



Torres Strait Island Regional Council
Financial Statements
For the year ended 30 June 2015

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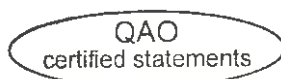
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Torres Strait Island Regional Council
Statement of Comprehensive Income
For the year ended 30 June 2015

	Note	2015 \$	Restated 2014 \$
Income			
Revenue			
Recurrent revenue			
Community levies, rates and charges	3(a)	1,041,073	940,600
Fees and charges		3,498,532	920,941
Rental income	3(b)	5,883,601	4,224,819
Interest received		313,023	440,365
Sales revenue	3(c)	24,731,228	24,483,354
Other income	3(d)	1,489,136	581,655
Grants, subsidies, contributions and donations	4(a)	23,025,071	19,116,765
		<u>59,981,664</u>	<u>50,708,499</u>
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	8,087,984	4,903,762
Total revenue		<u>68,069,648</u>	<u>55,612,261</u>
Capital income	5	9,883,057	47,708,532
Total income		<u>77,952,705</u>	<u>103,320,793</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(18,738,269)	(19,131,694)
Materials and services	7	(25,811,596)	(28,074,129)
Finance costs	8	(2,782,467)	(81,684)
Depreciation and amortisation	9	(40,065,247)	(25,480,754)
		<u>(87,397,579)</u>	<u>(72,768,261)</u>
Capital expenses	10	(5,572,292)	(21,512,101)
Total expenses		<u>(92,969,871)</u>	<u>(94,280,362)</u>
Net result		<u>(15,017,166)</u>	<u>9,040,431</u>
Other comprehensive income			
Increase / (decrease) in asset revaluation surplus			18,587,375
Total other comprehensive income for the year		<u>-</u>	<u>18,587,375</u>
Total comprehensive income for the year		<u>(15,017,166)</u>	<u>27,627,806</u>

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



Torres Strait Island Regional Council
Statement of Financial Position
as at 30 June 2015

	Note	2015 \$	Restated 2014 \$
Current assets			
Cash and cash equivalents	11	14,860,954	17,273,347
Trade and other receivables	12	16,528,141	9,164,005
Inventories		472,973	417,993
Other financial assets	13	152,370	98,386
Total current assets		<u>32,014,438</u>	<u>26,953,731</u>
Non-current assets			
Other financial assets	13	4,998,908	2,589,391
Property, plant and equipment	14	665,624,385	688,102,123
Intangible assets		1,014,122	1,199,004
Total non-current assets		<u>671,637,415</u>	<u>691,890,518</u>
Total assets		<u>703,651,853</u>	<u>718,844,249</u>
Current liabilities			
Trade and other payables	16	5,314,387	6,510,213
Borrowings	17	44,946	43,862
Provisions	18	861,344	795,806
Total current liabilities		<u>6,220,677</u>	<u>7,349,881</u>
Non-current liabilities			
Borrowings	17	333,252	378,182
Provisions	18	4,220,685	3,221,781
Total non-current liabilities		<u>4,553,937</u>	<u>3,599,963</u>
Total liabilities		<u>10,774,614</u>	<u>10,949,844</u>
Net community assets		<u>692,877,239</u>	<u>707,894,405</u>
Community equity			
Asset revaluation surplus	19	154,268,960	159,140,342
Retained surplus/(deficiency)		538,608,279	548,754,063
Total community equity		<u>692,877,239</u>	<u>707,894,405</u>

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

Torres Strait Island Regional Council
Statement of Changes in Equity
For the year ended 30 June 2015

	Note	Asset revaluation surplus	Retained Surplus	Total
		\$	\$	\$
Balance as at 1 July 2014		159,140,342	548,754,063	707,894,405
Net operating surplus		-	(15,017,166)	(15,017,166)
Other comprehensive income for the year:				
Increase / (decrease) in asset revaluation surplus		-	-	-
Transfer asset revaluation surplus to retained earnings		(4,871,382)	4,871,382	-
Total comprehensive income for the year		(4,871,382)	(10,145,784)	(15,017,166)
Balance as at 30 June 2015		154,268,960	538,608,279	692,877,239
Balance as at 1 July 2013		150,357,342	530,638,191	680,995,533
Effect of correction of error	25	-	(728,934)	(728,934)
Restated balances		150,357,342	529,909,257	680,266,599
Net operating surplus		-	9,040,431	9,040,431
Other comprehensive income for the year:				
Increase / (decrease) in asset revaluation surplus		18,587,375	-	18,587,375
Transfer asset revaluation surplus to retained earnings		(9,804,375)	9,804,375	-
Total comprehensive income for the year		8,783,000	18,844,806	27,627,806
Balance as at 30 June 2014 (Restated)		159,140,342	548,754,063	707,894,405

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

Torres Strait Island Regional Council
Statement of Cash Flows
For the year ended 30 June 2015

		Council	
	Note	2015	Restated 2014
		\$	\$
Cash flows from operating activities			
Receipts from customers		26,832,830	29,290,752
Payments to suppliers and employees		<u>(45,973,632)</u>	<u>(43,575,817)</u>
		(19,140,802)	(14,285,065)
Interest received		313,023	440,365
Recurrent grants and contributions		23,025,071	19,116,765
Borrowing costs		<u>(25,702)</u>	<u>(28,697)</u>
Net cash inflow (outflow) from operating activities	24	<u>4,171,590</u>	<u>5,243,368</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(13,875,780)	(6,962,476)
Payments for intangible assets		-	(257,937)
Proceeds from sale of property plant and equipment		53,909	93,723
Finance lease receipts		135,201	67,941
Capital grants, subsidies, contributions and donations		<u>7,146,532</u>	<u>4,903,762</u>
Net cash inflow (outflow) from investing activities		<u>(6,540,138)</u>	<u>(2,154,987)</u>
Cash flows from financing activities			
Repayment of borrowings		<u>(43,845)</u>	<u>(41,373)</u>
Net cash inflow (outflow) from financing activities		<u>(43,845)</u>	<u>(41,373)</u>
Net increase (decrease) in cash and cash equivalent held		<u>(2,412,393)</u>	<u>3,047,008</u>
Cash and cash equivalents at the beginning of the financial year		17,273,347	14,226,339
Cash and cash equivalents at end of the financial year	11	<u>14,860,954</u>	<u>17,273,347</u>

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

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

1 Significant accounting policies

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 2014 to 30 June 2015 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 non-current assets. The Council uses the Australian dollar as its functional currency, its presentation currency and rounds to the nearest dollar.

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

1.B Statement of compliance

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

1.C 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.D Adoption of new and revised Accounting Standards

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

From 1 July 2016 AASB 124 Related Party Disclosures will apply to Council. This means that council will disclose more information about related parties and transactions with those related parties. Council is currently preparing for this change by identifying related parties. Related parties will include the Mayor, councillors and some council staff. In addition the close family members of those people and any organisations that they control or are associated with will be classified as related parties.

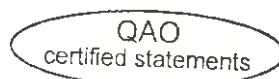
Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective except for AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities.

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

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

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

- Valuation and depreciation of property, plant and equipment - Note 1.K and Note 14
- Impairment of property, plant and equipment - Note 1.L and Note 10
- Provisions - Note 1.O and 1.Q and Note 18
- Valuation of finance leases - Note 1.M
- Contingent liabilities - Note 21



Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2016

1.F Revenue

Recurrent/capital classification

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

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

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

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

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

Rates and Community Levies

The amount are recognised as revenue in the period in which they are received, otherwise levies are recognised at the commencement of levy period.

Grants and subsidies

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them.

Rental income

Rental revenue from community housing and commercial rentals are recognised as income on a periodic straight line basis over the lease term. Council does not have any investment property.

Sales revenue

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

The Council generates revenues from a number of services including accommodation, fuel sales, power cards, gas and plant & equipment hire. Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. Contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date.

Fees and Charges

Fees and charges are recognised upon unconditional entitlement to the funds.

Capital Income from Contributed Assets

Capital income from contributed assets recognises as income those assets that have been transferred to the Council from other Government entities and Departments. The majority of these assets are from infrastructure projects funded by the State and Federal Governments. The assets are recognised upon the practical transfer of the asset to the Council. The assets are recognised at cost as supplied by the Contributor agency/department as the Council believes the provided costs approximate fair value at date of transfer.

The funding of infrastructure assets by State and Federal Government Departments, which are then transferred to the Council is expected to be ongoing process. Refer to Note 23 for Funds held in Trust for this purpose.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

1.G Financial assets and financial liabilities

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

Torres Strait Island Regional Council has categorised and measured the financial assets and financial liabilities held at balance date as follows:

Financial assets

Cash and cash equivalents (Note 1.H)

Receivables - measured at amortised cost (Note 1.I)

Other financial assets (finance leases) - measured at fair value (Note 1.M)

Financial liabilities

Payables - measured at amortised cost (Note 1.N)

Borrowings - measured at amortised cost (Note 1.P)

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

The fair value of financial instruments is determined as follows:

The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximate their carrying amounts and are not disclosed separately.

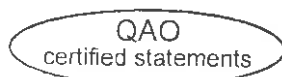
The fair value of borrowings, as disclosed in Note 17 to the accounts, is determined by reference to published price quotations in an active market and/or by reference to pricing models and valuation techniques. It reflects the value of the debt if the Council repaid it in full at balance date. As it is the intention of the Council to hold its borrowings for their full term, no adjustment provision is made in these accounts.

The fair value of trade receivables approximates the amortised cost less any impairment. The fair value of payables approximates the amortised cost.

With the exception of finance lease assets and finance lease liabilities, Council does not recognise financial assets or financial liabilities at fair value in the Statement of Financial Position.

Torres Strait Island Regional Council has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk



Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

Financial risk management

Torres Strait Island Regional 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.

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

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.

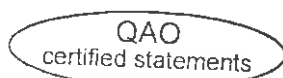
Exposure to credit risk is managed through regular analysis of credit counterparty ability to meet payment obligations. The carrying amount of financial assets represents the maximum credit exposure.

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 following table represents the maximum exposure to credit risk based on the carrying amounts of financial assets at the end of the reporting period:

	Note	Council	
		2015	Restated 2014
Financial assets		\$	\$
Cash and cash equivalents	10	14,860,954	17,273,347
Receivables - rates	11	1,103,691	597,765
Receivables - other	11	11,131,188	8,634,167
Other financial assets	12	5,151,277	2,687,776
Other credit exposures			
Guarantees	20	410,865	495,389
Total financial assets		<u>32,657,975</u>	<u>29,688,444</u>



Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

Liquidity risk

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

Torres Strait Island Regional 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. These facilities are disclosed in Note 11.

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

Torres Strait Island Regional Council is exposed to interest rate risk through investments and borrowings with QTC and other financial institutions.

Sensitivity

Sensitivity to interest rate movements (assumed to be 1%) is shown for variable financial assets and liabilities based on the carrying amount at reporting date.

1.H Cash and cash equivalents

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

1.I Receivables

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

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

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

1.J Community Housing

The Council currently holds a social welfare housing portfolio and these buildings are held to meet service delivery objectives, rather than to earn rental 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 Note 1.K Property, Plant & Equipment.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

1.K Property, plant and equipment

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. Items of plant and equipment with a total value of less than \$5,000, and infrastructure assets and buildings with a total value of less than \$5,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

The classes of property, plant and equipment recognised by the Council are

- Buildings (Community) - Includes Leasehold assets held on Mer Island and Badu Island
- Buildings (Corporate) - Includes Leasehold assets held on Mer Island and Badu Island
- Recreation Facilities
- Roads / Transport Network
- Stormwater Drainage Network
- Flood Mitigation Network
- Water Supply Network
- Sewerage Network
- Bridges
- Wharves, Piers, Jetties and Pontoons
- Waste Landfill
- Land Assets
- Plant & Equipment
- Work in Progress

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 thresholds for the respective asset class.

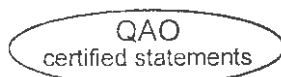
Capital and operating expenditure

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

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

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

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



Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

Valuation

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

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

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.

Capital work in progress

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

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, less its estimated residual value, progressively over its estimated useful life to the Council. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

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.

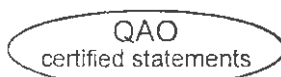
Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the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

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

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the annual valuation process for assets measured at written down current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in Note 14.

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. Therefore this land is not recognised in these financial statements.



Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

Deed of Grant in Trust Land

The Council is located on land assigned to it under various Deeds of Grant in Trust (DOGIT) hold 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 DOGIT's of St Paul's and Kubin communities)
- Mabuag Island
- Poruma Island
- Saibai Island
- Ugar Island
- Warraber Island
- Masig Island

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

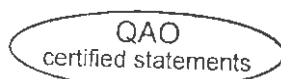
The Reserve Land for Mer Island was managed by the Department of Communities, Child Safety and Disabilities Services until the 14th December 2012. On the 14th December 2012 Mer Gedkem Le (Torres Strait Islanders) Corporation (RTNBC) became the trustee of Torres Strait Islander land under the TSILA in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

The DOGIT Land for Badu Island was administered by the Department of Natural Resources & Mines until the 1st February, 2014. On the 1st February, 2014, Mura Badulgal (Torres Strait Islanders) Corporation became the trustee of Torres Strait Islander land under the TSILA in communal freehold. The Corporation is Trustee for the Native Title Holders.

Buildings and Infrastructure on Badu and Mer Islands 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 except for the child care centre and residence on Badu Island, for which future commitments are \$137,893.57 over 5 years. They have not been classified as finance leases as assets were originally constructed by Council, and recorded as such prior to the change in land arrangements. No lease liability has been recognised in the financial statements for these leases.

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 2015

1.L Impairment of non-current assets

Each non-current physical and intangible asset and group of assets is assessed for indicators of impairment annually.

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

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

1.M Leases

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

Finance leases as lessor

Council has leased 43 dwellings located on Moa Island (Kubin), 6 dwellings and 1 vacant site on Saibai Island, 8 dwellings and 1 vacant site on Mabuiag Island and 6 dwellings and 2 vacant sites on Boigu as lessor to the Queensland Government for 40 years. The total lease payment per dwelling in the current year was \$2,045 (\$2,001 for 2013-14).

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 (depreciated replacement cost) of the leased properties, there is no interest rate implicit in the leases and therefore no finance income will arise from the leases. Consequently, the leases are recognised at the present value of the expected future lease payments receivable (fair value). Gains on revaluation of finance lease assets are recognised as other income.

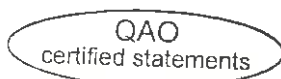
There is nil unearned finance income, unguaranteed residual values accruing to the benefit of Council, accumulated allowance for uncollectible minimum lease payments receivable or contingent rents recognised as income applicable to the leases.

Operating leases

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

1.N Payables

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



Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

1.O Liabilities - employee benefits

Annual leave

A liability for annual leave is recognised. Amounts expected to be settled within 12 months are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense and is reported in Note 16 as a payable.

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

Long service leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. This liability is reported in Note 18 as a provision.

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

1.P Borrowings and borrowing costs

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

All borrowing costs are expensed in the period in which they are incurred. No borrowing costs are capitalised on qualifying assets.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

1.Q Restoration provision

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

Refuse dump restoration

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

As refuse dumps 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.

1.R Comparatives

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period. For details see Note 25.

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Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

2 Analysis of Results by Function

2(a) Components of council functions

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

Executive

The objective of the Chief Executive Officer function is to seek to maximize corporate performance, comply with law, regulations, standards, community expectations and support staff to carry out their responsibilities.

Implementation of major policy and management issues decisions are delivered from the Office of the CEO. Ultimately the CEO is responsible for services to Councillors and the Community. The Office of the CEO consists of the following areas:

- Mayor and Councillors
- Committee Meetings
- Governance
- Special Projects
- Media and Public Relations
- Administrative Services
- Building Services

Community Services

The objective of the Community Services function is to develop, manage and deliver community, public health and tenancy management services that meet the needs of all sectors of the community.

The Community Services function delivers on the following services:

- Tenancy Management Services
- Community Services
- Environmental Health Services

Financial Services

The objective of the Financial Services function is to provide efficient and effective financial supports services to Council functions.

The Financial Services function is multi-disciplinary and consists of support services including:

- Financial Management Services
- Policy & Procedures Review
- Strategic (Financial) Planning

Corporate Services

The objective of the Corporate Services function is to provide efficient and effective delivery of services to Council functions through innovative, practical and responsible solutions.

The Corporate Services function is multi-disciplinary and consists of support services to the Council

- Information Services
- Asset Management Services
- Procurement and Fleet Services
- Organisational Development Services
- Strategic (Corporate) Planning Services
- Legal Services

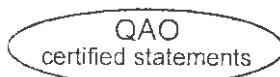
Engineering Services

The objective of the Engineering Services function is to provide a high level of service 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.

Key components of the Engineering Services function include:

- Planning Services
- Water Services
- Wastewater Services
- Civil Works Services



Torres Strait Island Regional Council
Notes to the financial statements
For the year ended 30 June 2015

2 Analysis of results by function

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

Year ended 30 June 2015

Functions	Gross program income				Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net Result	Assets
	Recurrent		Capital				Recurrent	Capital					
	Grants	Other	Grants	Other									
	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Executive	665,879	26,984,983	-	-	-	27,650,862	(28,751,691)	-	182,399	(28,569,292)	(1,100,829)	(918,430)	-
Community Services	3,888,418	5,821,231	-	-	9,809,649	(28,526,440)	-	(1,972,441)	(30,498,881)	(18,716,791)	(20,689,232)	288,979,775	
Financial Services	16,209,136	1,240,312	-	-	17,449,448	(3,386,857)	-	66,069	(3,320,788)	14,082,591	14,128,660	37,013,346	
Corporate Services	50,906	322,321	938,091	9,883,057	11,194,375	(2,174,267)	(5,572,292)	1,988,990	(5,757,569)	(1,807,040)	5,436,806	57,902,379	
Engineering Services	2,210,732	2,487,746	7,149,893	-	11,848,371	(24,588,325)	-	(285,017)	(24,823,342)	(19,859,847)	(12,974,971)	319,756,353	
Total Council	23,025,071	36,956,593	8,087,984	9,883,057	77,952,705	(87,397,580)	(5,572,292)	-	(82,969,872)	(27,415,916)	(15,017,167)	703,651,853	

Year ended 30 June 2014 - Restated

Functions	Gross program income				Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net Result	Assets
	Recurrent		Capital				Recurrent	Capital					
	Grants	Other	Grants	Other									
	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Executive	1,836,245	25,518,301	5,000	-	27,361,546	(39,785,788)	-	226,158	(39,559,630)	(12,429,242)	(12,198,084)	-	
Community Services	3,983,270	25,219	-	-	4,008,489	(3,377,989)	-	(2,445,644)	(5,823,633)	630,500	(1,815,144)	304,662,019	
Financial Services	10,253,300	887,819	-	-	11,141,119	(3,075,630)	-	81,920	(2,993,710)	8,065,489	8,147,409	29,543,122	
Corporate Services	126,756	115,447	2,507,642	-	2,749,845	(4,376,045)	(15,701,647)	2,466,163	(17,611,529)	(4,133,842)	(14,861,684)	58,019,913	
Engineering Services	2,915,194	5,044,948	2,391,120	47,708,532	58,059,794	(22,152,809)	(5,810,454)	(328,597)	(28,291,860)	(14,192,667)	29,767,934	326,619,197	
Total Council	19,116,765	31,591,734	4,903,762	47,708,532	103,320,793	(72,768,261)	(21,512,101)	-	(94,280,362)	(22,059,762)	9,040,431	718,844,252	



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Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

	Note	2015 \$	Restated 2014 \$
3 Revenue analysis			
(a) Community levies, rates and charges			
Council Rates & Levies are set as per council resolution from the Striking of Rates and Charges as approved by Council			
Water charges residential		(105)	(5,128)
Water charges commercial		233,753	208,912
Sewerage charges commercial		588,035	521,907
Garbage charges commercial		219,390	214,909
		<u>1,041,073</u>	<u>940,600</u>
(b) Rental income			
Residential Property Rental Income		<u>5,883,601</u>	<u>4,224,819</u>
		<u>5,883,601</u>	<u>4,224,819</u>
(c) Sales revenue			
Council provides a range of goods and services to the community & other third parties for a fee based on these goods & services. These fees are set in the Fees & Charges Register adopted by Council.			
Sale of services			
Contract and recoverable works		21,547,411	21,552,946
Plant and equipment hire		244,562	54,955
Childcare Services		38,150	25,214
Accommodation		261,166	334,572
Sale of Fuel & Gas		1,422,628	1,307,553
Sale of Power & Phonecards		1,217,311	1,208,114
Total sales revenue		<u>24,731,228</u>	<u>24,483,354</u>
The amount recognised as revenue for contract revenue during the financial year is the amount receivable in respect of invoices issued during the period. There are no contracts in progress at the year end. The contract work carried out is not subject to retentions.			
(d) Other income			
Insurance Claims Received		48,498	412,500
Gain on revaluation of finance leases		927,242	-
Commission Income		463,437	70,394
Other revenue		49,959	98,761
		<u>1,489,136</u>	<u>581,655</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

	Note	2015 \$	Restated 2014 \$
4 Grants, subsidies, contributions and donations			
(a) Recurrent			
General purpose grants - recurrent		10,329,015	6,262,528
State Government Subsidies and grants - recurrent		8,721,698	7,996,311
Commonwealth government subsidies and grants - recurrent		3,974,358	4,313,393
Contributions - recurrent		-	544,533
		<u>23,025,071</u>	<u>19,116,765</u>
(b) Capital			
Government subsidies and grants - capital		7,146,532	4,903,762
Grant on initial recognition of finance lease		941,452	-
		<u>8,087,984</u>	<u>4,903,762</u>
Conditions over contributions			
Contributions recognised as income during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:			
Non-reciprocal grants for expenditure on services and infrastructure		4,191,591	8,627,735
		<u>4,191,591</u>	<u>8,627,735</u>
Contributions recognised as income during a previous reporting period that were obtained in respect of the current reporting period:			
Non-reciprocal grants for expenditure on services		54,540	4,815,144
		<u>54,540</u>	<u>4,815,144</u>
5 Capital income			
Contributed Assets		9,883,057	47,708,532
Total capital income		<u>9,883,057</u>	<u>47,708,532</u>
6 Employee benefits			
Total staff wages and salaries		14,339,427	12,915,768
Councillors' remuneration		818,791	774,989
Annual, sick and long service leave entitlements		2,362,204	2,702,231
Superannuation	22	1,703,603	1,660,898
		<u>19,224,025</u>	<u>18,053,886</u>
Other employee related expenses		658,803	1,609,723
		<u>19,882,828</u>	<u>19,663,609</u>
Less: Capitalised employee expenses		(1,144,559)	(531,915)
		<u>18,738,269</u>	<u>19,131,694</u>

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

	2015	Restated 2014
Total Council employees at the reporting date:		
Elected members	16	16
Administration staff	304	291
Total full time equivalent employees	<u>320</u>	<u>307</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

	Note	2015 \$	Restated 2014 \$
7 Materials and services			
Advertising and marketing		47,283	10,135
Audit services		192,500	262,000
Communications and IT		1,834,391	1,588,826
Consultants		390,033	457,391
Contractors		6,024,325	8,637,942
Donations paid		347,095	176,645
Freight		1,755,288	830,853
Insurance		2,390,602	2,360,735
Legal fees		86,604	78,731
Motor vehicle expenses		282,825	392,589
Phonecards & Powercards for resale		1,109,289	1,059,641
Power		1,188,839	1,199,202
Repairs and maintenance		6,901,538	6,673,300
Rent paid		791,832	1,208,104
Subscriptions and registrations		57,705	164,725
Supplies and consumables		1,389,983	1,638,485
Temporary staff costs		225,293	-
Travel		2,989,292	2,653,897
Other materials and services		866,230	629,539
Less: Expenses capitalised		(3,059,351)	(1,948,611)
		<u>25,811,596</u>	<u>28,074,129</u>
8 Finance costs			
Finance costs charged by QTC		25,702	28,144
Bank charges		44,094	41,180
Impairment of debts		1,744,739	(174,246)
Refuse restoration		967,932	186,606
		<u>2,782,467</u>	<u>81,684</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

	Note	2015 \$	Restated 2014 \$
9 Depreciation and amortisation			
Depreciation of non-current assets			
Buildings (Communities)		20,130,970	8,989,820
Buildings (Corporate)		3,401,572	2,583,163
Recreational Facilities		689,931	544,275
Roads/Transport Network		4,944,034	4,059,110
Stormwater Drainage Network		184,291	183,261
Flood Mitigation Network		90,451	65,200
Water Supply network		4,222,763	2,954,147
Sewerage Network		4,533,998	4,220,655
Bridges		4,538	4,050
Wharves, Piers, Jetties and Pontoons		519,958	484,035
Waste Landfill		41,145	40,267
Plant and equipment		1,113,386	1,164,558
	14	<u>39,877,037</u>	<u>25,292,541</u>
Amortisation of intangible assets			
Software		188,210	188,213
Total depreciation and amortisation		<u>40,065,247</u>	<u>25,480,754</u>

Depreciation expense has increased significantly for the year ended 30 June 2015 due to the comprehensive revaluation by AssetVal Pty Ltd as at 30 June 2014 and the removal of residual values on several asset classes per AASB 116. As a result of the comprehensive revaluation, assets were componentised and useful lives reassessed. This treatment assessed the component's useful lives and in many cases reduced the useful life significantly. As the comprehensive revaluation was effective as at 30 June 2014, the 2014-2015 financial year was the first year Council recorded the effect of componentisation on depreciation expense. The main asset classes effected by componentisation and the corresponding effect on depreciation expense is per below:

Building (Community)	11,378,326
Building (Corporate)	695,604
Recreation Facilities	149,117

The renewals of council assets is dependent on state and federal funding and therefore council assets do not get renewed at the same rate as it depreciates.

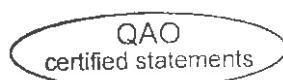
Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

	Note	2015 \$	Restated 2014 \$
10 Capital expenses			
Revaluation decrement			
Revaluation down of property, plant and equipment		63,000	942,710
		<u>63,000</u>	<u>942,710</u>
Loss on disposal of non-current assets			
Book value of property, plant and equipment		2,992,091	14,852,660
Less: Proceeds from the sale of property, plant & equipment		(53,909)	(93,723)
		<u>2,938,182</u>	<u>14,758,937</u>
Loss on transfer of assets via finance lease			
Book value of property, plant and equipment transferred		3,301,117	8,566,171
Less: Initial recognition of finance leases		(730,007)	(2,755,717)
		<u>2,571,110</u>	<u>5,810,454</u>
Total capital expenses		<u><u>5,572,292</u></u>	<u><u>21,512,101</u></u>
11 Cash and cash equivalents			
Cash at bank		5,106,624	3,202,088
Deposits at call		9,695,564	14,014,078
Term deposit		58,766	57,181
Balance per Statement of Cash Flows		<u>14,860,954</u>	<u>17,273,347</u>
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:			
Unspent Community Grant Funds		51,274	57,884
Total unspent restricted cash		<u>51,274</u>	<u>57,884</u>

Cash and deposits at call are held in the National Australia Bank in normal term deposits and business cheque accounts. The bank currently has a short term credit rating of A1+ and long term rating of AA-. Deposits are held with Queensland Treasury Corporation. One small term Deposit is held National Australia Bank.



Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

	Note	2015	Restated
		\$	\$

11 Cash and cash equivalents (continued)

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

	Net carrying amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
2015					
QTC cash fund	9,695,564	96,956	(96,956)	96,956	(96,956)
Other investments	58,766	588	(588)	588	(588)
Loans - QTC	(378,198)	(3,782)	3,782	(3,782)	3,782
Net total	9,376,132	93,762	(93,762)	93,762	(93,762)
2014 - Restated					
QTC cash fund	14,014,078	140,141	(140,141)	140,141	(140,141)
Other investments	57,181	572	(572)	572	(572)
Loans - QTC	(422,043)	(4,220)	4,220	(4,220)	4,220
Net total	13,649,216	136,493	(136,493)	136,493	(136,493)

12 Trade and other receivables

Current

Housing rental	11,178,671	7,574,529
Less impairment	(9,471,494)	(6,976,764)
Other debtors	17,403,436	16,080,871
Less impairment	(6,875,734)	(7,625,725)
Accrued revenue	3,956,791	-
Prepayments	336,471	111,094
	<u>16,528,141</u>	<u>9,164,005</u>

No interest is charged on other debtors. There is a geographical concentration of credit risk for housing and other debtors.

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

Opening balance at 1 July	14,602,488	14,774,400
Impairment Debts written off during the year	-	2,334
Additional impairments recognised	1,744,740	(174,246)
Closing Balance at 30 June	<u>16,347,228</u>	<u>14,602,488</u>

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

Not past due	7,874,875	8,033,285
Past due 31-60 days	691,701	1,198,647
Past due 61-90 days	870,088	331,877
More than 90 days	19,145,443	14,091,590
Impaired	(16,347,228)	(14,602,488)
Total	<u>12,234,879</u>	<u>9,052,911</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

	Note	2015 \$	Restated 2014 \$
13 Other financial assets			
Current			
Finance leases		152,370	98,386
		<u>152,370</u>	<u>98,386</u>
Non-current			
Finance leases		4,998,908	2,589,391
		<u>4,998,908</u>	<u>2,589,391</u>

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

Gross minimum lease payments receivable:		
Not later than one year	152,370	101,464
Later than one year but not later than five years	609,480	441,499
Later than five years	5,128,040	6,266,952
	<u>5,889,890</u>	<u>6,809,915</u>
Add: Estimated contingent rent	3,847,860	4,082,040
Less: Present value adjustment	<u>(4,586,472)</u>	<u>(8,204,179)</u>
Fair value of lease payments	<u>5,151,278</u>	<u>2,687,776</u>

The fair value of lease payments are receivable as follows:

Not later than one year	152,370	98,385
Later than one year but not later than five years	598,492	381,246
Later than five years	4,400,416	2,208,145
	<u>5,151,278</u>	<u>2,687,776</u>

Movements in finance leases were as follows:

Opening balance	2,687,776	-
Add: Initial recognition of new leases	1,671,459	2,755,717
Less: Lease receipts	(135,199)	(67,941)
Add: Gain on revaluation	927,242	-
Closing balance	<u>5,151,278</u>	<u>2,687,776</u>

The calculation of fair value has included an estimate of average annual CPI increases of 2.2% (2.5%, 2014) and a discount rate of 3.25% (4.75%, 2014).

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Torres Strait Island Regional Council

Notes to the financial statements
For the year ended 30 June 2015

14 Property, plant and equipment

Council - 30 June 2015

Basis of measurement

Asset values

Opening gross value as at 1 July 2014

Additions

Capital Contributions

Assets capitalised from WIP

Disposals

Correction of error

Revaluation adjustment to income

Transfers between classes

Closing gross value as at 30 June 2015

Buildings (Communities)	Buildings (Corporate)	Recreational Facilities	Road / Transit Network	Stormwater Drainage Network	Flood Mitigation Network	Water Supply Network	Sewerage Network	Enddges Piers, Jetties & Pontoons	Wharves	Waste Landfill	Land Assets	Plant & Equipment	Work in progress		Total
													Cost	Cost	
Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost		\$
509,613,567	92,854,502	17,517,101	191,331,338	9,239,849	4,852,057	124,287,553	124,517,983	91,000	19,512,850	1,084,250	630,000	12,303,095	3,605,782	13,921,625	1,111,440,752
9,883,057															13,921,625
289,075	217,796	30,709	6,236,402				34,086		488,735			280,931	(9,577,734)		9,883,057
(9,894,491)	(759,025)	(27,000)	(627,352)			(556,362)			(474,100)			(2,957,868)			(15,290,216)
											(63,000)				(63,000)
(403,800)	977,000		(610,900)		2,865,000				(2,827,200)		(63,000)				(63,000)
509,487,328	93,296,073	17,520,810	198,329,488	9,239,849	7,717,057	123,731,199	124,552,069	91,000	16,700,295	1,084,250	567,000	9,563,138	7,949,673	13,921,625	1,119,829,219

Accumulated depreciation and impairment

Opening balance as at 1 July 2014

Depreciation provided in period

Depreciation/impairment on disposals

Impairment adjustment to asset revaluation surplus

Impairment adjustment to income

Transfers between classes

Accumulated depreciation as at 30 June

212,983,825	44,565,564	9,484,844	56,912,807	2,435,009	2,508,088	41,077,599	36,465,980	57,688	8,648,420	192,118		8,006,707			423,338,529
20,130,970	3,401,572	689,931	4,944,034	184,291	90,451	4,222,783	4,533,996	4,538	519,958	41,145		1,113,386			39,877,037
(4,990,834)	(441,135)	(16,506)	(235,280)			(355,738)			(231,908)			(2,660,419)			(8,931,820)
												(79,013)			(79,013)
(253,887)	580,965		(327,710)		1,687,483				(1,688,851)						
227,870,094	48,105,366	10,158,269	61,293,851	2,619,300	4,286,002	44,944,624	40,999,977	62,207	7,249,619	233,263		6,380,661			454,204,634

Book value as at 30 June 2015

Range of estimated useful life in years

281,617,234	45,189,107	7,362,541	137,035,637	6,820,549	3,431,055	78,766,575	83,552,991	28,793	9,450,666	650,987	567,000	3,182,477	7,949,673	665,624,385
6-74	3-64	8-50	1-100	50	50	1-80	2-100	20	11-100	10-50	Land: Not Depreciated	2-20	WIP: Not Depreciated	

Additions comprise:

\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
6,353,648	2,17,796	30,709	3,851,544				34,086		488,735			280,931		11,225,740	
3,818,484			4,384,858										4,343,891	12,577,942	
10,172,132	217,796	30,709	8,236,402				34,086		488,735			280,931	4,343,891	23,804,682	

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14. Property, plant and equipment
Torres Strait Island Regional Council
Notes to the Financial Statements
for the year ended 30 June 2015

Council - 30 June 2014 - Restated

Basis of measurement Asset values	Buildings (Communities)		Buildings (Corporate)		Recreational Facilities		Road / Transport Network		Stormwater Drainage Network		Flood Mitigation Network		Water Supply Network		Sewerage Network		Bridges		Wharves, Piers, Jetties & pontoons		Waste Landfill		Land Assets		Plant & 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	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	Cost									
Opening gross value as at 1 July 2013	468,960,544	81,150,544	19,007,837	176,265,249	10,575,765	4,050,000	39,726,859	103,751,980	81,000	24,602,000	1,098,000	650,000	12,875,727	1,382,032	6,015,867	47,708,532	6,015,867	1,011,167,857																		
Additions	11,773,460	3,420,000	270,477	1,185,530	62,294		18,251,033	12,089,913																												
Capital Contributions																																				
Assets capitalised from WIP																																				
Disposals	(22,054,210)	(15,249,300)	(72,000)	(1,100,000)			(3,692,000)																													
Revaluation adjustment to asset revaluation surplus	57,560,793	6,635,581	1,538,241	12,868,727	(1,398,230)	(1,778,470)	10,001,667	8,676,090	10,000	(1,568,638)	(2,825)	(20,000)	(1,297,847)	(89,513)	(1,478,499)	91,046,277																				
Revaluation adjustment to income	(6,627,000)	6,627,000					(286,473)																													
Transfers between classes	509,613,587	92,854,302	17,517,101	191,331,338	9,239,849	4,652,057	124,287,559	124,517,983	91,000	19,512,850	1,084,250	630,000	12,303,095	3,605,762	1,111,440,753																					
Closing gross value as at 30 June 2014	184,834,446	42,078,743	7,636,778	43,970,823	2,672,355	1,250,220	34,184,556	30,618,095	49,050	10,508,438	154,676	7,751,973	345,710,153																							
Accumulated depreciation and impairment	8,989,820	2,583,183	544,275	4,059,110	183,261	65,200	2,954,147	4,220,555	4,050	494,035	40,267	1,164,598	25,292,541																							
Opening balance as at 1 July 2013	(8,781,650)	(6,913,234)	(52,301)	(692,797)			(2,773,150)																													
Depreciation provided in period	51,072,078	3,686,023	1,356,092	9,575,671	(420,607)	(494,571)	6,712,056	1,827,230	4,568	(656,814)	(2,825)	(909,824)	(20,127,966)																							
Assets previously not recognised	(3,130,869)	3,130,869					1,667,239																													
Revaluation adjustment to asset revaluation	212,983,825	44,565,564	9,484,844	56,912,807	2,435,099	2,508,086	41,077,589	36,455,980	57,869	8,648,420	192,118	8,006,707	423,338,629																							
Transfers between classes	236,629,762	48,286,738	8,032,257	134,418,531	6,804,840	2,343,959	83,209,961	88,052,003	33,331	10,664,430	892,132	4,296,388	668,102,123																							
Accumulated depreciation as at 30 June 2014	6-74	3-64	8-50	1-100	50	50	1-80	2-60	20	11-50	10-50	Land: Not Depreciated	WIP: Not Depreciated																							
Range of estimated useful life in years																																				

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Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

15 Fair Value Measurements

(i) Recognised fair value measurements

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

Property, plant and equipment

- Land
- Buildings (Corporate)
- Buildings (Community)
- Recreation Facilities
- Road/Transport Network
- Stormwater Drainage Network
- Flood Mitigation Network
- Water Supply Network
- Sewerage Network
- Bridges
- Wharves, Piers, Jetties, Pontoons
- Waste Landfill

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

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

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in Note 17 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flows at balance date (Level 2).

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

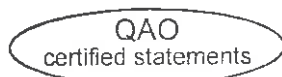
In accordance with AASB 13, fair value measurements are categorised on the following basis:

Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)

Fair value based on inputs that are directly or indirectly observable for the asset or liability (Level 2)

Fair value based on unobservable inputs for the asset and liability (Level 3)

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



Torres Strait Island Regional Council

Notes to the financial statements For the year ended 30 June 2015

15 Fair Value Measurements (continued)

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

The table presents the Council's assets and liabilities measured and recognised at fair value at 30 June 2015.

	Note	Level 2 (Significant other observable inputs)		Level 3 (Significant unobservable inputs)		Total
		2015 \$	Restated 2014 \$	2015 \$	Restated 2014 \$	
Recurring fair value measurements						
Land	13		630,000			630,000
Buildings (Communities)	13			281,617,234	296,629,762	296,629,762
Buildings (Corporate)	13			45,189,107	48,288,738	48,288,738
Recreation Facilities	13			7,362,541	8,032,257	8,032,257
Infrastructure						
Road/Transport Network	13			137,035,637	134,418,531	134,418,531
Stormwater Drainage Network	13			6,620,549	6,804,840	6,804,840
Flood Mitigation Network	13			3,431,055	2,343,969	2,343,969
Water Supply Network	13			78,786,575	83,209,961	83,209,961
Sewerage Network	13			83,552,091	88,052,003	88,052,003
Bridges	13			28,793	33,331	33,331
Wharves, Piers, Jetties, Pontoons	13			9,450,666	10,864,430	10,864,430
Waste Landfill	13			850,987	892,132	892,132
		-	630,000	654,492,235	679,569,955	680,199,955

There were no transfers between Levels 1 and 2 during the year. There has been transfers between Levels 2 and 3 being Land Assets moving to Level 3 due to extremely limited data on property sales therefore deeming it a Level 3 Asset.

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

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Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

15 Fair Value Measurements (continued)

(ii) Valuation techniques used to derive fair values for Level 3 valuations

Specific valuation techniques used to value Council assets comprise:

Land (Level 3)

Land fair values were determined as part of a desktop valuation as at 30th June 2015 by independent valuer, Australis Asset Advisory Group. The desktop valuation was undertaken and the indexation rate of 10% was applied this financial year as it exceeded council's threshold. Council's Land Assets consists of two parcels of land on Thursday Island. Land Fair Values have been measured by the Cost Approach and by Direct Comparison. Level 2 & 3 valuation inputs were utilised, being sales transactions of other properties within the region, and adjusted for differences between key attributes of the properties. Therefore based on extremely limited sales transactions for land, the Cost Approach was applied and the assets are deemed Level 3.

Buildings and Infrastructure (Level 3)

The fair value of buildings and infrastructure (Roads, Water & Sewer Network, Wharves, Piers, Jetties & Pontoons, Stormwater Drainage and Other Infrastructure) was assessed by desktop valuation by independent valuer, Australis Asset Advisory Group effective 30th June 2015. The movement in indexation rate was immaterial and below council's threshold and was not applied this financial year.

Due to the predominantly specialised nature of Local Government Assets, both the infrastructure valuations and buildings valuations have been undertaken on a cost approach (current replacement cost).

Under this approach, the following process has been adopted:

Where there is no market, the net current value of an asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset. Published/available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost (gross value) of the asset, including allowances for preliminaries and professional fees. This is considered a Level 3 input.

In determining the level of accumulated depreciation for major assets, we have disaggregated into significant components which exhibit different patterns of consumption (useful lives). The condition assessment is applied on a component basis.

While the replacement cost of the assets could be supported by market supplied evidence (Level 2), other unobservable, or Level 3 inputs, such as useful life and asset condition were also required, meaning that under AASB13 the valuation of buildings and infrastructure is considered to fall under Level 3.

To calculate the appropriate amount of accumulated depreciation, assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted (i.e. for visible active assets), the assets were allocated a condition assessment, which was used to estimate remaining useful life, as tabled below:

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

15 Fair Value Measurements (continued)

Condition Rating	Rating Description	% of life Remaining
0	Brand new or rehabilitated to new	90 - 100
0.5	Near new with no visible deterioration	80 - 90
1	Excellent overall condition, early stages of deterioration	70 - 80
1.5	Very good overall condition with obvious deterioration evident	60 - 70
2	Good overall condition, obvious deterioration, serviceability impaired very slightly	50 - 60
2.5	Fair overall condition, obvious deterioration, some serviceability loss	40 - 50
3	Fair to poor overall condition, obvious deterioration, some serviceability loss	30 - 40
3.5	Poor overall condition, obvious deterioration, some serviceability loss, high maintenance	20 - 30
4	Very poor overall condition, severe deterioration, very high maintenance costs Consider	10 - 20
4.5	Extremely poor condition, severe serviceability problems, renewal required immediately	5 - 10
5	Failed asset, no longer serviceable. Should not remain in service	0 - 5

Where site inspections were not conducted (i.e. for passive assets and active assets for which no site inspections were undertaken), the remaining useful life was calculated on asset age and estimated useful life. The valuation techniques used in the determination of fair values maximise the use of observable data where it is available and relies as little as possible on entity specifics. The disclosure of valuation estimates is designed to provide users with an insight into the judgements that have been made in the determination of fair values.

The depreciated replacement cost was determined using methods relevant to the asset class as described under individual asset categories below.

1(a) Buildings - calculation of current replacement cost

Current replacement cost

Construction costs are based on published construction cost guides and discussions with trade contractors living and working on the islands. Rates were analysed from a number of sources and includes review of producer price indexes, building cost indices, wage indexes, Architectural Engineering and Technical services indices and construction cost movements (sourced from Australian Institute of Quantity Surveyors and Rawlinson's).

Building construction costs take into consideration factors relevant to the location (such as increased shipping and mobilisation costs) and include all preliminary and over head costs.

Changes in shipping costs are based on Sea Freight Rates tables effective for each year available on the website of the shipping company SeaSwift.

Accumulated depreciation

To calculate the appropriate amount of accumulated depreciation, buildings were subject to a site inspection and/or an assessment to determine remaining useful life. Site inspection and external examination of all building assets has been undertaken. Those buildings which are open to the public such as Council administration buildings and locations where staff are on site such as workshop buildings have been internally inspected. With regards to residential dwellings, due to limits involved with the valuation process, we have internally inspected one to two dwellings on each island and primarily just for the purposes of confirming the appropriateness of relying on the Department of Housing and Public Works reports to estimate condition. We have been provided with condition rating reports prepared by the Department of Housing and Public Works and dated 19th December 2013. For those residential dwellings not internally inspected our assessment of internal condition is based upon the condition rating contained within the reports. None of the dwellings internally inspected were found to be in a condition worse than that indicated by the Department of Housing and Public Works condition report.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

15 Fair Value Measurements (continued)

2(a) Roads/Transport Network - calculation of current replacement cost

Roads

Current replacement cost

Some of the road network is segmented at a high level (e.g. between intersections) and other parts not segmented. Unit rates are applied to the individual road components formation, pavement, seal and kerb & channel of each road in order to determine the replacement cost.

The unit rates applied are based on greenfield project costs and include all materials, labour and overheads. These unit rates are established by averaging various information sources, including internal council costs of recent projects, sub-contractor and head contractor costs of recent projects. This information is all supplied by council or the contractors. Due to the unique nature of constructing infrastructure in the Torres Strait area, the valuation is required to rely on information provided by Council. Publically available information such as Rawlinson's Construction Handbook was used to check the council supplied information for order of magnitude appropriateness.

Accumulated depreciation

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

Estimated useful lives are disclosed in Note 14.

3(a) Water & Sewer Network - calculation of current replacement cost

Water and Sewerage

Current replacement cost

The water and sewer assets were segregated into active and passive assets; passive assets were not further componentised and consisted primarily of mains. Unit rates were applied based on council supplied recent project costs, similar recent project costs from other entities, unit rate databases, indices, Rawlinson's Construction rates and quotations. To check for reasonableness, the valuer will also compare these indices to wages indexes and non-residential building construction indexes.

The remaining active assets consisted of treatment, pumping and storage assets. These assets were componentised and valued independently as at 30th June 2014, with allowances for complexity, size, function and site factors. As a check these components are generally combined into a lump sum item and compared against recent similar projects and in-house databases.

Accumulated depreciation

An assessment of remaining useful life was made by the valuer as at 30th June 2014 after inspection taking into consideration the visual condition, construction date, evidence of recent repairs or capital works and the surrounding environmental factors. Where necessary, further guidance on remaining life was sought from council engineering staff. Based on the full assessment in 2014, Council believes no material change has occurred in useful lives.

Estimated useful lives are disclosed in Note 14.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

15 Fair Value Measurements (continued)

4(a) Wharves, Piers, Jetties & Pontoons - calculation of current replacement cost

Current replacement cost

The replacement cost of the water based assets (jetties & dolphins) was estimated by having reference to recently constructed assets. Replacement costs of the other asset including barge ramps and seawalls was estimated through first principles, namely summing together the costs of materials, labour and overheads which were established through contact with suppliers, council and publically available reference material, having regard to the location and conditions.

Accumulated depreciation

For assets above the water line, an assessment of remaining useful life was made by the valuer as at 30th June 2014 after inspection taking into consideration the visual condition, construction date, evidence of recent repairs or capital works and the surrounding environmental factors. For assets below the water line, an assessment of remaining useful life was made by the valuer taking into consideration the construction date, evidence of recent repairs or capital works and the surrounding environmental factors. Based on the full assessment in 2014, Council believes no material change has occurred in useful lives.

Estimated useful lives are disclosed in Note 14.

5(a) Stormwater Drainage - calculation of current replacement cost

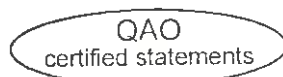
Current replacement cost

The replacement cost of the stormwater drainage assets have been estimated through first principles, namely summing together the costs of materials, labour and overheads which were established through contact with suppliers, council, by having reference to recently constructed project costs and publically available reference material, having regard to the location and conditions. Measurements were taken while on site and supplemented with aerial imagery to create a complete data set for information that was missing from earlier valuations.

Accumulated depreciation

An assessment of remaining useful life was made by the valuer as at 30th June 2014 after inspection taking into consideration the visual condition, construction date, evidence of recent repairs or capital works and the surrounding environmental factors. Based on the full assessment in 2014, Council believes no material change has occurred in useful lives.

Estimated useful lives are disclosed in Note 14.



Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

15 Fair Value Measurements (continued)

6(a) Other Infrastructure – Calculation of written down current replacement cost

Other infrastructure includes the Flood Mitigation Network, Bridges, Waste Landfill and Recreational Facilities, which combined represent around 1.65% of Council's assets.

Current replacement cost

The replacement cost of all assets which as a group represent Other Infrastructure have been estimated through first principles, namely summing together the costs of materials, labour and overheads which were established through contact with suppliers, council, by having reference to recently constructed project costs and publically available reference material, having regard to the location and conditions.

Accumulated depreciation

An assessment of remaining useful life was made by the valuer as at 30th June 2014 after inspection taking into consideration the visual condition, construction date, evidence of recent repairs or capital works and the surrounding environmental factors. Based on the full assessment in 2014, Council believes no material change has occurred in useful lives.

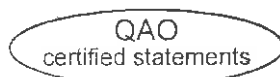
Estimated useful lives are disclosed in Note 14.

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

The changes in Level 3 assets with recurring fair value measurements are detailed in Note 14 (property, plant and equipment).

(iv) Valuation processes

Council's valuation policies and procedures are set by the executive management team which comprises the Chief Executive Officer and Executive Manager Financial Services. They are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information. Council's current policy for the valuation of property and plant and equipment (recurring fair value measurements) is set out in Note 1K.



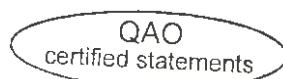
Torres Strait Island Regional Council
Notes to the financial statements
For the year ended 30 June 2015

	Note	2015 \$	Restated 2014 \$
16 Trade and other payables			
Current			
Accrued creditors		2,258,374	1,658,818
Employee benefits - annual leave		1,818,675	1,700,249
GST payable		420,155	549,164
Superannuation payable		225,622	225,622
Accrued payroll		104,168	-
Refundable bonds		2,000	-
Trade creditors and other payables		485,393	2,376,360
		<u>5,314,387</u>	<u>6,510,213</u>

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

	0 to 1 year \$	1 to 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount \$
2015					
Trade and other payables	5,314,387	-	-	-	5,314,387
Loans - QTC	70,070	280,280	124,961	-	475,311
	<u>5,384,457</u>	<u>280,280</u>	<u>124,961</u>	<u>-</u>	<u>5,789,698</u>
2014 - Restated					
Trade and other payables	6,510,213	-	-	-	6,510,213
Loans - QTC	70,070	280,280	193,002	-	543,352
	<u>6,580,283</u>	<u>280,280</u>	<u>193,002</u>	<u>-</u>	<u>7,053,565</u>

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



Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

	Note	2015 \$	Restated 2014 \$
17 Borrowings			
Current			
Loans - QTC		44,946	43,862
		<u>44,946</u>	<u>43,862</u>
Non-current			
Loans - QTC		333,252	378,182
		<u>333,252</u>	<u>378,182</u>
Loans - Queensland Treasury Corporation			
Opening balance at beginning of financial year		422,044	463,417
Principal repayments		(43,846)	(41,373)
Book value at end of financial year		<u>378,198</u>	<u>422,044</u>

The QTC loan market value at the reporting date was \$431,691. This represents the value of the debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.

The Council has no bank overdraft facility.

18 Provisions

Current			
Long service leave		861,344	766,573
Other employee benefits		-	29,233
		<u>861,344</u>	<u>795,806</u>
Non-current			
Long service leave		305,520	274,548
Landfill restoration		3,915,165	2,947,233
		<u>4,220,685</u>	<u>3,221,781</u>

Details of movements in provisions:

Refuse restoration			
Balance at beginning of financial year		2,947,233	2,760,627
Increase/ (decrease) in provision due to unwinding of discount		(22,076)	-
Increase/(decrease) in provision due to change in discount rate		990,008	186,606
Balance at end of financial year		<u>3,915,165</u>	<u>2,947,233</u>

This is the present value of the estimated cost of restoring the refuse disposal sites to a useable state at the end of its useful life. The projected cost is \$3,433,655 and this cost is expected to be incurred in 2018.

The 2014 landfill restoration provision has been reclassified to non-current due to the change in estimated closure dates of the refuse disposal sites from 2015 to 2018.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

	Note	2015 \$	Restated 2014 \$
18 Provisions (continued)			
Long service leave provision			
Balance at beginning of financial year		1,041,121	909,207
Long service leave entitlement arising		176,123	160,517
Long service entitlement paid		(50,381)	(28,603)
Balance at end of financial year		<u>1,166,863</u>	<u>1,041,121</u>

19 Asset revaluation surplus

The closing balance of the asset revaluation surplus comprises the following asset categories:

Buildings (Community)	38,627,981	42,632,028
Buildings (Corporate)	3,363,699	3,769,466
Recreational Facilities	2,110,256	2,116,481
Roads/Transport	92,079,325	92,508,668
Stormwater Drainage Network	758,006	758,006
Water Supply Network	6,282,512	6,308,512
Sewerage Network	11,041,750	11,041,750
Bridges (Timber and Concrete)	5,431	5,431
	<u>154,268,960</u>	<u>159,140,342</u>

20 Commitments for expenditure

Operating leases

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

Within one year	588,749	702,566
One to five years	623,186	1,718,531
	<u>1,211,935</u>	<u>2,421,097</u>

Contractual

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

Software contract with Technology One	-	267,007
Rob Roy Contractors	122,576	1,212,460
Torres Strait Island Homes Pty Ltd	89,000	769,100
Carpentaria Contracting T/A Weipa Hire	2,851,346	754,688
	<u>3,062,922</u>	<u>3,003,255</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

	Note	2015 \$	Restated 2014 \$
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21 Contingent liabilities

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

Local Government Mutual

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

As at 30 June 2015 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$260,865.

Maximum Penalties for Failure to Remit Superannuation Contributions on Behalf of Employees to Superannuation Funds

The Council has not remitted an amount of superannuation monies held on behalf of employees for the 30 June 2010 financial year. This amount of \$225,622 has been recorded as a Trade and Other payable in the 2015 and previous financial statements. The Council has not remitted this superannuation liability to the superannuation funds as the Council has yet to determine if the employees are entitled to the superannuation benefit and if they are entitled to the benefit, which employees are beneficiaries of the superannuation funds held. The Council has recently increased its resources and has agreed to undertake a project of reviewing past Island Council records to determine if the \$225,622 is a payable obligation and is so, which employees are entitled to the funds as beneficiaries. Should the Council find that there is no obligation to remit the funds, the liability will be written back as revenue, however, if there is an obligation to pay the superannuation funds, then the Council could be liable for substantial penalties and interest for late remittance of a superannuation obligation. The Council's estimate of this contingent liability being a maximum additional penalties and interest is \$1,371,171.

The individual components of this estimate are:

Superannuation Guarantee Charge (excluding the initial superannuation obligation of \$225,622) and interest at 10% per annum plus an administrative fee of \$20 per employee per quarter:	409,051
General interest charge calculated based on the Australian Taxation Office general interest rates for 2010, 2011, 2012, 2013, 2014 & 2015:	144,018
Australian Taxation Office administrative penalty for failure to lodge a Superannuation Guarantee Charge Quarterly Statement calculated at 200% of the Charge:	818,102

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

	Note	2015 \$	Restated 2014 \$
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21 Contingent liabilities (continued)

This estimate is based on the Australian Taxation Office applying the maximum administrative penalties that it can impose, however, the Council believes it has a reasonable argument that the administrative penalty component can be reduced significantly due to the issues of the amalgamation of the previous Island Council's to form the Torres Strait Island Regional Council.

In addition, should the Australian Taxation Office decide to prosecute the Council for failure to comply with the record keeping requirements of the Superannuation Guarantee legislation, the Council could be fined a further \$18,500.

Pursuant to section 10(1) of the Limitation of Actions Act 1974 (Qld) and section 278(8) of the Industrial Relations Act 1999 (Qld), an employee shall be statute-barred from bringing any action against Council 6 years following when the cause of action arose (date the super contribution(s) was due and payable). As at 30 June 2016 Council will be released of any potential action by the employee or regulatory authorities seeking to impose penalties upon Council for failure to remit superannuation contributions. If Council has no obligation to remit the funds by 30 June 2016, Council will write back the liability of \$225,622 to revenue and remove the contingent liability.

22 Superannuation

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

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

The scheme has three elements referred to as:

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

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

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

	Note	2015 \$	Restated 2014 \$
23 Trust funds			
Trust funds held for outside parties			
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities			
Island Funeral Funds		325,721	335,920
Church Funds		62,653	81,647
Other Community Funds		219,958	230,920
		<u>608,332</u>	<u>648,487</u>

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

Funds held in trust by outside parties

DFK Kidsons holding funds for Major Infrastructure Program		29,526,559	24,053,557
		<u>29,526,559</u>	<u>24,053,557</u>

The Major Infrastructure 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 Major Infrastructure 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.

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

Net result		(15,017,166)	9,040,431
Non-cash items:			
Depreciation and amortisation		40,065,247	25,480,754
Asset contributions in Capital Income		(9,883,057)	(47,708,532)
Grant on initial recognition of finance lease		(941,452)	-
Gain on revaluation of finance lease		(927,242)	-
		<u>28,313,496</u>	<u>(22,227,778)</u>
Investing and development activities:			
Revaluation down of property, plant and equipment		63,000	942,710
Proceeds from the sale of property, plant and equipment		(53,909)	(93,723)
Loss on transferring assets via finance lease		2,571,110	5,810,454
Loss on disposal of non-current assets		2,992,091	14,852,660
Capital grants and contributions		(7,146,532)	(4,903,762)
		<u>(1,574,240)</u>	<u>16,608,339</u>
Changes in operating assets and liabilities:			
(Increase)/ decrease in receivables		(7,364,136)	(1,849,618)
(Increase)/decrease in inventory		(54,980)	129,973
Increase/(decrease) in payables		(1,195,826)	3,309,510
Increase/(decrease) in other provisions		1,064,442	232,511
		<u>(7,550,500)</u>	<u>1,822,376</u>
Net cash inflow from operating activities		<u>4,171,590</u>	<u>5,243,368</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

25 Correction of error

1. In the process of preparing Council's Financial Statements at 30 June 2015, it was discovered that the following items had either been omitted or incorrectly recorded in the previous financial reports.

a. Department of Transport and Main Roads (TMR) invoice for \$1,658,973 (inc GST) was not recorded as a creditor at 30 June 2014 due to uncertainty of who was required to pay the invoice. TMR was engaged to undertake NDRRA works on behalf of Council in an informal agreement in 2010. It was uncertain if Council would be paying the invoice or if TMR would be directly paid by the State. Payments for the works completed by TMR were paid to council with final payment being received on the 3 June 2014 and no further payments are expected in relation to these events.

b. A payment of \$67,941 received from the Department of Housing and Public Works in relation to the Kubin 40 year lease was recorded as rental income rather than applied as a reduction against the finance lease receivable.

c. \$11,000 of internal charges were incorrectly recorded to Work in Progress in 2013-2014 financial statements. An adjustment was processed to reverse the transaction and net internal charges to zero.

d. The movement of \$41,373 in borrowings was incorrectly recorded in the reconciliation of net result for the year to net cash inflow/(outflow) from operating activities as a decrease in liabilities. Only operating assets and liabilities should be included in this reconciliation. The borrowing movement relates to the repayment of the QTC loan and is a financing activity as per the Statement of Cash Flows.

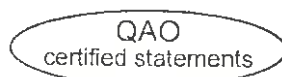
e. When assets were revalued at 30 June 2014, depreciation expense relating to July 2014 was incorrectly included in the revaluation calculation. This resulted in accumulated depreciation being understated and the asset revaluation reserve being overstated. The cumulative effect of this error was \$65,204.

f. An asset revaluation reserve amount of (\$6,802,046) relating to the componentisation of airstrip assets on 30 June 2014 were not transferred to retained earnings when the asset components were disposed.

g. During the import of revaluation data received from AssetVal Pty Ltd as at 30 June 2014 \$3,004,400 (net value) of assets were incorrectly revalued for assets already disposed of during the financial year. This occurred due to the assets being componentised within the revaluation data received by the valuers and not subsequently removed from the import sheet. This error related to the DOGIT transfers for Mer and Badu that occurred in December 2013 and February 2014.

	As at 30 June 2014
Gross Value of Buildings (Community) deducted	(33,300)
Accumulated depreciation	13,300
Gross Value of Buildings (Corporate) deducted	(5,702,700)
Accumulated depreciation	2,718,300
Net Value	<u>(3,004,400)</u>

No depreciation charge was expensed in 2013-2014 as the assets were commissioned as at 30 June 2014. The depreciation charge for the period ended 30 June 2015 was calculated after the error was discovered and therefore did not need correction.



Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

25 Correction of error (continued)

h. \$5,810,454 loss on transfer of assets via finance lease in relation to the Kubin dwellings leased to the Queensland Government for 40 years and \$14,758,937 loss on disposal of non-current assets have been reclassified from capital income to capital expenses per the Department of Infrastructure, Local Government and Planning financial statement framework.

i. Commercial property rental income of \$575,765 and airport landing fees of \$123,571 have been reclassified to fees and charges from rental income and sales revenue respectively.

j. \$550,416 of contractor expenses relating to the temporary employment of staff members and \$395,474 of expenses relating to staff uniforms and training have been reclassified from materials and services to employee benefits.

k. GST has been consolidated into the net position liable to the Australian Taxation Office.

These error have been corrected by adjusting the comparative amounts for 2013-14. A restated Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows have been included in the financial statements. The adjustments are reflected in the table below.

2. Council further discovered the following items effecting financial periods prior to 2013/14.

a. Recovery of overpayment of wages totalling \$5,235 for an employee relating to the 2011/12 financial period. Amount recorded as account receivable.

b. \$677,263 of unidentified Building Corporate WIP relating to pre amalgamation in 2008. Amount should have been written off on amalgamation.

c. \$228,164 of unknown revenue related transactions relating to periods prior to 1 July 2012 recorded as other debtor. Amount has been written back to equity.

d. \$37,473 of unknown payroll transactions relating to periods prior to 30 June 2012 recorded as trade and other payables. Amount has been written back to equity.

e. Asset incorrectly transferred at a value of \$70,000 instead of \$7,000 during amalgamation in 2008.

f. Per advice from Torres Strait Regional Authority (TSRA) an invoice raised in 2012/13 which related to TMP development grant income was required to be revised and reduced by \$184,597 due to insufficient supporting documentation to support the claim.

These errors have been corrected by adjusting the opening balance of equity as at 1 July 2013. The adjustments are as follows and are reflected in the restated Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity.

	Reference	As at 1 July 2013
Gross value of account receivable increased	2.a	5,577
Gross value of trade and other payables	2.a	(342)
Gross value of assets reduced	2.b	(677,263)
Gross value of other debtors added	2.c	228,164
Gross value of trade and other payables increased	2.d	(37,473)
Gross value of assets reduced	2.e	(63,000)
Gross value of account receivable	2.f	(184,597)
		<u>(728,934)</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

25 Correction of error (continued)

	Reference	Audited 2014 Financial Statements	Movement	Restated Audited 2014 Financial Statements
<u>Statement of Comprehensive Income</u>				
Increase in fees and charges revenue	1.i		575,765	
Increase in fees and charges revenue	1.i		123,571	
Total Fees and Charges		221,605	699,336	920,941
Decrease in housing rental revenue	1.b		(67,941)	
Decrease in housing rental revenue	1.i		(575,765)	
Total Rental Income		4,868,525	(643,706)	4,224,819
Decrease in airport landing fees	1.i		(123,571)	
Total Sales Revenue		24,606,925	(123,571)	24,483,354
Increase in capital Income	1.h		20,569,391	
Total Capital Income		27,139,142	20,569,391	47,708,532
Increase in other employee expenses	1.j		945,891	
Total Employee benefits		18,185,803	945,891	19,131,694
Increase in contractor expense	1.a		1,508,157	
Increase in other material and services	1.c		11,000	
Decrease in other material and services	1.j		(550,416)	
Decrease in other material and services	1.j		(395,474)	
Total Materials and Services		27,500,862	573,267	28,074,129
Increase in Capital Expense	1.h		20,569,391	
Total Capital Expense		942,710.00	20,569,391	21,512,101
Total Income		82,819,346	20,501,450	103,320,793
Total Expenditure		72,191,813	22,088,549	94,280,362
Net result		10,627,533	(1,587,099)	9,040,431

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

25 Correction of error (continued)

	Reference	Audited 2014 Financial Statements	Movement	Restated Audited 2014 Financial Statements
<u>Statement of Financial Position</u>				
Decrease in GST receivable	1.k		(525,907)	
Decrease in other debtors	2.f		(184,597)	
Increase in other debtors	2.a		5,577	
Increase in sundry debtors	2.c		228,164	
Total Trade and other receivables		9,640,768	(476,763)	9,164,005
Decrease to finance lease - current	1.b		(67,941)	
Other Financial Assets		166,326.00	(67,941)	98,386
Decrease in net property, plant and equipment	1.g		(3,004,400)	
Decrease in accumulated depreciation	1.e		(65,204)	
Decrease in WiP	1.c		(11,000)	
Decrease in WiP	2.b		(677,263)	
Decrease in WiP	2.e		(63,000)	
Total Property Plant and Equipment		691,922,986	(3,820,867)	688,102,123
Increase in trade creditors	1.a		1,658,973	
Decrease to GST payable	1.a		(150,816)	
Decrease in GST Payable	1.k		(525,907)	
Increase in trade creditors	2.d		37,473	
Increase in trade creditors	2.a		342	
Total Trade and Other Payables		5,490,149	1,020,065	6,510,213
Total Assets		723,209,821	(4,365,571)	718,844,249
Total Liabilities		9,929,780	1,020,065	10,949,844
Net Community Assets		713,280,042	(5,385,636)	707,894,405

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Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2015

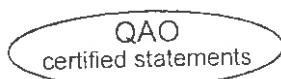
25 Correction of error (continued)

	Reference	Audited 2014 Financial Statements	Movement	Restated Audited 2014 Financial Statements
<u>Statement of Changes in Equity</u>				
Decrease to net operating surplus	1 a		(1,587,098)	
Decrease in transfer asset revaluation surplus to retained earnings	1 f		(6,802,046)	
Decrease due to correction of error	2.a to 2.f		(728,934)	
Total Retained Surplus		557,872,145	(9,118,078)	548,754,063
Increase in transfer asset revaluation surplus to retained earnings	1.f		6,802,046	
Decrease in net property, plant and equipment	1.g		(3,004,400)	
Decrease in accumulated depreciation	1.e		(65,204)	
Total Asset Revaluation Surplus		155,407,899	3,732,442	159,140,342
Total equity		713,280,045	3,732,442	707,894,405
<u>Statement of Cash Flows</u>				
Decrease in receipts from customers	1.b, 1.c		(78,941)	
Decrease in payments to suppliers and employees	1.d		(41,373)	
Net cash inflow (outflow) from operating activities		5,280,938	(37,568)	5,243,368
Increase in payments for Property, plant and equipment	1.c, 1.d		30,373	
Increase in finance lease receipts	1.b		67,941	
Net cash inflow (outflow) from investing activities		(2,192,558)	37,568	(2,154,987)
Net increase (decrease in cash and cash equivalent held		3,047,008	-	3,047,008

26 Events after the reporting period

On 28 August 2015, Torres Strait Island Regional Council signed a contract with Koppens Developments Pty Ltd for the construction of Saibai Seawall and Bund Wall. The total value of the contract is \$13,946,250.13 (exclusive GST).

On 4 September 2015, Torres Strait Island Regional Council signed a contract with Torres Strait Regional Authority to repay \$110,601.70 in regards to a loan Council guaranteed for a wholly owed subsidiary company in 2002.



Torres Strait Island Regional Council
Financial statements
For the year ended 30 June 2015

Management Certificate
For the year ended 30 June 2015

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
Fred Gela

Date: 23 / 10 / 2015



Chief Executive Officer
Dania Ahwang

Date: 23 / 10 / 2015

QAO
certified statements



INDEPENDENT AUDITOR'S REPORT

To the Mayor of Torres Strait Island Regional Council

Report on the Financial Report

I have audited the accompanying financial report of Torres Strait Island Regional Council, which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Financial Report

The Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Local Government Act 2009* and *Local Government Regulation 2012*, including compliance with Australian Accounting Standards. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of Torres Strait Island Regional Council for the financial year 1 July 2014 to 30 June 2015 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



P J FLEMMING FCPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

Torres Strait Island Regional Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2015

Measures of Financial Sustainability

	How the measure is calculated	Target	30 June 2015 Result
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	Between 0% and 10%	-46%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	greater than 90%	28%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	not greater than 60%	-35%


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 2015.

Certificate of Accuracy
For the year ended 30 June 2015

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.



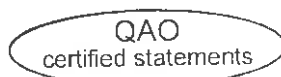
 Mayor
 Fred Gela

Date: 23 / 10 / 2015



 Chief Executive Officer
 Dania Ahwang

Date: 23 / 10 / 2015



INDEPENDENT AUDITOR'S REPORT

To the Mayor of Torres Strait Island Regional Council

Report on the Current-Year Financial Sustainability Statement

I have audited the accompanying current-year financial sustainability statement, which is a special purpose financial report of Torres Strait Island Regional Council for the year ended 30 June 2015, comprising the statement and explanatory notes, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Current-Year Financial Sustainability Statement

The Council is responsible for the preparation and fair presentation of the current-year financial sustainability statement in accordance with the *Local Government Regulation 2012*. The Council's responsibility also includes such internal control as the Council determines 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 Responsibility

My responsibility is to express an opinion on the current-year financial sustainability statement based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the statement.

My responsibility is to form an opinion as to whether the statement has been accurately calculated based on the Council's general purpose financial report. 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.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

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 2015, has been accurately calculated.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, attention is drawn 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.

Other Matters - Electronic Presentation of the Audited Statement

Those viewing an electronic presentation of this special purpose financial report should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



P J FLEMMING FCPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

Torres Strait Island Regional Council
Long-Term Financial Sustainability Statement
Prepared as at 30 June 2015

Measures of Financial Sustainability

Measure	Target	Actuals at 30 June 2015	Projected for the years ended									
			30 June 2016	31 June 2017	31 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	
Operating surplus ratio	Between 0% and 10%	-46%	-58%	-80%	-63%	-68%	-73%	-75%	-76%	-76%	-78%	-79%
Asset sustainability ratio	greater than 90%	28%	7%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net financial liabilities ratio	not greater than 60%	-35%	-9%	-2%	2%	1%	4%	9%	15%	23%	33%	33%

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.

Council aims to operate within a set of conservative guide-posts to ensure we are financially sustainable in the short, medium and long term. As part of our financial strategy, we have adopted seven key financial performance indicators to guide our financial health. In addition to the financial indicators, we have the above three sustainability indicators that have been set by the Department of Local Government, Community Recovery and Resilience to help monitor the long-term sustainability of all councils across Queensland. Throughout the financial year, these indicators are calculated and reported on monthly at Council meetings, as part of a full suite of financial reports. Should there be any deviation outside these parameters, the executive management and Council will be fully informed and may take corrective action as required.

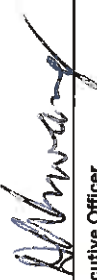
Certificate of Accuracy
For the long-term financial sustainability statement prepared as at 30 June 2015

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
 Fred Giba

Date: 03/10/2015


 Chief Executive Officer
 Dania Ahwang

Date: 03/10/2015

