 June 2023 |
|-----------------|-----------------------|------------------|---------------------|-----------------------|
| Lease liability | 1,859,743 | (652,500) | 30,469 | 1,237,712 |
| | <u>1,859,743</u> | <u>(652,500)</u> | <u>30,469</u> | <u>1,237,712</u> |
| 2022 | As at 30 June 2021 | Cash flows | Non-cash changes | As at 30 June 2022 |
| Loans | 36,210 | (36,210) | - | - |
| Lease liability | 710,774 | (642,095) | 1,791,064 | 1,859,743 |
| | <u>746,984</u> | <u>(678,305)</u> | <u>1,791,064</u> | <u>1,859,743</u> |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

21 Events after the reporting period

There were no material events after the balance date that require adjustment or disclosure.

22 Financial instruments and financial risk management

Financial risk management

Council is responsible for the establishment and oversight of the risk management framework, together with developing and monitoring risk management policies. Council's management approves policies for overall risk management, as well as specifically for managing credit, liquidity and market risk.

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 oversees how management monitors compliance with the Council's financial risk management policies and procedures, and reviews the adequacy of the framework in relation to the risks faced by the Council. The Council audit committee 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. During the year, Council did not have a full audit committee.

Investments in financial assets are only made where those assets are with a bank or other financial institution in Australia. The Council does not invest in derivatives or other high risk investments.

Credit risk

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

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

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

No collateral is held as security relating to the financial assets held by Torres Strait Island Regional Council.

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

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

22 Financial instruments and financial risk management (continued)

Liquidity risk

Exposure to liquidity risk

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

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.

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

| | 0 to 1 year | 1 to 5 years | Over 5 years | Total contractual cash flows | Carrying amount |
|-------------|-------------|--------------|--------------|------------------------------|-----------------|
| | \$ | \$ | \$ | \$ | \$ |
| 2023 | | | | | |
| Payables | 7,767,117 | - | - | 7,767,117 | 7,767,117 |
| | 7,767,117 | - | - | 7,767,117 | 7,767,117 |
| 2022 | | | | | |
| Payables | 8,290,124 | - | - | 8,290,124 | 8,290,124 |
| | 8,290,124 | - | - | 8,290,124 | 8,290,124 |

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

Market risk

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

Interest rate risk

Council is exposed to interest rate risk through investments and borrowings with QTC and other financial institutions. Council has access to a mix of variable and fixed rate funding options through QTC so that interest rate risk exposure can be minimised.

Based on the carrying value of Council's financial instruments at balance date, any fluctuation in interest rates would not have a material impact on the financial position or performance of Council.

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.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

23 Transactions with related parties

(a) Transactions with key management personnel (KMP)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Council, directly or indirectly.

KMPs include the Mayor, Councillors, Council's Chief Executive Officer and the Executive Management team. Effective 1 July 2022, Council amended the organisational structure which resulted in changes to the Executive Management Team. The amended Executive Management team consists of the Executive Director Engineering Services, Executive Director Financial Services, Interim Director Building, Interim Director Community Services and Executive Director Corporate Services. Prior to this change to the organisation structure, the Executive Management team consisted of the Executive Director Engineering Services, Executive Director Financial Services, Executive Director Building & Community Services and Executive Director Corporate Services. Acting KMPs are included in these figures.

Compensation paid to KMPs for 2022/23:

| | 2023 | 2022 |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| Short-term employee benefits | 2,383,883 | 2,027,652 |
| Post-employment benefits | 122,479 | 105,044 |
| Termination benefits | 50,000 | 100,769 |
| Long-term employee benefits | 23,205 | 30,697 |
| | <u>2,579,567</u> | <u>2,264,162</u> |

Detailed remuneration disclosures are provided in Council's Annual Report.

During the year an Executive Director was engaged through a Queensland government-owned corporation on a one year contract. The total value paid for services (including secondment, travel and accommodation) was \$294,681. These costs are excluded from the table above. During the prior year an Executive Director was engaged through Peak services on a short term contract for three months before being engaged directly as an employee of Council. The total value paid for these services was nil (2022: \$86,575).

(b) 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, parent, child and dependant of a KMP or their spouse. Per Ailan Kastom, an Uncle, Aunty or sibling who represents one of those roles to a KMP has been considered to be a related party.

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

Details of transactions

| | | | |
|---|-------|---------|---------|
| Employee expenses for close family members of KMPs | (i) | 156,323 | 192,439 |
| Purchase of materials and services from entities controlled by KMPs | (ii) | 10,800 | 10,800 |
| Grants and donations for entities controlled by KMPs | (iii) | 15,000 | 1,998 |

(i) All close family members of key management personnel were employed through an arm's length process. They are paid in accordance with Council's Certified Agreement for the job they perform. Council employs 359 staff (325 full time equivalent staff) of which 2 are close family members of key management personnel.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

23 Transactions with related parties (continued)

(b) Transactions with other related parties (continued)

(ii) Council purchased the following materials 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:

| | | |
|---------------|---------------|---------------|
| Accommodation | 10,800 | 10,800 |
| | <u>10,800</u> | <u>10,800</u> |

Included in the above is \$10,800 of accommodation charges relating to the usage of a house on Masig from Councillor Hilda Mosby. All purchases were at arm's length, on normal terms and conditions and were in the normal course of Council's operations.

(iii) Grants and donations totalling \$15,000 (2021/22: \$1,998) were made during the reporting period to related parties of KMPs as community members under Council's Grants and Donations Procedure.

(iv) The fees and charges charged to entities controlled by KMPs was nil (2021/22: nil).

(c) Commitments to/from related parties

Council does not have any commitments for the provision of goods and services for related party entities.

(d) Loans and guarantees to/from related parties

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

(e) Outstanding balances

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

| Receivables | Current \$ | Over 30 Days \$ | Over 60 Days \$ | Over 90 Days \$ | Total \$ |
|------------------------|---------------|--------------------|--------------------|--------------------|----------------|
| 2023 | | | | | |
| Rates and charges | 4,844 | - | - | 122,697 | 127,541 |
| Social housing | (335) | 21 | 1,138 | 163,597 | 164,422 |
| Other fees and charges | 726 | 50 | 50 | 4,688 | 5,514 |
| Total | 5,235 | 71 | 1,188 | 290,982 | 297,477 |
| 2022 | | | | | |
| Rates and charges | 2,797 | - | - | 108,515 | 111,312 |
| Social housing | 1,335 | 1,365 | 1,608 | 186,133 | 190,440 |
| Other fees and charges | 3,499 | - | - | 967 | 4,465 |
| Total | 7,631 | 1,365 | 1,608 | 295,615 | 306,217 |

\$221,584 has been recognised in current and prior years for the allowance for bad or doubtful debts owed by related parties.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

23 Transactions with related parties (continued)

(e) Outstanding balances (continued)

The table below details related party outstanding balances at the end of the reporting period which are over 90 days:

2023

| KMP | Relationship | Related Party | Nature of transactions | Over 90 Days \$ |
|---------------------------|--------------|----------------------------|-------------------------|--------------------|
| Laurie Nona | Manager | Badu Art Centre | Rates and charges | 112,244 |
| Torenzo Elisala | Father | Tenny Elisala | Social housing | 38,220 |
| Jimmy Gela | Councillor | Jimmy Gela | Social housing | 19,655 |
| Rocky Stephen | Director | Kos & Abob Fisheries (TSI) | Rates and charges | 4,180 |
| Getano Lui (Jnr) | Councillor | Getano Lui (Jnr) | Social housing | 73,033 |
| Rocky Stephen | Councillor | Rocky Stephen | Social housing | 1,358 |
| Dimas Toby | Spouse | Telita Banu | Social housing | 1,197 |
| Dimas Toby | Councillor | Dimas Toby | Social housing | 1,063 |
| Lama Trinkoon | Spouse | Ivy Trinkoon | Social housing | 27,879 |
| Hilda Mosby | Councillor | Hilda Mosby | Rates and charges | 5,943 |
| Kabay Tamu | Councillor | Kabay Tamu | Councillor vehicle hire | 4,100 |
| Amounts less than \$1,000 | | | | 2,111 |
| | | | | <u>290,982</u> |

2022

| KMP | Relationship | Related Party | Nature of transactions | Over 90 Days \$ |
|---------------------------|--------------|----------------------------|------------------------|--------------------|
| Laurie Nona | Manager | Badu Art Centre | Rates and charges | 98,378 |
| Torenzo Elisala | Father | Tenny Elisala | Social housing | 32,226 |
| Jimmy Gela | Councillor | Jimmy Gela | Social housing | 22,955 |
| Adeah Kabai | Mother | Joyce Kabai | Social housing | 25,603 |
| Rocky Stephen | Director | Kos & Abob Fisheries (TSI) | Rates and charges | 10,137 |
| Getano Lui (Jnr) | Councillor | Getano Lui (Jnr) | Social housing | 64,933 |
| Francis Pearson | Defacto | Alice Pearson | Social housing | 7,820 |
| Rocky Stephen | Councillor | Rocky Stephen | Social housing | 1,322 |
| Dimas Toby | Spouse | Telita Banu | Social housing | 1,922 |
| Dimas Toby | Councillor | Dimas Toby | Social housing | 1,063 |
| Lama Trinkoon | Spouse | Ivy Trinkoon | Social housing | 27,879 |
| Amounts less than \$1,000 | | | | 1,377 |
| | | | | <u>295,615</u> |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2023

23 Transactions with related parties (continued)

(f) Debt balances written off during the period as statute barred debt

The below debts were written off during the period as statute barred debt, being debt older than 6 years of age and pursuant to the *Limitation of Actions Act 1974* (Qld) and cannot be legally enforced in a Court of competent jurisdiction.

Council first attempted to write off statute-barred debts in 2015 however a quorum could not be established due to a number of Councillors declaring a material personal interest or conflict of interest and excluding themselves from voting. Following the March 2016 local government election, Council tabled the write off again however was still unable to reach a quorum.

In August 2016, Council presented two separate write off resolutions for Council's consideration, one addressing commercial debts and the other addressing housing debt. Again a quorum could not be established for consideration of either resolution.

On 5 October 2016, Council engaged King & Company Solicitors to address the question of how Council may act to write off statute barred debt while ensuring statutory compliance. King & Company provided several options to Council to address the issue. The option adopted by Council was to delegate the write off power to the CEO. The issue of material personal interest or conflict of interest does not arise in respect of a Council decision to delegate the matter to the CEO for decision, provided Council merely delegates the CEO power to make the decision and does not in any way direct the CEO to make any particular decision about the matter.

The resolution was made at the October 2016 Ordinary Council Meeting adopting the revised Fiscal Governance Policy granting the CEO delegation to write off statute barred debt.

(g) 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 Torres Strait Island Region. Therefore, on a regular basis ordinary citizen transactions occur between council and its related parties. Some examples include:

- Residential rental charges
- Utility and other fees and charges
- Sales of gas, fuel and power cards
- Hire of council buildings and equipment
- Accommodation hire

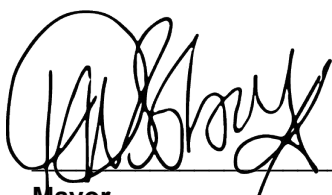
Torres Strait Island Regional Council
Financial statements
For the year ended 30 June 2023

Management Certificate
For the year ended 30 June 2023

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, 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
Phillemon Mosby

Date: 23 / 10 / 2023



Chief Executive Officer
James William

Date: 23 / 10 / 2023

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Torres Strait Island Regional Council

Report on the audit of the financial report

Opinion

I have audited the financial report of Torres Strait Island Regional Council.

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2023, and of its financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including material accounting policy information, and the certificate given by the Mayor and Chief Executive Officer.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of my report.

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Other information comprises financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Torres Strait Island Regional Council's annual report for the year ended 30 June 2023 was the current year financial sustainability statement and long-term financial sustainability statement.

The councillors are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have formed a separate opinion on the current year financial sustainability statement.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the councillors for the financial report

The councillors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards, and for such internal control as the councillors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The councillors are also responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the council or to otherwise cease operations of the council.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for forming an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of material accounting policy information used and the reasonableness of accounting estimates and related disclosures made by the council.

- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on other legal and regulatory requirements

In accordance with s. 40 of the *Auditor-General Act 2009*, for the year ended 30 June 2023:

- a) I received all the information and explanations I required
- b) I consider that, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Local Government Act 2009*, and the Local Government Regulation 2012. The applicable requirements include those for keeping financial records that correctly record and explain the council's transactions and account balances to enable the preparation of a true and fair financial report.



Sri Narasimhan
as delegate of the Auditor-General

24 October 2023

Queensland Audit Office
Brisbane

Torres Strait Island Regional Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2023

Measures of Financial Sustainability

| | How the measure is calculated | Target | 30 June 2023 Result |
|---------------------------------|--|----------------------|---------------------|
| Operating surplus ratio | Net result (excluding capital items) divided by total operating revenue (excluding capital items) | Between 0% and 10% | -84% |
| Asset sustainability ratio | Capital expenditure on the replacement of assets (renewals) divided by depreciation expense | greater than 90% | 33% |
| Net financial liabilities ratio | Total liabilities less current assets divided by total operating revenue (excluding capital items) | not greater than 60% | -22% |


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 2023.

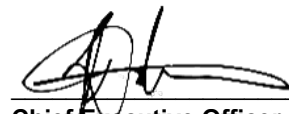
Certificate of Accuracy
For the year ended 30 June 2023

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
 Pillemon Mosby

Date: 23 / 10 / 2023


 Chief Executive Officer
 James William

Date: 23 / 10 / 2023

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Torres Strait Island Regional Council

Report on the Current-Year Financial Sustainability Statement

Opinion

I have audited the accompanying current year financial sustainability statement of Torres Strait Island Regional Council for the year ended 30 June 2023, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with s.212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Torres Strait Island Regional Council for the year ended 30 June 2023 has been accurately calculated.

Basis of opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the current year financial sustainability statement* section of my report.

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter – basis of accounting

I draw attention to Note 1 which describes the basis of accounting. The current year financial sustainability statement has been prepared in accordance with the Financial Management (Sustainability) Guideline 2013 for the purpose of fulfilling the council's reporting responsibilities under the Local Government Regulation 2012. As a result, the statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Other Information

Other information comprises financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Torres Strait Island Regional Council's annual report for the year ended 30 June 2023 was the general purpose financial statements and long-term financial sustainability statement.

The councillors are responsible for the other information.

My opinion on the current year financial sustainability statement does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

However, as required by the Local Government Regulation 2012, I have formed a separate opinion on the general purpose financial report.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the councillors for the current year financial sustainability statement

The councillors are responsible for the preparation and fair presentation of the current year financial sustainability statement in accordance with the Local Government Regulation 2012. The councillors responsibility also includes such internal control as the councillors determine is necessary to enable the preparation and fair presentation of the statement that is accurately calculated and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the current year financial sustainability statement

My objectives are to obtain reasonable assurance about whether the current year financial sustainability statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this statement.

My responsibility does not extend to forming an opinion on the appropriateness or relevance of the reported ratios, nor on the council's future sustainability.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of forming an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of material accounting policy information used and the reasonableness of accounting estimates and related disclosures made by the council.

- Evaluate the overall presentation, structure and content of the statement, including the disclosures, and whether the statement represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Sri Narasimhan
as delegate of the Auditor-General

24 October 2023

Queensland Audit Office
Brisbane

Torres Strait Island Regional Council
Unaudited Long-Term Financial Sustainability Statement
Prepared as at 30 June 2023

Measures of Financial Sustainability

| | Measure | Target | Actuals at 30 June 2023 | Projected for the years ending | | | | | | | | |
|---------------------------------|--|----------------------|-------------------------|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | | 30 June 2024 | 30 June 2025 | 30 June 2026 | 30 June 2027 | 30 June 2028 | 30 June 2029 | 30 June 2030 | 30 June 2031 | 30 June 2032 |
| Operating surplus ratio | Net result divided by total operating revenue | Between 0% and 10% | -84% | -89% | -90% | -81% | -74% | -68% | -61% | -55% | -50% | -45% |
| Asset sustainability ratio | Capital expenditure on the replacement of assets (renewals) divided by depreciation expense. | greater than 90% | 33% | 6% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Net financial liabilities ratio | Total liabilities less current assets divided by total operating revenue | not greater than 60% | -22% | 0% | 7% | 11% | 15% | 18% | 21% | 23% | 25% | 26% |

Council's Financial Management Strategy

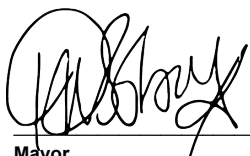
Council measures revenue and expenditure trends over time as a guide to future requirements and to make decisions about the efficient allocation of resources to ensure the most effective provision of services. Council ensures that its financial management strategy is prudent and that its long-term financial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

The above ratios have been calculated using Council's most recently adopted original budget. Council bases its asset sustainability ratio on confirmed renewal program funding. Council's forecasting ability has a dependency on donor program lifecycles, traditionally occurring in four to five year intervals.

Certificate of Accuracy
For the long-term financial sustainability statement prepared as at 30 June 2023

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

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


 Mayor
 Phillemon Mosby

Date: 23 / 10 / 2023


 Chief Executive Officer
 James William

Date: 23 / 10 / 2023