



**Torres Strait Island Regional Council**  
**Financial Statements**  
**For the year ended 30 June 2017**

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# Torres Strait Island Regional Council

## Financial statements

For the year ended 30 June 2017

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# Torres Strait Island Regional Council

## Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>Income</b>			
<b>Recurrent revenue</b>			
Community levies, rates and charges	3(a)	1,117,570	1,223,371
Fees and charges		3,394,062	2,939,379
Rental income	3(b)	5,387,000	5,952,483
Interest received		268,865	439,839
Sales revenue	3(c)	46,015,034	27,701,263
Other income	3(d)	576,486	1,255,797
Grants, subsidies, contributions and donations	4(a)	27,738,076	21,956,339
		<u>84,497,093</u>	<u>61,468,471</u>
<b>Capital revenue</b>			
Grants, subsidies, contributions and donations	4(b)	45,578,431	20,855,844
<b>Total income</b>		<u>130,075,524</u>	<u>82,324,315</u>
<b>Expenses</b>			
<b>Recurrent expenses</b>			
Employee benefits	5	(22,207,277)	(21,857,763)
Materials and services	6	(50,186,243)	(36,815,481)
Finance costs	7	(3,975,038)	(2,926,210)
Depreciation and amortisation	8	(40,791,267)	(40,675,141)
		<u>(117,159,825)</u>	<u>(102,274,595)</u>
<b>Capital expenses</b>	9	(6,019,805)	(4,063,973)
<b>Total expenses</b>		<u>(123,179,630)</u>	<u>(106,338,568)</u>
<b>Net result</b>		<u>6,895,894</u>	<u>(24,014,253)</u>
<b>Other comprehensive income</b>			
Increase / (decrease) in asset revaluation surplus	13	232,477,772	-
<b>Total other comprehensive income for the year</b>		<u>232,477,772</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>239,373,666</u>	<u>(24,014,253)</u>

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

# Torres Strait Island Regional Council

## Statement of Financial Position

as at 30 June 2017

	Note	2017 \$	2016 \$
<b>Current assets</b>			
Cash and cash equivalents	10	30,593,357	15,343,589
Trade and other receivables	11	10,275,135	10,955,090
Inventories		255,704	305,662
Other financial assets	12	267,043	177,344
<b>Total current assets</b>		<u>41,391,239</u>	<u>26,781,685</u>
<b>Non-current assets</b>			
Other financial assets	12	8,224,866	5,704,146
Property, plant and equipment	13	868,317,610	645,094,405
Intangible assets		463,287	678,203
<b>Total non-current assets</b>		<u>877,005,763</u>	<u>651,476,754</u>
<b>Total assets</b>		<u>918,397,002</u>	<u>678,258,439</u>
<b>Current liabilities</b>			
Trade and other payables	15	6,660,554	6,940,885
Borrowings		55,639	124,304
Provisions	16	1,144,018	1,037,682
<b>Total current liabilities</b>		<u>7,860,211</u>	<u>8,102,871</u>
<b>Non-current liabilities</b>			
Borrowings		226,886	281,672
Provisions	16	5,090,912	4,028,569
<b>Total non-current liabilities</b>		<u>5,317,798</u>	<u>4,310,241</u>
<b>Total liabilities</b>		<u>13,178,009</u>	<u>12,413,112</u>
<b>Net community assets</b>		<u>905,218,993</u>	<u>665,845,327</u>
<b>Community equity</b>			
Asset revaluation surplus	13	386,746,732	154,268,960
Retained surplus		518,472,261	511,576,367
<b>Total community equity</b>		<u>905,218,993</u>	<u>665,845,327</u>

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

**Torres Strait Island Regional Council**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2017**

	Note	Asset revaluation surplus	Retained surplus	Total
		\$	\$	\$
<b>Balance as at 1 July 2016</b>		154,268,960	511,576,367	665,845,327
Net result		-	6,895,894	6,895,894
Other comprehensive income for the year				
Increase / (decrease) in asset revaluation surplus		232,477,772	-	232,477,772
<b>Total comprehensive income for the year</b>		<b>232,477,772</b>	<b>6,895,894</b>	<b>239,373,666</b>
<b>Balance as at 30 June 2017</b>		<b>386,746,732</b>	<b>518,472,261</b>	<b>905,218,993</b>
<b>Balance as at 1 July 2015</b>		154,268,960	535,590,620	689,859,580
Net result		-	(24,014,253)	(24,014,253)
Other comprehensive income for the year		-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(24,014,253)</b>	<b>(24,014,253)</b>
<b>Balance as at 30 June 2016</b>		<b>154,268,960</b>	<b>511,576,367</b>	<b>665,845,327</b>

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



# Torres Strait Island Regional Council

## Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		54,291,365	38,243,674
Payments to suppliers and employees		(72,512,025)	(56,586,298)
		<u>(18,220,660)</u>	<u>(18,342,624)</u>
Interest received		268,865	439,839
Recurrent grants and contributions		27,738,076	21,956,339
Borrowing costs		(22,808)	(25,063)
<b>Net cash inflow (outflow) from operating activities</b>	21	<u>9,763,473</u>	<u>4,028,491</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(19,794,551)	(12,686,330)
Proceeds from sale of property plant and equipment		89,245	81,268
Proceeds from insurance claims		1,014,548	-
Finance lease receipts		221,240	177,905
Capital grants, subsidies, contributions and donations		<u>24,006,930</u>	<u>8,925,856</u>
<b>Net cash inflow (outflow) from investing activities</b>		<u>5,537,412</u>	<u>(3,501,301)</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(51,117)	(44,555)
<b>Net cash inflow (outflow) from financing activities</b>		<u>(51,117)</u>	<u>(44,555)</u>
<b>Net increase (decrease) in cash and cash equivalents held</b>		<u>15,249,768</u>	<u>482,635</u>
<b>Cash and cash equivalents at the beginning of the financial year</b>		15,343,589	14,860,954
<b>Cash and cash equivalents at end of the financial year</b>	10	<u><u>30,593,357</u></u>	<u><u>15,343,589</u></u>

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

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 1 Significant accounting policies

#### 1.A Basis of preparation

These general purpose financial statements are for the period 1 July 2016 to 30 June 2017 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 and finance lease assets. The Council uses the Australian dollar as its functional currency, its presentation currency and rounds to the nearest dollar.

Local authorities and public authorities are 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.

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 are effective for the current reporting period. 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.B Date of authorisation

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

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

This year Council has applied AASB 124 *Related Party Disclosures* for the first time. As a result Council has disclosed more information about related parties and transactions with those related parties. This information is presented in Note 23.

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

	Applicable date:	Impact:
AASB 9 <i>Financial Instruments</i>	1 July 2018	AASB 9 will replace AASB 139 <i>Financial Instruments: Recognition and Measurement</i> and changes the classification, measurement and disclosure of financial assets. This change will require Council to measure all financial assets at fair value or amortised cost rather than at cost.  To date no impact has been identified.
AASB 15 <i>Revenue from Contracts with Customers</i> , AASB 1058 <i>Income of Not-for Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities</i>	1 July 2019	AASB 115 will replace AASB 118 <i>Revenue</i> , AASB 111 <i>Construction Contracts</i> and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 <i>Contributions</i> . Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.  To date no impact has been identified.

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 1 Significant accounting policies (continued)

#### 1.C Adoption of new and revised Accounting Standards (continued)

##### AASB 16 Leases

1 July 2019 AASB 16 will require the recognition of all leases on the balance sheet. A lease liability will be initially measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised to record the right to use the leased item over the lease term.

Council has undertaken a preliminary analysis to identify and quantify the impacts of introducing AASB 16. The current assessment indicates the impact on Council's statement of financial position on initial recognition would likely be a nil effect. This assessment takes into account Council's current obligations and various market and other assumptions.

#### 1.D Critical accounting judgements and key sources of estimation uncertainty

The financial statements are subject to the use of estimates and judgements. The estimates and judgements that have a significant effect, or risk of causing an adjustment to the carrying amounts of assets and liabilities relate to:

- Valuation and depreciation of property, plant and equipment - Note 13
- Provisions - Note 16
- Valuation of finance leases - Note 12
- Contingent liabilities - Note 18

#### 1.E Financial assets and financial liabilities

##### Categorisation of financial instruments

Council has the following categories of financial assets and financial liabilities:

		2017	2016
		\$	\$
<b>Financial assets</b>	<b>Note</b>		
Cash and cash equivalents	10	30,593,357	15,343,589
Receivables (measured at amortised cost)	11	10,275,135	10,955,090
Other financial assets (fair value)	12	8,491,909	5,881,490
		<u>49,360,401</u>	<u>32,180,169</u>
<b>Financial liabilities</b>			
Payables (measured at amortised cost)	15	6,660,554	6,940,885
Borrowings (measured at amortised cost)		282,525	405,975
		<u>6,943,079</u>	<u>7,346,860</u>

##### Financial risk management

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

Council's management approves policies for overall risk management, as well as specifically for managing credit, liquidity and market risk.

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.



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 1 Significant accounting policies (continued)

#### 1.E Financial assets and financial liabilities (continued)

##### 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	2017 \$	2016 \$
<b>Financial assets</b>			
Cash and cash equivalents	10	30,593,357	15,343,589
Receivables - housing	11	1,349,159	1,678,356
Receivables - rates	11	565,928	561,599
Receivables - other	11	4,306,349	5,118,062
Other financial assets	12	8,491,909	5,881,490
<b>Other credit exposures</b>			
Guarantees	18	233,667	245,019
		<u>45,540,369</u>	<u>28,828,115</u>

##### 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.

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 10.

##### 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 disclosed in Note 10 for financial assets and liabilities with variable rates of interest based on the carrying amount at reporting date.

# Torres Strait Island Regional Council

## Notes to the financial statements

### For the year ended 30 June 2017

#### 2 Analysis of results by function

##### 2(a) Components of Council functions

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

##### **Executive**

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

Implementation of major policy and management decisions is 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
- Committees
- Governance
- Media and public relations
- Administrative services

##### **Health and Community Services**

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

The Health and Community Services function delivers the following services:

- Community services
- Environmental health services
- Health and wellbeing services

##### **Financial Services**

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

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

- Financial management services
- Strategic (financial) planning
- Policy and procedure review

##### **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:

- Water services
- Wastewater services
- Civil works services
- Waste services

##### **Housing Services**

The objective of the Housing Services function is to provide social housing services including tenancy management, repairs and maintenance and new construction on behalf of the State and Federal Government.

Key components of the Housing Services function include:

- Building services
- Tenancy management services

##### **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 including:

- Information services
- Asset management services
- Procurement and fleet services
- Organisational development services
- Strategic (corporate) planning services
- Legal services
- Planning services

**Torres Strait Island Regional Council  
Notes to the financial statements  
For the year ended 30 June 2017**

**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 2017

Functions	Gross program income						Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net result	Assets
	Recurrent			Capital				Recurrent	Capital					
	Grants	Other		Grants	Other									
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Executive	523,978	4,904,101	-	-	-	5,428,079	(12,923,820)	-	109,798	(12,814,022)	(7,385,943)	(7,385,943)	-	
Health and Community Services	3,812,090	59,555	-	-	-	3,871,645	(5,429,996)	-	(82,586)	(5,512,582)	(1,640,937)	(1,640,937)	7,637,100	
Financial Services	20,916,980	274,332	-	2,848,338	-	24,039,650	(2,072,046)	-	(1,827)	(2,073,873)	19,117,438	21,965,777	49,616,105	
Engineering Services	2,485,028	2,789,711	24,006,930	-	-	29,281,669	(27,090,553)	-	(183,287)	(27,273,840)	(22,019,101)	1,987,829	490,058,607	
Housing Services	-	48,556,076	-	-	-	48,556,076	(61,269,670)	-	(1,488,441)	(62,758,111)	(14,202,034)	(14,202,034)	314,473,400	
Corporate Services	-	195,242	-	-	-	18,918,405	(8,373,740)	(6,019,805)	1,646,343	(12,747,202)	(6,532,155)	6,171,203	56,611,789	
Total Council	27,738,076	56,759,017	42,730,093	2,848,338	-	130,075,524	(117,159,825)	(6,019,805)	-	(123,179,630)	(32,662,732)	6,895,894	918,397,001	

Year ended 30 June 2016

Functions	Gross program income						Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net result	Assets
	Recurrent			Capital				Recurrent	Capital					
	Grants	Other		Grants	Other									
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Executive	610,419	29,760,935	1,132,380	-	-	31,503,734	(37,752,431)	-	(258,886)	(38,011,317)	(7,639,963)	(6,507,583)	-	
Health and Community Services	3,483,182	6,009,525	-	-	-	9,492,707	(28,840,631)	-	(1,353,361)	(30,193,992)	(20,701,285)	(20,701,285)	275,966,864	
Financial Services	15,773,871	840,195	-	766,385	-	17,380,451	(2,086,217)	-	-	(2,086,217)	14,527,849	15,294,234	32,485,832	
Corporate Services	-	345,352	11,077,608	-	-	11,422,960	(10,470,160)	(4,063,973)	981,953	(13,552,180)	(9,142,855)	(2,129,220)	58,667,485	
Engineering Services	2,088,867	2,556,125	7,879,471	-	-	12,524,463	(23,125,156)	-	630,294	(22,494,862)	(17,849,870)	(9,970,399)	311,138,258	
Total Council	21,956,339	39,512,132	20,089,459	766,385	-	82,324,315	(102,274,595)	(4,063,973)	-	(106,338,568)	(40,806,124)	(24,014,253)	678,258,439	

Effective 1 July 2016 Council introduced the Housing Services function which consists of tenancy management and building services. In prior years tenancy management and building services were reported under Health and Community Services and Executive functions respectively.





# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>3 Revenue analysis</b>			
<b>(a) Community levies, rates and charges</b>			
Revenue from rates and levies is recognised as revenue during the period to which they relate.			
Water charges commercial		244,175	416,297
Sewerage charges commercial		700,887	587,206
Garbage charges commercial		138,508	219,868
Rates from 40 year leases		34,000	-
		<u>1,117,570</u>	<u>1,223,371</u>
<b>(b) Rental income</b>			
Rental revenue from community housing is recognised as income on a periodic straight line basis over the lease term.			
Residential property rental income		5,387,000	5,952,483
		<u>5,387,000</u>	<u>5,952,483</u>
Council currently holds a social welfare housing portfolio and these buildings are held to meet service delivery objectives, rather than to earn rental income or for capital appreciation purposes.			
As the buildings held by Council do not meet the definition of investment property, these buildings are accounted for in accordance with AASB 16 <i>Property, Plant and Equipment</i> .			
<b>(c) Sales revenue</b>			
Council provides a range of goods and services to the community and other third parties for a fee. These fees are set in a fees and charges register adopted by Council at the annual budget meeting. Revenue is recognised when the significant risk and rewards of ownership are transferred to the buyer, generally when the customer has taken undisputed delivery of the goods or provision of service.			
Revenue from contract and recoverable works generally comprises a recoupment of material costs together with an hourly charge for the use of equipment and employees. Contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. The contract work carried out is not subject to retentions.			
Contract and recoverable works		43,109,758	24,645,475
Plant and equipment hire		34,095	95,272
Childcare services		56,366	48,470
Accommodation		524,398	331,080
Sale of fuel and gas		1,354,012	1,439,555
Sale of powercards		936,405	1,141,411
		<u>46,015,034</u>	<u>27,701,263</u>
<b>(d) Other income</b>			
Insurance claims received		66,295	150,610
Gain/(loss) on revaluation of finance leases	12	(16,679)	141,733
Commission income		359,677	405,671
Other revenue		167,193	557,783
		<u>576,486</u>	<u>1,255,797</u>



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 4 Grants, subsidies, contributions and donations

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue when Council obtains control over them, which is usually upon receipt of the funds.

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 other Government entities and Departments. These assets are recognised upon the practical transfer of the asset to Council. The assets are recognised at cost, as supplied by the contributing agency/department as the Council believes the provided costs approximate fair value at the date of transfer.

The funding of infrastructure assets by State and Federal Government Departments, which are then transferred to Council, is expected to be an ongoing process. Refer to Note 20 for funds held in trust for this purpose.

	Note	2017 \$	2016 \$
<b>(a) Recurrent</b>			
General purpose grants		15,272,638	9,982,643
State Government subsidies and grants		8,658,554	8,636,405
Commonwealth Government subsidies and grants		3,806,884	3,289,505
Contributions		-	47,786
		<u>27,738,076</u>	<u>21,956,339</u>

On 8 June 2017 Council received 50% of the Financial Assistance and Local Roads Grant allocation for the 17/18 financial year totalling \$5.2 million. Per AASB 1004 *Contributions* revenue recognition criteria, Council has recognised the contribution upon receipt of the funds.

<b>(b) Capital</b>			
State Government subsidies and grants		2,401,431	3,062,547
Commonwealth Government subsidies and grants		21,605,499	5,863,309
Gain on initial recognition of finance lease		2,848,338	766,385
Contributed assets		18,723,163	11,163,603
		<u>45,578,431</u>	<u>20,855,844</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		3,637,395	1,633,642
		<u>3,637,395</u>	<u>1,633,642</u>

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>5 Employee benefits</b>			
Total staff wages and salaries		16,046,312	15,322,812
Councillors' remuneration		962,241	877,745
Annual, sick and long service leave entitlements		3,107,501	3,051,558
Superannuation	19	2,072,182	1,939,259
		<u>22,188,236</u>	<u>21,191,374</u>
Other employee related expenses		451,929	1,071,115
		<u>22,640,165</u>	<u>22,262,489</u>
Less: Capitalised employee expenses		(432,888)	(404,726)
		<u>22,207,277</u>	<u>21,857,763</u>
Councillor remuneration represents salary and other allowances paid in respect of carrying out their duties.			
Total Council employees at the reporting date:			
Elected members		16	15
Administration staff		307	313
Total full time equivalent employees		<u>323</u>	<u>328</u>
		\$	\$
<b>6 Materials and services</b>			
Advertising and marketing		82,799	45,329
Audit services		219,869	215,752
Communications and IT		1,441,248	1,576,078
Consultants		665,275	707,587
Contractors		23,096,365	10,636,107
Donations paid		365,074	413,600
Freight		2,568,927	2,301,618
Insurance		2,470,893	2,380,890
Legal fees		234,144	184,431
Motor vehicle expenses		271,359	231,120
Powercards, fuel & gas for resale		2,430,256	2,490,146
Power		1,312,390	1,261,994
Repairs and maintenance		9,445,333	8,048,597
Rent paid		653,563	673,184
Subscriptions and registrations		47,455	100,926
Supplies and consumables		413,715	363,982
Temporary staff costs		89,789	3,886
Travel		3,198,734	3,329,880
Other materials and services		1,243,600	1,941,905
Less: Expenses capitalised		(64,545)	(91,532)
		<u>50,186,243</u>	<u>36,815,481</u>
<b>7 Finance costs</b>			
Finance costs charged by QTC		22,810	25,063
Bank charges		55,707	51,050
Impairment of debts		2,712,598	3,022,637
Refuse restoration		1,183,923	(172,540)
		<u>3,975,038</u>	<u>2,926,210</u>

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

8 Depreciation and amortisation	Note	2017 \$	2016 \$
<b>Depreciation of non-current assets</b>			
Buildings (Communities)		20,440,133	20,616,098
Buildings (Corporate)		3,278,249	3,327,660
Recreational facilities		1,053,079	743,670
Roads/transport network		5,226,019	4,919,586
Stormwater drainage network		184,797	184,797
Flood mitigation network		200,647	101,297
Water supply network		4,149,238	4,162,243
Sewerage network		4,300,335	4,495,294
Bridges		4,550	4,550
Wharves, piers, jetties and pontoons		501,680	515,646
Waste landfill		251,755	76,341
Plant and equipment		985,869	1,335,295
	13	<u>40,576,351</u>	<u>40,482,477</u>
<b>Amortisation of intangible assets</b>			
Software		214,916	192,664
Total depreciation and amortisation		<u>40,791,267</u>	<u>40,675,141</u>
<p>The renewal of Council assets is dependent on State and Commonwealth funding and therefore Council assets may not get renewed at the same rate as they depreciate.</p>			
<b>9 Capital expenses</b>			
<b>Revaluation decrement</b>			
Revaluation down of property, plant and equipment		298,841	-
		<u>298,841</u>	<u>-</u>
<b>Loss on disposal of non-current assets</b>			
Book value of property, plant and equipment		6,824,757	4,145,241
Less: Proceeds from the sale of property, plant and equipment		(89,245)	(81,268)
Less: Proceeds from insurance claims		(1,014,548)	-
		<u>5,720,964</u>	<u>4,063,973</u>
Total capital expenses		<u>6,019,805</u>	<u>4,063,973</u>

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 10 Cash and cash equivalents

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

	Note	2017 \$	2016 \$
Cash at bank		10,356,872	3,586,187
Deposits at call		20,175,252	11,697,432
Term deposit		61,233	59,970
Balance per Statement of Cash Flows		<u>30,593,357</u>	<u>15,343,589</u>

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

Council's interest rate sensitivity to an expected 1% maximum fluctuation in interest rates if all other variables were held constant is:

	Net carrying amount	Effect on net result		Effect on equity	
		1% increase	1% decrease	1% increase	1% decrease
<b>2017</b>					
QTC cash fund	20,175,252	201,753	(201,753)	201,753	(201,753)
Other investments	61,233	612	(612)	612	(612)
Loans - QTC	(282,525)	(2,825)	2,825	(2,825)	2,825
<b>Net total</b>	<u>19,953,960</u>	<u>199,540</u>	<u>(199,540)</u>	<u>199,540</u>	<u>(199,540)</u>
<b>2016</b>					
QTC cash fund	11,697,432	116,974	(116,974)	116,974	(116,974)
Other investments	59,970	600	(600)	600	(600)
Loans - QTC	(333,643)	(3,336)	3,336	(3,336)	3,336
Loans - TSRA	(72,333)	(723)	723	(723)	723
<b>Net total</b>	<u>11,351,426</u>	<u>113,515</u>	<u>(113,515)</u>	<u>113,515</u>	<u>(113,515)</u>



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 11 Trade and other receivables

Trade receivables are recognised at the amounts due at the time of sale or service delivery. Settlement of these amounts is generally required within 30 days from invoice date. There is a geographical concentration of credit risk for housing and other debtors.

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.

All known bad debts were written-off at 30 June 2017.

	Note	2017 \$	2016 \$
<b>Current</b>			
Receivable - Housing		13,931,034	14,095,643
Less impairment		(12,581,875)	(12,417,287)
Receivable - Rates		635,421	1,148,908
Less impairment		(69,493)	(587,309)
Receivable - Other		4,547,837	8,843,009
Less impairment		(241,488)	(3,724,947)
		<u>6,221,436</u>	<u>7,358,017</u>
Accrued revenue		3,894,066	3,254,620
Prepayments		159,633	162,363
GST receivable		-	180,090
		<u>10,275,135</u>	<u>10,955,090</u>

Movement in accumulated impairment losses is as follows:

Opening balance at 1 July	16,729,543	16,347,228
Impairment debts written off during the year	(6,549,286)	(2,640,330)
Additional impairments recognised	2,712,599	3,022,645
Closing balance at 30 June	<u>12,892,856</u>	<u>16,729,543</u>

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

Not past due	2,516,267	5,076,092
Past due 31-60 days	810,274	372,645
Past due 61-90 days	495,533	363,697
More than 90 days	15,292,218	18,275,125
Impaired	<u>(12,892,856)</u>	<u>(16,729,543)</u>
Total	<u>6,221,436</u>	<u>7,358,017</u>

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 12 Other financial assets

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

- 51 dwellings located on Moa Island (Kubin)
- 8 dwellings and 6 vacant sites on Mabuiag Island
- 5 vacant sites on Poruma Island
- 4 vacant sites on Hammond Island
- 3 vacant sites on Erub Island
- 6 dwellings and 1 vacant site on Saibai Island
- 6 dwellings and 2 vacant sites on Boigu Island
- 7 vacant sites on Warraber Island
- 22 vacant sites on Moa Island (St Pauls)
- 6 vacant sites on Masig Island

The total lease payment per dwelling in the current year ranged between \$2,000 and \$2,091 (\$2,000 to \$2,056 for 2015-16). These lease payments are required to be adjusted each year by the change in the Consumer Price Index (All Groups). As the gross lease payments are insufficient to cover the fair value (current replacement cost) of the leased properties, there is no interest rate implicit in the leases and therefore no finance income will arise from the leases. Consequently, the leases are recognised at the present value of the expected future lease payments receivable (fair value). Gains on revaluation of finance lease assets are recognised as other income annually.

	Note	2017 \$	2016 \$
<b>Current</b>			
Finance leases		267,043	177,344
		<u>267,043</u>	<u>177,344</u>
<b>Non-current</b>			
Finance leases		8,224,866	5,704,146
		<u>8,224,866</u>	<u>5,704,146</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		267,043	177,344
Later than one year but not later than five years		1,068,171	709,376
Later than five years		8,723,995	5,818,395
		<u>10,059,209</u>	<u>6,705,115</u>
Add: Estimated contingent rent		6,356,336	4,248,104
Less: Present value adjustment		(7,923,636)	(5,071,729)
Fair value of lease payments		<u>8,491,909</u>	<u>5,881,490</u>

The fair value of lease payments is receivable as follows:

Not later than one year		267,043	177,344
Later than one year but not later than five years		1,043,120	696,587
Later than five years		7,181,746	5,007,559
		<u>8,491,909</u>	<u>5,881,490</u>

Movements in finance leases were as follows:

Opening balance		5,881,490	5,151,278
Add: Initial recognition of new leases		2,848,338	766,385
Less: Lease receipts		(221,240)	(177,906)
Add: Gain/(loss) on revaluation	3(d)	(16,679)	141,733
Closing balance		<u>8,491,909</u>	<u>5,881,490</u>

The calculation of fair value has included an estimate of average annual CPI increases of 2.5% (2.5%, 2016) and a discount rate of 3.48% (3.25%, 2016).

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 13 Property, plant and equipment

Each class of property, plant and equipment is stated at amortised cost or fair value. Items of plant and equipment, and infrastructure assets and buildings with a total value of less than \$10,000 effective 21 March 2017 and \$5,000 prior to that date are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

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

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

- Buildings (Community)
- Buildings (Corporate)
- 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 and equipment
- Work in progress (WIP)

#### 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 contributing entity, where that value exceeds the recognition threshold for the respective asset class.

#### Capital and operating expenditure

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



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 13 Property, plant and equipment (continued)

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.

#### Valuation

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

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 3 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection. In the intervening years Council uses the indexation method to determine the fair value of each class of property, plant and equipment assets. Council only accounts for the impact of revaluation if the cumulative change in the index is 5% or greater (either positive or negative).

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.

#### Depreciation

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

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



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 13 Property, plant and equipment (continued)

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

Depreciation methods and estimated useful lives of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the 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 the tables later in this Note.

#### Land under roads

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

#### Impairment

Each asset class is assessed for indicators of impairment annually.

#### Deed of Grant in Trust land

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

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

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 13 Property, plant and equipment (continued)

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

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

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

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

The relevant leased assets are still reported as assets of the Council; land is not reported; nominal rental is paid except for the former child care centre and one staff residence on Badu Island, for which future commitments are \$45,484 over two 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.

**13 Property, plant and equipment (continued)**

**Council - 30 June 2017**

Basis of measurement

Asset values

Opening gross value as at 1 July 2016

Additions

Capital contributions

Assets capitalised from WIP

Assets previously not recognised

Disposals

Revaluation adjustment to other comprehensive income (asset revaluation surplus)

Revaluation adjustment to income (capital expenses)

Transfers between classes

Closing gross value as at 30 June 2017

Accumulated depreciation and impairment

Opening balance as at 1 July 2016

Adjustments

Depreciation provided in period

Revaluation adjustment to asset revaluation surplus

Depreciation/impairment on disposals

Transfers between classes

Accumulated depreciation as at 30 June 2017

Book value as at 30 June 2017

Range of estimated useful life in years

Additions comprise:

Renewals

Other additions

Previously not recognised

Total additions

Asset revaluation surplus

Opening balance as at 1 July 2016

Movements

Closing balance asset revaluation surplus as at 30 June 2017

	Buildings (Communities)	Buildings (Corporate)	Recreational Facilities	Road / Transport Network	Stormwater Drainage Network	Flood Mitigation Network	Water Supply Network	Sewerage Network	Bridges	Wharves, Piers, Jetties & Pontons	Waste Landfill	Land Assets	Plant & Equipment	Work in progress		Total
														Fair Value	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2016	511,501,181	90,917,998	19,762,710	201,560,431	9,239,849	6,412,089	124,594,785	124,564,386	91,000	19,469,011	1,084,250	567,000	9,112,073	12,267,201	19,550,573	1,131,163,865
Additions	10,172,650	-	-	-	-	-	5,092,557	3,457,957	-	-	-	-	-	19,550,573	-	18,723,164
Capital contributions	37,432	142,299	1,033,882	1,589,789	-	21,717,745	94,478	-	-	234,350	-	-	994,663	(25,844,636)	-	61,633
Assets capitalised from WIP	35,243	-	-	-	-	-	-	-	-	-	-	-	26,390	-	-	-
Assets previously not recognised	(8,837,256)	(2,031,646)	(674,987)	(135,654)	-	(1,430,999)	(2,693,031)	(930,420)	(91,000)	(1,035,750)	-	-	(1,856,448)	-	-	(19,717,190)
Disposals	53,368,750	14,226,749	4,130,095	58,129,805	3,113,151	2,335,410	86,178,763	108,314,527	-	17,778,318	398,591	-	-	-	-	349,994,159
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	-	-	-	-	-	-	-	-	-	-	(251,841)	(47,000)	-	-	-	(298,841)
Revaluation adjustment to income (capital expenses)	(1,156,000)	733,000	423,000	(97,671)	-	-	-	-	-	37,671	-	-	-	-	-	-
Transfers between classes	565,142,000	103,988,300	24,674,700	261,106,700	12,353,000	29,034,245	215,267,550	235,406,450	-	36,503,600	1,231,000	520,000	8,276,680	5,973,138	1,499,477,363	-
Closing gross value as at 30 June 2017	243,155,464	48,731,389	12,141,563	66,145,506	2,804,097	2,700,283	48,953,872	45,492,908	66,757	9,424,516	309,604	-	6,143,501	-	486,069,460	-
Accumulated depreciation and impairment	-	-	-	-	-	-	-	-	-	-	-	-	(600)	-	(600)	-
Opening balance as at 1 July 2016	20,440,133	3,276,249	1,053,079	5,226,019	184,797	200,647	4,149,238	4,300,336	4,550	501,680	251,755	-	985,869	-	40,576,352	-
Adjustments	(6,409,248)	5,963,168	4,079,622	23,307,120	1,113,006	2,206,185	40,293,593	40,581,812	(2,256)	5,983,791	398,590	-	-	-	117,516,383	-
Depreciation provided in period	(5,721,569)	(1,539,829)	(471,521)	(107,463)	-	(1,384,115)	(1,113,453)	(228,306)	(69,051)	(852,082)	-	-	(1,514,454)	-	(13,001,844)	-
Revaluation adjustment to asset revaluation surplus	(797,179)	562,322	234,957	(11,795)	-	-	-	-	-	11,795	-	-	-	-	-	-
Depreciation/impairment on disposals	250,668,600	56,995,300	17,037,600	94,559,388	4,101,900	3,723,000	92,283,250	90,146,750	-	15,069,700	959,949	-	5,614,316	-	631,159,753	-
Transfers between classes	314,473,400	46,993,000	7,637,100	166,547,312	8,251,100	25,311,245	122,984,300	145,259,700	-	21,433,900	271,051	520,000	2,662,364	5,973,138	868,317,610	-
Accumulated depreciation as at 30 June 2017	3-88	2-73	7-65	1-111	42-62	25-44	1-64	1-113	0	3-88	8-29	Land: Not Depreciated	3-25	WIP: Not Depreciated	-	-

	Buildings (Communities)	Buildings (Corporate)	Recreational Facilities	Road / Transport Network	Stormwater Drainage Network	Flood Mitigation Network	Water Supply Network	Sewerage Network	Bridges	Wharves, Piers, Jetties & Pontons	Waste Landfill	Land Assets	Plant & Equipment	Work in progress		Total
														Fair Value	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2016	511,501,181	90,917,998	19,762,710	201,560,431	9,239,849	6,412,089	124,594,785	124,564,386	91,000	19,469,011	1,084,250	567,000	9,112,073	12,267,201	19,550,573	1,131,163,865
Additions	10,172,650	-	-	-	-	-	5,092,557	3,457,957	-	-	-	-	-	19,550,573	-	18,723,164
Capital contributions	37,432	142,299	1,033,882	1,589,789	-	21,717,745	94,478	-	-	234,350	-	-	994,663	(25,844,636)	-	61,633
Assets capitalised from WIP	35,243	-	-	-	-	-	-	-	-	-	-	-	26,390	-	-	-
Assets previously not recognised	(8,837,256)	(2,031,646)	(674,987)	(135,654)	-	(1,430,999)	(2,693,031)	(930,420)	(91,000)	(1,035,750)	-	-	(1,856,448)	-	-	(19,717,190)
Disposals	53,368,750	14,226,749	4,130,095	58,129,805	3,113,151	2,335,410	86,178,763	108,314,527	-	17,778,318	398,591	-	-	-	-	349,994,159
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	-	-	-	-	-	-	-	-	-	-	(251,841)	(47,000)	-	-	-	(298,841)
Revaluation adjustment to income (capital expenses)	(1,156,000)	733,000	423,000	(97,671)	-	-	-	-	-	37,671	-	-	-	-	-	-
Transfers between classes	565,142,000	103,988,300	24,674,700	261,106,700	12,353,000	29,034,245	215,267,550	235,406,450	-	36,503,600	1,231,000	520,000	8,276,680	5,973,138	1,499,477,363	-
Closing gross value as at 30 June 2017	243,155,464	48,731,389	12,141,563	66,145,506	2,804,097	2,700,283	48,953,872	45,492,908	66,757	9,424,516	309,604	-	6,143,501	-	486,069,460	-
Accumulated depreciation and impairment	-	-	-	-	-	-	-	-	-	-	-	-	(600)	-	(600)	-
Opening balance as at 1 July 2016	20,440,133	3,276,249	1,053,079	5,226,019	184,797	200,647	4,149,238	4,300,336	4,550	501,680	251,755	-	985,869	-	40,576,352	-
Adjustments	(6,409,248)	5,963,168	4,079,622	23,307,120	1,113,006	2,206,185	40,293,593	40,581,812	(2,256)	5,983,791	398,590	-	-	-	117,516,383	-
Depreciation provided in period	(5,721,569)	(1,539,829)	(471,521)	(107,463)	-	(1,384,115)	(1,113,453)	(228,306)	(69,051)	(852,082)	-	-	(1,514,454)	-	(13,001,844)	-
Revaluation adjustment to asset revaluation surplus	(797,179)	562,322	234,957	(11,795)	-	-	-	-	-	11,795	-	-	-	-	-	-
Depreciation/impairment on disposals	250,668,600	56,995,300	17,037,600	94,559,388	4,101,900	3,723,000	92,283,250	90,146,750	-	15,069,700	959,949	-	5,614,316	-	631,159,753	-
Transfers between classes	314,473,400	46,993,000	7,637,100	166,547,312	8,251,100	25,311,245	122,984,300	145,259,700	-	21,433,900	271,051	520,000	2,662,364	5,973,138	868,317,610	-
Accumulated depreciation as at 30 June 2017	3-88	2-73	7-65	1-111	42-62	25-44	1-64	1-113	0	3-88	8-29	Land: Not Depreciated	3-25	WIP: Not Depreciated	-	-

	Buildings (Communities)	Buildings (Corporate)	Recreational Facilities	Road / Transport Network	Stormwater Drainage Network	Flood Mitigation Network	Water Supply Network	Sewerage Network	Bridges	Wharves, Piers, Jetties & Pontons	Waste Landfill	Land Assets	Plant & Equipment	Work in progress		Total
														Fair Value	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2016	511,501,181	90,917,998	19,762,710	201,560,431	9,239,849	6,412,089	124,594,785	124,564,386	91,000	19,469,011	1,084,250	567,000	9,112,073	12,267,201	19,550,573	1,131,163,865
Additions	10,172,650	-	-	-	-	-	5,092,557	3,457,957	-	-	-	-	-	19,550,573	-	18,723,164
Capital contributions	37,432	142,299	1,033,882	1,589,789	-	21,717,745	94,478	-	-	234,350	-	-	994,663	(25,844,636)	-	61,633
Assets capitalised from WIP	35,243	-	-	-	-	-	-	-	-	-	-	-	26,390	-	-	-
Assets previously not recognised	(8,837,256)	(2,031,646)	(674,987)	(135,654)	-	(1,430,999)	(2,693,031)	(930,420)	(91,000)	(1,035,750)	-	-	(1,856,448)	-	-	(19,717,190)
Disposals	53,368,750	14,226,749	4,130,095	58,129,805	3,113,151	2,335,410	86,178,763	108,314,527	-	17,778,318	398,591	-	-	-	-	349,994,159
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	-	-	-	-	-	-	-	-	-	-	(251,841)	(47,000)	-	-	-	(298,841)
Revaluation adjustment to income (capital expenses)	(1,156,000)	733,000	423,000	(97,671)	-	-	-	-	-	37,671	-	-	-	-	-	-
Transfers between classes	565,142,000	103,988,300	24,674,700	261,106,700	12,353,000	29,034,245	215,267,550	235,406,450	-	36,503,600	1,231,000	520,000	8,276,680	5,973,138	1,499,477,363	-
Closing gross value as at 30 June 2017	243,155,464	48,731,389	12,141,563	66,145,506	2,804,097	2,700,283	48,953,872	45,492,908	66,757	9,424,516	309,604	-	6,143,501	-	486,069,460	-
Accumulated depreciation and impairment	-	-	-	-	-	-	-	-	-	-	-	-	(600)	-	(600)	-
Opening balance as at 1 July 2016	20,440,133	3,276,249	1,053,079	5,226,019	184,797	200,647	4,149,238	4,300,336	4,550	501,680	251,755	-	985,869	-	40,576,352	-
Adjustments	(6,409,248)	5,963,168	4,079,622	23,307,120	1,113,006	2,206,185	40,293,593	40,581,812	(2,256)	5,983,791	398,590	-	-	-		



13 Property, plant and equipment (continued)

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

**Council - 30 June 2016**

	Buildings (Communities)		Buildings (Corporate)		Recreational Facilities		Road / Transport Network		Stormwater Drainage Network		Flood Mitigation Network		Water Supply Network		Sewerage Network		Bridges		Wharves, Piers, Jetties & Pontons		Waste Landfill		Land Assets		Plant & Equipment		Work in progress		Total
	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	
Basis of measurement																													
Asset values																													
Opening gross value as at 1 July 2015	508,487,328	93,296,073	17,520,810	198,329,488	9,239,849	7,717,057	123,731,189	124,552,089	91,000	16,700,285	2,525,000	1,084,250	567,000	9,363,198	7,949,671	1,118,829,217													
Adjustments																													
Additions																													
Capital contributions	10,689,626																												
Assets capitalised from WIP	69,877																												
Assets previously not recognised																													
Disposals	(8,629,691)	(2,289,349)	(122,805)	(122,412)			(285,603)																						
Transfers between classes	(115,959)	(2,530,551)	2,212,900	21,610			189,300	(117,300)																					
Closing gross value as at 30 June 2016	511,501,181	90,817,898	19,762,710	201,560,431	9,239,849	6,412,089	124,584,785	124,564,386	91,000	19,489,011	1,084,250	567,000	9,112,073	12,267,201	1,131,163,865														

**Accumulated depreciation and impairment**

Opening balance as at 1 July 2015	227,870,094	48,106,866	10,158,270	61,283,851	2,619,300	4,286,002	44,944,624	40,999,979	62,207	7,249,619	233,263																				
Adjustments	(26,949)																														
Depreciation provided in period	20,616,088	3,327,660	743,870	4,919,588	184,797	101,297	4,162,243	4,485,294	4,550	515,646	76,341																				
Depreciation/impairment on disposals	(4,866,290)	(1,810,831)	(64,839)	(98,885)			(186,778)			(27,765)																					
Transfers between classes	(417,489)	(919,355)	1,304,462	964			33,783	(2,365)																							
Accumulated depreciation as at 30 June 2016	243,155,464	48,731,389	12,141,563	66,145,506	2,804,097	2,700,283	48,953,872	45,492,908	66,757	9,424,516	309,604																				

**Book value as at 30 June 2016**

Range of estimated useful life in years	5 - 77	3 - 64	8 - 50	6 - 100	50	25 - 50	1 - 80	2 - 60	20	11 - 100	8 - 30	Land: Not Depreciated	3 - 25	WIP: Not Depreciated	645,094,405
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**Additions comprise:**

Renewals	6,420,706	381,748	97,606	209,096						11,624			343,056		7,463,875
Other additions	4,338,797	2,059,877		2,585,969		1,560,032	959,888	617		228			445,405		11,950,911
Previously not recognised			54,000	325,680									414,000		793,680
Total additions	10,759,503	2,441,725	151,606	3,120,745		1,560,032	959,888	617		11,850			1,202,500		20,208,466

**Asset revaluation surplus**

Opening balance as at 1 July 2015	38,627,981	3,363,699	2,110,256	92,079,325	758,006		6,282,513	11,041,750	5,430						154,268,960
Movements															
Closing balance Asset revaluation surplus as at 30 June 2016	38,627,981	3,363,699	2,110,256	92,079,325	758,006		6,282,513	11,041,750	5,430						154,268,960





# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 14 Fair value measurements

#### (i) Recognised fair value measurements

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).

All Council's property, plant and equipment measured at fair value at reporting date is categorised at level 3 (2016: all at level 3). Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as level 1.

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

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

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

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

**Specific valuation techniques used to value Council assets comprise:**

##### Valuation

A comprehensive valuation was completed by independent valuer, Jones Lang LaSalle effective 30 June 2017. A broad sample of assets were inspected by the valuers and fair values determined.

##### Land

Council's land assets consist of two parcels of land on Thursday Island. Land fair values have been measured by the cost approach and by direct comparison. Level 2 and 3 valuation inputs were utilised, being sales transactions of other properties within the region, and adjusted for differences between key attributes of the properties. Based on limited sales transactions, the cost approach was applied.

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 14 Fair value measurements (continued)

#### (ii) Valuation techniques used to derive fair values for level 3 valuations (continued)

##### Buildings and infrastructure

The fair value of buildings and infrastructure was also determined by independent valuer, Jones Lang LaSalle effective 30 June 2017.

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).

Where there is no market, the net current value of an asset is the gross current replacement 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 2 input.

In determining the level of accumulated depreciation for major assets, they have been 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). Useful life and asset condition were also considered. Meaning that under AASB13 the valuation of buildings and infrastructure is deemed to fall under level 3.

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

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 renewal	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 are not conducted, the remaining useful life is 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.

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 14 Fair value measurements (continued)

#### (ii) Valuation techniques used to derive fair values for level 3 valuations (continued)

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

#### 1. 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 Torres Strait Islands. Rates are analysed from a number of sources and include 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 direct costs.

##### *Accumulated depreciation*

To calculate the appropriate amount of accumulated depreciation, a portion of buildings are subject to a site inspection and/or an assessment to determine remaining useful life. Site inspection and external examination of all building assets are carried out over the 3 year period in between full valuations undertaken by a professional valuer. Those buildings which are open to the public such as Council administration buildings and locations where staff are on site such as workshop buildings, are internally inspected as per triannual reviews. They are completed internally by suitably qualified Council officers and reviewed by the asset class manager. Internal assessments are used in conjunction with Department of Housing and Public Works condition reports (as available) to support Council's assessment.

#### 2. Roads/Transport Network - calculation of current replacement cost

##### *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 and 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 direct costs. 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. Publicly available information such as Rawlinson's construction handbook is used to check the Council supplied information for appropriateness.

##### *Accumulated depreciation*

In determining the level of accumulated depreciation, roads are disaggregated into significant components which exhibit different useful lives. Asset condition assessments were completed in the year ending 30 June 2017 on 33% of Council's roads/transport network and condition rating, useful lives and depreciation rates have been amended accordingly.



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 14 Fair value measurements (continued)

#### (ii) Valuation techniques used to derive fair values for level 3 valuations (continued)

##### 3. Water supply and sewerage network - calculation of current replacement cost

###### *Current replacement cost*

The water and sewerage assets are segregated into active and passive assets; passive assets are not further componentised and consist primarily of mains. Unit rates are 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 also compares these indices to wages indexes and non-residential building construction indexes.

The remaining active assets consist of treatment, pumping and storage assets. These assets are componentised and were valued independently as at 30 June 2017, 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 30 June 2017 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. Condition assessments have been completed in 2017 for 33% for Council's water and sewer network and the condition rating and depreciation rates have been amended accordingly.

##### 4. Other infrastructure – Calculation of current replacement cost

Other infrastructure includes the flood mitigation network, bridges, waste landfill, recreational facilities, stormwater drainage and wharves, piers, jetties and pontoons, which combined represent around 7.2 % 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. Summing together the costs of materials, labour and direct costs, utilising constructed project costs and publicly available reference material, having regard to the location and condition.

###### *Accumulated depreciation*

An assessment of remaining useful life was made by the valuer as at 30 June 2017 after inspection taking into consideration the visual condition, construction date, evidence of recent repairs or capital works and the surrounding environmental factors. Condition assessments have been completed in 2017 for 33% of Council's other infrastructure and the condition rating, useful lives and depreciation rates have been amended accordingly.

#### (iii) Valuation processes

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

Council's comprehensive valuation undertaken by Jones Lang LaSalle identified significant fair value movement in the following asset classes: building community, water, sewerage and roads and transport. The primary reason for the significant movement was due to increases in the underlying unit prices of the infrastructure. Unit prices were based on recent project costs undertaken in the region or where not available, Council and Jones Lang LaSalle utilised their combined knowledge base to apply an indexation factor to adjust unit prices for Council's geographic location.



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 15 Trade and other payables

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

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

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

	Note	2017 \$	2016 \$
<b>Current</b>			
Accrued creditors		1,860,879	3,024,248
Employee benefits - annual leave		2,046,768	2,079,505
GST payable		106,254	-
Accrued payroll		283,520	216,029
Refundable bonds		2,000	2,000
Trade creditors and other payables		2,361,133	921,790
Retention		-	697,313
		<u>6,660,554</u>	<u>6,940,885</u>

The following table discloses 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 \$
<b>2017</b>					
Trade and other	6,660,554	-	-	6,660,554	6,660,554
Loans - QTC	74,219	259,551	-	333,770	333,770
	<u>6,734,773</u>	<u>259,551</u>	<u>-</u>	<u>6,994,324</u>	<u>6,994,324</u>
<b>2016</b>					
Trade and other	6,940,885	-	-	6,940,885	6,940,885
Loans - QTC	74,219	296,876	36,893	407,988	407,988
Loans - TSRA	72,333	-	-	72,333	72,333
	<u>7,087,438</u>	<u>296,876</u>	<u>36,893</u>	<u>7,421,207</u>	<u>7,421,207</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 2017

### 16 Provisions

#### Long service leave

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

The long service leave provision has been discounted using discount rates derived from Commonwealth Government bond rates as at 30 June 2017.

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

#### Landfill restoration

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

The calculation of this provision requires assumptions such as site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for landfill sites is reviewed at least annually and updated based on the facts and circumstances available at the time. Management estimates that the 15 sites will close between 2018 and 2026.

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.

	Note	2017 \$	2016 \$
<b>Current</b>			
Long service leave		954,643	1,037,682
Provision for landfill restoration		189,375	-
		<u>1,144,018</u>	<u>1,037,682</u>
<b>Non-current</b>			
Long service leave		353,739	285,944
Provision for landfill restoration		4,737,173	3,742,625
		<u>5,090,912</u>	<u>4,028,569</u>
Details of movements in provisions:			
<b>Landfill restoration</b>			
Balance at beginning of financial year		3,742,625	3,915,165
Increase/ (decrease) in provision due to unwinding of discount		(169,523)	107,428
Increase/(decrease) in provision due to change in discount rate		1,353,446	(279,968)
Balance at end of financial year		<u>4,926,548</u>	<u>3,742,625</u>
<b>Long service leave provision</b>			
Balance at beginning of financial year		1,323,627	1,166,863
Long service leave entitlement arising		281,827	331,576
Long service entitlement paid		(297,072)	(174,812)
Balance at end of financial year		<u>1,308,382</u>	<u>1,323,627</u>

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

<b>17 Commitments for expenditure</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>Operating leases</b>			
Minimum lease payments in relation to non-cancellable operating leases are as follows:			
Within one year		588,980	568,406
One to five years		2,353,598	45,485
		<u>2,942,578</u>	<u>613,891</u>

Payments made under operating leases (substantially all the risks and benefits remain with the lessor) 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.

### Contractual commitments

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

Recoverable work contractors	8,503,162	4,991,564
Capital assets	1,479,001	11,757,163
Contract employees	22,688	92,704
Cleaning services	33,220	-
Other	45,918	-
	<u>10,083,989</u>	<u>16,841,431</u>

### 18 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 2017 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

#### Local Government Workcare

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there were insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$233,667.



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 18 Contingent liabilities (continued)

#### Native Title Compensation liability

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

It is difficult to estimate the likely compensation payable, because there is no legally settled compensation formula. A native title compensation case was decided by the Federal Court of Australia in 2016 (*Griffiths v Northern Territory (No 3)* [2016] FCA 900), however that decision is in the process of being appealed to the High Court. There may be some certainty in relation to a compensation formula once the appeal is finalised. At this point there are no applications for compensation claims against Council. Council has sufficient insurance cover in the event of adverse applications for native title compensation for alleged invalid future acts under the Native Title Act 1993 (Cth), via Council's statutory liability cover.

### 19 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 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.

Council does not have any employees who are members of the CDBF and, therefore, is not exposed to the obligations, assets or costs associated with this fund.

The Regional DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

To ensure the ongoing solvency of the Regional DBF, the scheme's trustee can vary the rate of contributions from relevant local government employers subject to advice from the scheme's actuary. As at the reporting date, no changes had been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

Any amount by which the fund is over or under funded would only affect future benefits and contributions to the Regional DBF, and is not an asset or liability of the Council. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

As at the reporting date, the assets of the scheme are sufficient to meet the vested benefits.



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 19 Superannuation (continued)

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date."

In the 2015 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

Under the Local Government Act 2009 the trustee of the scheme has the power to levy additional contributions on councils which have employees in the Regional DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Torres Strait Island Regional Council made less than 4% of the total contributions to the plan in the 2015-16 financial year.

The next actuarial investigation will be conducted as at 1 July 2018.

	Note	2017 \$	2016 \$
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:			
	5	<u>2,072,182</u>	<u>1,939,259</u>

### 20 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	382,964	388,387
Church funds	9,780	60,371
Other community funds	81,511	84,719
	<u>474,255</u>	<u>533,477</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

DFK Kidsons holding funds for Major Infrastructure and Other Program	30,919,841	47,017,677
	<u>30,919,841</u>	<u>47,017,677</u>

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

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

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

	Note	2017 \$	2016 \$
Net result		6,895,894	(24,014,253)
Non-cash items:			
Depreciation and amortisation		40,791,267	40,675,141
Asset contributions in capital income		(18,723,163)	(11,163,603)
Gain on initial recognition of finance lease		(2,848,338)	(766,385)
Gain on revaluation of finance lease		16,679	(141,733)
Loan TSRA - services offset agreement		-	72,333
Reversal of contingent liability		-	(225,622)
Reversal of WIP to operating		-	121,075
		<u>19,236,445</u>	<u>28,571,205</u>
Investing and development activities:			
Revaluation down of property, plant and equipment		298,841	-
Proceeds from the sale of property, plant and equipment		(89,245)	(81,268)
Proceeds from insurance claims		(1,014,548)	-
Loss on disposal of non-current assets		6,824,757	4,145,241
Capital grants and contributions		(24,006,930)	(8,925,856)
		<u>(17,987,125)</u>	<u>(4,861,883)</u>
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables		679,955	2,555,391
(Increase)/decrease in inventory		49,958	167,311
Increase/(decrease) in payables		(280,333)	1,626,499
Increase/(decrease) in other provisions		1,168,679	(15,777)
		<u>1,618,259</u>	<u>4,333,424</u>
Net cash inflow from operating activities		<u><u>9,763,473</u></u>	<u><u>4,028,491</u></u>

### 22 National Competition Policy

Council does not currently have any significant business activities to which the Code of Competitive Conduct (CCC) may be applied.

### 23 Transactions with related parties

#### (a) Transactions with key management personnel (KMP)

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

KMPs include the Mayor, Councillors, Council's Chief Executive Officer and the Executive Management team. Compensation paid to KMPs for 2016/17 comprises:

	2017 \$
Short-term employee benefits	2,515,519
Termination benefits	16,923
	<u>2,532,442</u>

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

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 23 Transactions with related parties (continued)

#### (b) Transactions with other related parties

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

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

Details of Transaction	Note	2017 \$
Employee expenses for close family members of KMPs	23(b)(i)	787,394
Purchase of materials and services from entities controlled by KMPs	23(b)(ii)	242,206
Grants and donations for close family members of KMPs	23(b)(iii)	16,999
Fees and charges charged to entities controlled by KMPs	23(b)(iv)	37,554

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

Council employs 340 staff (307 full time equivalent staff) of which 16 are close family members of key management personnel.

(ii) Council purchased the following materials and services from entities that are controlled by members of key management personnel. All purchases were at arm's length and were in the normal course of Council operations:

Fuel and electricity	56,765
Commercial rent	55,608
Ferry charters	52,862
Cultural Awareness	34,805
Consumables	23,976
Accommodation	16,650
Catering	1,540
	<u>242,206</u>

Included in the above is \$56,765 of fuel and electricity charges from Badu Island Foundation and Mer Gedkem Le (TSI) Corporation (RNTBC). During this time Councillor Nona was a director for both entities. All purchases were at arm's length, on normal terms and conditions and were in the normal course of Council's operations.

As at 30 June 2017 there was \$10,878 owed by Council to Badu Island Foundation.

(iii) Grants and donations totalling \$16,999 were made during the reporting period to related parties of KMPs as community members under Council's Grants and Donations Procedure.

(iv) The fees and charges charged to entities controlled by KMPs were at arms length. \$25,000 was for the divestment of the Dauan Ferry to Sharon and Mario Sabatino as resolved by the full Council in July 2016 with Councillor Sabatino abstaining from the vote, \$10,928 was charged for commercial lease and licensing fees for M&M Minimart at Hammond Island and licence fees for Maria Tamaru Tamu for office space use on Warraber Island and \$1,626 was charged for building repair and maintenance fees for Badu Island Foundation.

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 23 Transactions with related parties (continued)

#### (c) Commitments to/from related parties

Council has commitments for the provision of goods and services at ordinary commercial rates and terms. Commitments include the supply of accommodation, fuel and ferry transfers from the following related party entities:

	2017
	\$
Badu Island Foundation Ltd	10,878
Hammond Island Ferry	1,525
M & M Mini Mart	707
	<u>13,110</u>

#### (d) Loans and guarantees to/from related parties

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

#### (e) Outstanding balances

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

Receivables	Current	30 Days	60 Days	Over 90 Days	Total
	\$	\$	\$	\$	\$
Rates and service charges	-	963	101,626	151,226	253,815
Social housing	2,494	3,346	3,967	259,305	269,112
Other fees and charges	-	-	-	5,682	5,682
<b>Total</b>	<b>2,494</b>	<b>4,309</b>	<b>105,593</b>	<b>416,213</b>	<b>528,609</b>

\$116,119 has been recognised in the current year and prior years for bad or doubtful debts owed by related parties.



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 23 Transactions with related parties (continued)

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

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

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

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

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

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

Related Party	Relationship	Customer	Nature of Transactions	Debt Balance Written Off \$
Keith Fell	Councillor	Keith Fell	Social housing	17,978
Getano Lui (Jnr)	Councillor	Getano Lui (Jnr)	Social housing	17,680
Patrick Thaiday	Councillor	Patrick Thaiday	Social housing	11,300
Bob Kaigey	Brother	Robert Kaigey	Social housing	9,227
Getano Lui	Priest	Church Of Torres Strait	Dishonoured cheque recovery	3,955
Clara Tamu	Son	Pryce Mareko	Social housing	6,359
Torenzo Elisala	Councillor	Torenzo Elisala	Social housing	1,900
Torenzo Elisala	Spouse	Diana Wosomo	Social housing	2,750
Daisy Ketchell	Son	Marsat & B. Ketchell	Pre amalgamation debt - unknown	2,042
Dimas Toby	Councillor	Dimas Toby	Social housing	1,505
Keith Fell	Councillor	Keith Fell	Pre amalgamation debt - unknown	679
David Bosun	Councillor	David Bosun	Pre amalgamation debt - unknown	311
John Levi	Councillor	John E Levi	Purchase of goods	261
Keith Fell	Councillor	Keith Fell	Pre amalgamation debt - unknown	239
David Bosun	Councillor	Jeanon Baira	Pre amalgamation debt - unknown	213
John Levi	Councillor	John E Levi	Annual levy 2008	90
				76,489

# Torres Strait Island Regional Council

## Financial statements


### For the year ended 30 June 2017

#### Management Certificate For the year ended 30 June 2017

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  
Fredrick Gela

Date: 8 / 12 / 2017

  
\_\_\_\_\_  
Chief Executive Officer  
Bruce Ranga

Date: 8 / 12 / 2017

# INDEPENDENT AUDITOR'S REPORT

To the Councillors of Torres Strait Island Regional Council

## Report on the Audit of the Financial Report

### Opinion

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

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2017, and of its financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Mayor and Chief Executive Officer.

### Basis for opinion

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

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

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

### Other information

Other information comprises the information included in Torres Strait Island Regional Council's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long term financial sustainability statement.

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

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

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



## **Other Matters**

The council is required to comply with the Local Government Regulation 2012. The requirements include completing their financial statements in sufficient time to allow the audit to be completed no later than four months after the end of the financial year. When extraordinary circumstances exist, the Minister for Local Government (the Minister) may decide later dates.

Council advised the Minister in early September of the extraordinary circumstances.

Council is awaiting the Minister's decision.

## **Responsibilities of the council 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 the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards, and for such internal control as the council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

## **Auditor's responsibilities for the audit of the financial report**

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the

financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.

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

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

### **Report on other legal and regulatory requirements**

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017:

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



C G Strickland  
as delegate of the Auditor-General



Queensland Audit Office  
Brisbane

**Torres Strait Island Regional Council**  
**Current-year Financial Sustainability Statement**  
**For the year ended 30 June 2017**

**Measures of Financial Sustainability**

	<b>How the measure is calculated</b>	<b>Target</b>	<b>30 June 2017 Result</b>
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	Between 0% and 10%	-39%
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%	-33%

**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 2017.

**Certificate of Accuracy**  
**For the year ended 30 June 2017**

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**  
**Fredrick Gela**

Date: 8 / 12 / 2017

  
 \_\_\_\_\_  
**Chief Executive Officer**  
**Bruce Ranga**

Date: 8 / 12 / 2017





# INDEPENDENT AUDITOR'S REPORT

To the Councillors of Torres Strait Island Regional Council

## Report on the Current Year Financial Sustainability Statement

### Opinion

I have audited the accompanying current year financial sustainability statement of Torres Strait Island Regional Council for the year ended 30 June 2017, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 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 2017 has been accurately calculated.

### Basis of opinion

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

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

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

### Emphasis of matter – basis of accounting

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

### Other information

Other information comprises the information included in Torres Strait Island Regional Council's annual report for the year ended 30 June 2017, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and long-term financial sustainability statement.

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

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent

with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

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

### **Other Matters**

The council is required to comply with the Local Government Regulation 2012. The requirements include completing their financial statements in sufficient time to allow the audit to be completed no later than four months after the end of the financial year. When extraordinary circumstances exist, the Minister for Local Government (the Minister) may decide later dates.

Council advised the Minister in early September of the extraordinary circumstances.

Council is awaiting the Minister's decision.

### **Responsibilities of the council 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 responsibilities for the audit of the current year financial sustainability statement**

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

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

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

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

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

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



C G Strickland  
as delegate of the Auditor-General



Queensland Audit Office  
Brisbane



**Torres Strait Island Regional Council**  
**Long-Term Financial Sustainability Statement**  
**Prepared as at 30 June 2017**

**Measures of Financial Sustainability**

Measure	Target	Projected for the years ended									
		Actuals at 30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026
Operating surplus ratio	Between 0% and 10%	-39%	-53%	-66%	-54%	-49%	-45%	-42%	-40%	-38%	-37%
Asset sustainability ratio	greater than 90%	28%	30%	17%	20%	23%	25%	27%	29%	32%	33%
Net financial liabilities ratio	not greater than 60%	-33%	-16%	-18%	-21%	-22%	-23%	-23%	-23%	-23%	-22%

**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 Infrastructure, Local Government and Planning to help monitor the long-term sustainability of all councils across Queensland. Throughout the financial year, these indicators are calculated and reported on monthly at Council meetings, as part of a full suite of financial reports. Should there be any deviation outside these parameters, the executive management and Council will be fully informed and may take corrective action as required.

**Certificate of Accuracy**  
**For the long-term financial sustainability statement prepared as at 30 June 2017**

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  
**Fredrick Gela**  
 Date: 8 / 12 / 2017

  
 Chief Executive Officer  
**Bruce Ranga**  
 Date: 8 / 12 / 2017

