



Torres Strait Island Regional Council Financial Statements For the year ended 30 June 2019



Torres Strait Island
REGIONAL COUNCIL

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Torres Strait Island Regional Council

Statement of Comprehensive Income

For the year ended 30 June 2019

| | Note | 2019 \$ | 2018 \$ |
|--|------|----------------------|----------------------|
| Income | | | |
| Recurrent revenue | | | |
| Community levies, rates and charges | 3(a) | 1,378,613 | 1,403,660 |
| Fees and charges | 3(b) | 4,439,727 | 4,502,032 |
| Rental income | 3(c) | 5,207,560 | 5,607,690 |
| Interest received | | 1,303,813 | 672,045 |
| Sales revenue | 3(d) | 34,653,858 | 54,557,125 |
| Other income | 3(e) | 4,032,290 | 2,234,508 |
| Grants, subsidies, contributions and donations | 4(a) | 22,756,745 | 23,311,111 |
| | | <u>73,772,606</u> | <u>92,288,171</u> |
| Capital revenue | | | |
| Grants, subsidies, contributions and donations | 4(b) | 31,160,902 | 49,420,115 |
| Gain on disposal of finance leases | 5 | - | 2,434,580 |
| | | <u>31,160,902</u> | <u>51,854,695</u> |
| Total income | | <u>104,933,508</u> | <u>144,142,866</u> |
| Expenses | | | |
| Recurrent expenses | | | |
| Employee benefits | 6 | (22,871,604) | (22,912,930) |
| Materials and services | 7 | (43,920,755) | (58,015,058) |
| Finance costs | 8 | (1,368,296) | (3,351,432) |
| Depreciation and amortisation | 9 | (46,163,049) | (44,953,443) |
| | | <u>(114,323,704)</u> | <u>(129,232,863)</u> |
| Capital expenses | 5 | (19,492,742) | (10,644,034) |
| Total expenses | | <u>(133,816,446)</u> | <u>(139,876,897)</u> |
| Net result | | <u>(28,882,938)</u> | <u>4,265,969</u> |
| Other comprehensive income | | | |
| Increase in asset revaluation surplus | 13 | 16,028,760 | 27,089,669 |
| Total other comprehensive income for the year | | <u>16,028,760</u> | <u>27,089,669</u> |
| Total comprehensive income for the year | | <u>(12,854,178)</u> | <u>31,355,638</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 2019

| | Note | 2019 \$ | 2018 \$ |
|--------------------------------------|------|--------------------|--------------------|
| Current assets | | | |
| Cash and cash equivalents | 10 | 50,756,886 | 59,993,975 |
| Short term deposit | | 63,970 | 62,533 |
| Trade and other receivables | 11 | 14,316,959 | 11,197,870 |
| Inventories | | 247,843 | 284,070 |
| Other financial assets | 12 | 361,787 | 303,563 |
| Total current assets | | <u>65,747,445</u> | <u>71,842,011</u> |
| Non-current assets | | | |
| Other financial assets | 12 | 14,308,549 | 9,870,234 |
| Property, plant and equipment | 13 | 860,783,022 | 873,838,174 |
| Intangible assets | | 34,043 | 248,370 |
| Total non-current assets | | <u>875,125,614</u> | <u>883,956,778</u> |
| Total assets | | <u>940,873,059</u> | <u>955,798,789</u> |
| Current liabilities | | | |
| Trade and other payables | 14 | 8,015,503 | 10,240,353 |
| Borrowings | | 63,989 | 59,661 |
| Provisions | 15 | 3,300,844 | 1,337,837 |
| Total current liabilities | | <u>11,380,336</u> | <u>11,637,851</u> |
| Non-current liabilities | | | |
| Borrowings | | 104,432 | 167,913 |
| Provisions | 15 | 3,353,638 | 5,104,194 |
| Total non-current liabilities | | <u>3,458,070</u> | <u>5,272,107</u> |
| Total liabilities | | <u>14,838,406</u> | <u>16,909,958</u> |
| Net community assets | | <u>926,034,653</u> | <u>938,888,831</u> |
| Community equity | | | |
| Asset revaluation surplus | 13 | 429,865,161 | 413,836,401 |
| Retained surplus | | 496,169,492 | 525,052,430 |
| Total community equity | | <u>926,034,653</u> | <u>938,888,831</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 2019

| | Note | Asset revaluation surplus | Retained surplus | Total |
|--|------|---------------------------------|---------------------|--------------|
| | | \$ | \$ | \$ |
| Balance as at 1 July 2018 | | 413,836,401 | 525,052,430 | 938,888,831 |
| Net result | | - | (28,882,938) | (28,882,938) |
| Other comprehensive income for the year | | | | |
| Increase in asset revaluation surplus | | 16,028,760 | - | 16,028,760 |
| Total comprehensive income for the year | | 16,028,760 | (28,882,938) | (12,854,178) |
| Balance as at 30 June 2019 | | 429,865,161 | 496,169,492 | 926,034,653 |
| Balance as at 1 July 2017 | | 386,746,732 | 518,472,261 | 905,218,993 |
| Opening balance adjustment | 21 | - | 2,314,200 | 2,314,200 |
| | | 386,746,732 | 520,786,461 | 907,533,193 |
| Net result | | - | 4,265,969 | 4,265,969 |
| Other comprehensive income for the year | | | | |
| Increase in asset revaluation surplus | | 27,089,669 | - | 27,089,669 |
| Total comprehensive income for the year | | 27,089,669 | 4,265,969 | 31,355,638 |
| Balance as at 30 June 2018 | | 413,836,401 | 525,052,430 | 938,888,831 |

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 2019

| | Note | 2019 \$ | 2018 \$ |
|---|------|--------------|--------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 42,844,755 | 63,390,107 |
| Payments to suppliers and employees | | (69,280,585) | (77,276,997) |
| | | (26,435,829) | (13,886,890) |
| Interest received | | 1,303,813 | 672,045 |
| Recurrent grants and contributions | | 22,756,745 | 23,311,111 |
| Borrowing costs | | (15,921) | (18,970) |
| Net cash inflow (outflow) from operating activities | 20 | (2,391,193) | 10,077,296 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (25,262,760) | (13,994,913) |
| Proceeds from sale of property plant and equipment | | 1,091 | 87,498 |
| Proceeds from insurance claims | | 1,934,447 | 84,775 |
| Finance lease receipts | | 350,741 | 310,810 |
| Capital grants, subsidies, contributions and donations | | 16,189,737 | 32,890,104 |
| Net cash inflow (outflow) from investing activities | | (6,786,744) | 19,378,274 |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | (59,152) | (54,952) |
| Net cash inflow (outflow) from financing activities | | (59,152) | (54,952) |
| Net increase (decrease) in cash and cash equivalents held | | (9,237,089) | 29,400,618 |
| Cash and cash equivalents at the beginning of the financial year | | 59,993,975 | 30,593,357 |
| Cash and cash equivalents at end of the financial year | 10 | 50,756,886 | 59,993,975 |

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 2019

1 Significant accounting policies

1.A Basis of preparation

These general purpose financial statements are for the period 1 July 2018 to 30 June 2019 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 as stated. The Council uses the Australian dollar as its functional currency, its presentation currency and rounds to the nearest dollar.

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

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

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

On 1 July 2018 (the date of initial application), Council re-assessed the classification, measurement category and carrying amount of each financial instrument (listed below) in accordance with AASB 9. There were some changes to classification, but this did not result in changes to measurement categories (listed below). Carrying amounts were also unchanged.

| Financial asset/liability | Measurement category (unchanged) |
|-----------------------------|----------------------------------|
| Cash and cash equivalents | Amortised cost |
| Short term deposits | Amortised cost |
| Trade and other receivables | Amortised cost |
| Other financial assets | Amortised cost |
| Trade and other payables | Amortised cost |
| Borrowings | Amortised cost |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

1 Significant accounting policies (continued)

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

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:

| Standard and impact | Date Council will apply the standard |
|---|--------------------------------------|
| <u>AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities</u> | |

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-to-profit (NFP) entities, in conjunction with AASB 15, and AASB 2016-8. These Standards supersede the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 *Contributions*.

1 July 2019

Identifiable impacts at the date of this report are:

Some grants received by Council will be recognised as a liability, and subsequently recognised progressively as revenue as the Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.

Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants from the Federal Government and State Government for which there are no sufficiently specific performance obligations. These are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.

Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of Council's goods and services such that some revenue may need to be deferred to a later reporting period to the extent that Council has received payment but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime).

Prepaid utility charges will not be recognised as revenue until the relevant rating period starts. Until that time these receipts will be recognised as a liability (unearned revenue). There will be no impact upon the recognition of other fees and charges.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

1 Significant accounting policies (continued)

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

| Standard and impact | Date Council will apply the standard |
|---|--------------------------------------|
| <u>AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities (continued)</u> | |

Based on Council's assessment, if Council had adopted the new standards in the current financial year it would have had no material impact on the financial statements.

Transition method

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

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

AASB 16 Leases

1 July 2019

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

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

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

1 Significant accounting policies (continued)

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

| Standard and impact | Date Council will apply the standard |
|---------------------|--------------------------------------|
|---------------------|--------------------------------------|

AASB 16 Leases (continued)

Leases in which the Council is a lessee

Council will recognise new assets and liabilities for its operating leases of property (see Note 16). The nature of expenses related to those leases will now change because Council will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, Council has recognised an operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

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

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

- lease assets and financial liabilities on the balance sheet will increase by \$1,848,881 and \$1,848,881 respectively as at 1 July 2019 (based on the facts available to Council at the date of assessment).
- there will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities.
- net result will be lower on initial application as depreciation and the lease liability interest will be initially higher than operating lease expenses previously recorded.

Peppercorn leases

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

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

1 Significant accounting policies (continued)

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

| Standard and impact | Date Council will apply the standard |
|---------------------|--------------------------------------|
|---------------------|--------------------------------------|

AASB 16 Leases (continued)

Transition method

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

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

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 15
- Valuation of finance leases - Note 12
- Contingent liabilities - Note 17
- Financial instruments and financial risk management - Note 23

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

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 laws, 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
- Legal services
- Organisational development services

From July 2018 the corporate structure for the Council has been progressively altered to create two main functional areas reporting directly to the CEO, being Operations and Business Services.

Operations

The Operations division is headed by the Chief Operating Officer (COO) who is responsible for the following areas:

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
- Divisional administrative services

Engineering Services

The objective of the Engineering Services function is to provide a high level of service in integrated infrastructure management which ensures environmental protection and meets community expectations.

The outcomes achieved by Engineering Services are linked with Council's commitment to public health, transport, water and wastewater infrastructure.

Key components of the Engineering Services function include:

- 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 Affairs and Engagement (managed by the COO however still accounted for under Executive Department for reporting purposes until July 2019)

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

Key components of the Corporate Affairs and Engagement function include:

- Media, events and communication
- Engagement and advocacy
- Strategic (corporate) planning services
- Enterprise development

Business Services

The Business Services division is headed by the Chief Financial Officer (CFO). The objective of this division is to provide efficient and effective support services to Council functions. The Business Services function is multi-disciplinary and consists of:

- Financial management services
- Strategic (financial) planning
- Asset management services
- Policy and procedure review
- Information services
- Procurement and fleet services

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

2 Analysis of results by function (continued)

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

Year ended 30 June 2019

| 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 | | | | | | | | | | |
| | Grants | Other | Grants | Other | | | | | | | | | |
| | \$ | \$ | \$ | \$ | \$ | | | | | | | | |
| | | | | | | | | | | | | | |
| Executive | 562,700 | 213,432 | - | - | - | 776,132 | (4,938,204) | - | (37,779) | (4,975,983) | (4,199,851) | (5,137,741) | 8,184,256 |
| Health and Community Services | 3,926,815 | 5,484,302 | - | - | - | 9,411,117 | (14,680,147) | - | 131,289 | (14,548,858) | (5,137,741) | (5,137,741) | 8,184,256 |
| Engineering Services | 464,697 | 3,323,385 | 15,188,749 | - | - | 18,976,831 | (35,969,791) | - | (291,679) | (36,261,470) | (32,473,388) | (17,284,639) | 490,873,400 |
| Housing Services | - | 37,500,630 | - | - | - | 37,500,630 | (49,307,391) | - | (2,283,864) | (51,591,245) | (14,090,615) | (14,090,615) | 294,061,828 |
| Business Services | 17,802,533 | 4,494,112 | 13,965,374 | 2,006,779 | - | 38,268,798 | (9,428,171) | (19,492,742) | 2,482,023 | (26,438,890) | 15,350,497 | 11,829,908 | 147,753,575 |
| Total Council | 22,756,745 | 51,015,861 | 29,154,123 | 2,006,779 | - | 104,933,508 | (114,323,704) | (19,492,742) | - | (133,816,446) | (40,551,098) | (28,882,938) | 940,873,059 |

Effective from 1 July 2018, Corporate Services and Financial Services was disbanded and Business Services was formed. All services provided by both Corporate Services and Financial Services was transferred to Business Services with the exception of legal that was transferred to Executive Department.

Year ended 30 June 2018

| 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 | | | | | | | | | | |
| | | Other | Grants | | Other | | | | | | | | |
| | Grants | | | Grants | | | | | | | | | |
| | \$ | \$ | \$ | \$ | \$ | | | | | | | | |
| Executive | 1,069,700 | 4,540,508 | - | - | - | 5,610,208 | (7,622,543) | - | (25,726) | (7,648,269) | (2,038,061) | (2,038,061) | - |
| Health and Community Services | 4,002,009 | 143,107 | 292,500 | - | - | 4,437,616 | (4,655,506) | - | (153,722) | (4,809,228) | (664,112) | (371,612) | 7,161,619 |
| Financial Services | 17,617,354 | 1,454,646 | - | 1,736,277 | - | 20,808,277 | (2,042,396) | - | - | (2,042,396) | 17,029,604 | 18,765,881 | 81,712,245 |
| Engineering Services | 568,819 | 3,175,683 | 31,358,001 | - | - | 35,102,503 | (34,089,910) | - | (206,400) | (34,296,310) | (30,551,808) | 806,193 | 490,889,848 |
| Housing Services | - | 57,799,879 | - | - | - | 57,799,879 | (65,600,586) | - | (754,388) | (66,354,974) | (8,555,095) | (8,555,095) | 317,211,008 |
| Corporate Services | 53,229 | 1,863,237 | 18,467,917 | - | - | 20,384,383 | (15,221,923) | (10,644,034) | 1,140,236 | (24,725,721) | (12,165,220) | (4,341,338) | 58,824,069 |
| Total Council | 23,311,111 | 68,977,060 | 50,118,418 | 1,736,277 | - | 144,142,866 | (129,232,864) | (10,644,034) | - | (139,876,897) | (36,944,692) | 4,265,969 | 955,798,789 |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

| | Note | 2019 \$ | 2018 \$ |
|--|------|------------------|------------------|
| 3 Revenue analysis | | | |
| (a) Community levies, rates and charges | | | |
| Revenue from rates and levies is recognised as revenue during the period to which they relate. | | | |
| Water charges commercial | | 378,012 | 389,307 |
| Sewerage charges commercial | | 792,372 | 818,627 |
| Garbage charges commercial | | 149,050 | 161,174 |
| Rates from 40 year leases | | 59,179 | 34,552 |
| | | <u>1,378,613</u> | <u>1,403,660</u> |
| (b) Fees and charges | | | |
| Fees and charges are recognised when Council is unconditionally entitled to those funds. Generally this is upon lodgement of the relevant applications or documents, issuing of infringement notice or when the service is provided. | | | |
| Airport landing fees | | 479,835 | 368,368 |
| Commercial property rental | | 2,376,566 | 2,627,530 |
| Maritime fees | | 1,190,083 | 1,301,236 |
| Hire of council buildings | | 54,978 | 46,156 |
| Other fees and charges | | 338,265 | 158,742 |
| | | <u>4,439,727</u> | <u>4,502,032</u> |
| (c) Rental income | | | |
| Rental revenue from community housing is recognised as income on a periodic straight line basis over the lease term. | | | |
| Residential property rental income | | 5,207,560 | 5,607,690 |
| | | <u>5,207,560</u> | <u>5,607,690</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> . | | | |
| (d) Sales revenue | | | |
| Council provides a range of goods and services to the community and other third parties for a fee. These fees are set in a fees and charges register adopted by Council at the annual budget meeting. Revenue is recognised 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. | | | |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

| 3 Revenue analysis (continued) | Note | 2019 \$ | 2018 \$ |
|--|------|-------------------|-------------------|
| (d) Sales revenue (continued) | | | |
| Contract and recoverable works | | 31,892,655 | 51,502,763 |
| Plant and equipment hire | | 91,515 | 62,620 |
| Childcare services | | 58,231 | 78,359 |
| Accommodation | | 747,484 | 548,589 |
| Sale of fuel and gas | | 1,437,381 | 1,480,483 |
| Sale of powercards | | 426,592 | 884,311 |
| | | <u>34,653,858</u> | <u>54,557,125</u> |
| (e) Other income | | | |
| Insurance claims received | | 26,895 | 22,226 |
| Gain/(loss) on revaluation of finance leases | 12 | 2,907,881 | 767,255 |
| Commission income | | 402,341 | 421,705 |
| Other revenue | | 695,173 | 1,023,322 |
| | | <u>4,032,290</u> | <u>2,234,508</u> |
| 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. These 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 19 for funds held in trust for this purpose. | | | |
| (a) Recurrent | | | |
| General purpose grants | | 11,212,731 | 11,124,466 |
| State Government subsidies and grants | | 9,716,318 | 9,597,299 |
| Commonwealth Government subsidies and grants | | 1,812,696 | 2,575,346 |
| Donations | | 15,000 | 14,000 |
| | | <u>22,756,745</u> | <u>23,311,111</u> |
| (b) Capital | | | |
| State Government subsidies and grants | | 13,485,066 | 28,960,009 |
| Commonwealth Government subsidies and grants | | 2,704,670 | 3,930,095 |
| Gain on initial recognition of finance lease | | 2,006,779 | 1,736,277 |
| Contributed assets | | 12,964,387 | 14,793,734 |
| | | <u>31,160,902</u> | <u>49,420,115</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 | | 22,373,885 | 23,344,047 |
| | | <u>22,373,885</u> | <u>23,344,047</u> |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

4 Grants, subsidies, contributions and donations (continued)

Conditions over contributions (continued)

Contributions recognised as income during a previous reporting period that were obtained in respect of the current reporting period:

| | Note | 2019 \$ | 2018 \$ |
|---|------|------------------|------------------|
| Non-reciprocal grants for expenditure on services | | 5,582,668 | 5,201,482 |
| | | <u>5,582,668</u> | <u>5,201,482</u> |

Council received 50% of their Financial Assistance and Local Roads Grant allocation on 22 June 2018 for the 2018/19 financial year totalling \$5.6 million and on 19 June 2019 for the 2019/20 financial year totalling \$5.7 million. Per AASB 1004 *Contributions* revenue recognition criteria, Council has recognised the contribution upon receipt of the funds in 2017-18 and 2018-19 respectively.

5 Capital revenue/expenses

Capital revenue

Gain on disposal of finance leases

| | | |
|--|----------|------------------|
| Proceeds from disposal of finance leases | - | 2,945,414 |
| Less: Carrying value of finance leases | - | (510,834) |
| | <u>-</u> | <u>2,434,580</u> |

Capital expenses

Loss on disposal of non-current assets

| | | |
|---|------------------|------------------|
| Book value of property, plant and equipment | 6,333,385 | 9,103,487 |
| Less: Proceeds from the sale of property, plant and equipment | (1,091) | (87,498) |
| Less: Proceeds from insurance claims | (1,934,447) | (84,775) |
| | <u>4,397,847</u> | <u>8,931,214</u> |

Loss on disposal of finance leases

| | | |
|--|---------------|----------|
| Carrying value of finance leases | 67,380 | - |
| Less: Proceeds from disposal of finance leases | - | - |
| | <u>67,380</u> | <u>-</u> |

Loss on disposal of registered *Land Holding Act* leases

| | | |
|---|-------------------|------------------|
| Book value of property, plant and equipment | 15,027,515 | 1,712,821 |
| Less: Proceeds from the transfer of registered <i>Land Holding Act</i> leases | - | - |
| | <u>15,027,515</u> | <u>1,712,821</u> |

Total Capital expenses

| | | |
|--|-------------------|-------------------|
| | <u>19,492,742</u> | <u>10,644,033</u> |
|--|-------------------|-------------------|

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

| | Note | 2019 \$ | 2018 \$ |
|--|------|-------------------|-------------------|
| 6 Employee benefits | | | |
| Total staff wages and salaries | | 16,811,779 | 16,783,723 |
| Councillors' remuneration | | 986,296 | 961,615 |
| Annual, sick and long service leave entitlements | | 3,274,288 | 3,332,243 |
| Superannuation | 18 | 2,111,948 | 2,145,757 |
| | | <u>23,184,311</u> | <u>23,223,338</u> |
| Other employee related expenses | | 290,921 | 347,710 |
| | | <u>23,475,232</u> | <u>23,571,048</u> |
| Less: Capitalised employee expenses | | (603,628) | (658,118) |
| | | <u>22,871,604</u> | <u>22,912,930</u> |

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

| | 2019 | 2018 |
|--|------------|------------|
| Total Council employees at the reporting date: | | |
| Elected members | 16 | 16 |
| Administration staff | 304 | 318 |
| Total full time equivalent employees | <u>320</u> | <u>334</u> |

| | 2019 \$ | 2018 \$ |
|-------------------------------------|-------------------|-------------------|
| 7 Materials and services | | |
| Advertising and marketing | 75,027 | 26,707 |
| Audit services | 218,500 | 224,446 |
| Communications and IT | 1,561,519 | 1,363,339 |
| Consultants | 896,582 | 832,575 |
| Contractors | 16,837,006 | 33,233,580 |
| Donations paid | 446,940 | 384,966 |
| Freight | 2,111,611 | 2,334,391 |
| Insurance | 3,393,715 | 3,045,875 |
| Legal fees | 307,438 | 184,796 |
| Motor vehicle expenses | 262,480 | 204,814 |
| Powercards, fuel and gas for resale | 2,643,026 | 2,695,474 |
| Power | 1,319,454 | 1,395,182 |
| Repairs and maintenance | 3,688,771 | 6,132,924 |
| Rent paid | 704,773 | 658,609 |
| Subscriptions and registrations | 111,450 | 94,804 |
| Supplies and consumables | 416,648 | 283,895 |
| Temporary staff costs | 560,595 | 150,333 |
| Travel | 2,828,487 | 2,709,675 |
| Other materials and services | 5,604,907 | 2,112,972 |
| Less: Expenses capitalised | (68,174) | (54,299) |
| | <u>43,920,755</u> | <u>58,015,058</u> |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

| | Note | 2019 \$ | 2018 \$ |
|---|------|-------------------|-------------------|
| 8 Finance costs | | | |
| Finance costs charged by QTC | | 15,921 | 18,969 |
| Bank charges | | 117,505 | 86,398 |
| Impairment of debts | | 936,904 | 3,136,798 |
| Refuse restoration | | 297,966 | 109,267 |
| | | <u>1,368,296</u> | <u>3,351,432</u> |
| 9 Depreciation and amortisation | | | |
| Depreciation of non-current assets | | | |
| Buildings (Communities) | | 18,671,781 | 18,173,766 |
| Buildings (Corporate) | | 3,706,514 | 3,573,936 |
| Recreational facilities | | 850,380 | 779,788 |
| Roads/transport network | | 5,439,461 | 5,403,854 |
| Stormwater drainage network | | 249,759 | 240,714 |
| Flood mitigation network | | 730,495 | 623,931 |
| Water supply network | | 7,052,752 | 6,912,921 |
| Sewerage network | | 7,537,980 | 7,454,556 |
| Wharves, piers, jetties and pontoons | | 885,399 | 798,306 |
| Waste landfill | | 171,635 | 102,832 |
| Plant and equipment | | 652,565 | 673,923 |
| | 13 | <u>45,948,721</u> | <u>44,738,527</u> |
| Amortisation of intangible assets | | | |
| Software | | 214,328 | 214,916 |
| | | <u>46,163,049</u> | <u>44,953,443</u> |
| 10 Cash and cash equivalents | | | |
| Cash and cash equivalents includes cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. | | | |
| Council's cash at bank and term deposits are held with National Australia Bank on normal terms. The bank currently has a short term credit rating of A-1+ and long term rating of AA-. Deposits on call are held with the Queensland Treasury Corporation. | | | |
| Cash at bank | | 14,081,634 | 6,818,723 |
| Deposits at call | | 36,675,252 | 53,175,252 |
| Balance per Statement of Cash Flows | | <u>50,756,886</u> | <u>59,993,975</u> |
| Externally and internally imposed expenditure restrictions at the reporting date relate to the following cash assets: | | | |
| Funds set aside and held in reserves for DOGIT land | | 927,734 | 617,925 |
| Total unspent restricted cash | | <u>927,734</u> | <u>617,925</u> |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

11 Trade and other receivables

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

Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. Council actively pursues outstanding housing debts from both current and former tenants as per its Rental Debt Policy. Recovery action is undertaken for tenants who are more than 14 days in arrears. Housing Officers review rent accounts fortnightly and make contact with tenants in person to negotiate affordable rent and arrears payment plans.

All known bad debts were written-off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue.

| | Note | 2019 \$ | 2018 \$ |
|--|------|-------------------|-------------------|
| Current | | | |
| Receivable - Housing | | 14,141,294 | 14,071,515 |
| Less impairment | | (14,004,027) | (13,995,661) |
| Receivable - Rates | | 259,179 | 700,147 |
| Less impairment | | (129,589) | (16,728) |
| Receivable - Other | | 6,970,775 | 7,688,614 |
| Less impairment | | (36,752) | (197,789) |
| | | <u>7,200,880</u> | <u>8,250,098</u> |
| Accrued revenue | | 6,947,983 | 2,876,257 |
| Prepayments | | 154,786 | 71,515 |
| GST receivable | | 13,310 | - |
| | | <u>14,316,959</u> | <u>11,197,870</u> |
| Movement in accumulated impairment losses is as follows: | | | |
| Opening balance at 1 July | | 14,210,178 | 12,892,855 |
| Impairment debts written off during the year | | (976,714) | (1,819,475) |
| Additional impairments recognised | | 936,904 | 3,136,798 |
| Closing balance at 30 June | | <u>14,170,368</u> | <u>14,210,178</u> |

*Council applied AASB 9 for the first time this year. As a result Council has calculated the impairment of receivables in a different way for 2019, using a lifetime expected loss allowance. The opening balance of impairment, as at 1 July 2018, has been recalculated using this new methodology. This resulted in an immaterial adjustment, thus the opening balance of impairment has not been adjusted as at 1 July 2018. Further details of Council's expected credit loss assessment are contained in note 23.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

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

The total lease payment per dwelling in the current year ranged between \$2,000 and \$2,166 (\$2,000 to \$2,131 for 2017/18). 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.

The Queensland Government has the right to surrender any part of the lease at any time by giving Council three months' written notice. Per the lease agreement any improvements to the property transfer to Council when the lease terminates. On 1 June 2018 and 20 July 2018 the Queensland Government surrendered the lease of 8 dwellings on Mabuiag and 1 vacant site on Saibai back to Council respectively. The 8 dwellings on Mabuiag were added to Council's fixed asset register in the 2018 financial year.

| | Note | 2019 \$ | 2018 \$ |
|--------------------|------|-------------------|------------------|
| Current | | | |
| Finance leases | | 361,787 | 303,563 |
| | | <u>361,787</u> | <u>303,563</u> |
| Non-current | | | |
| Finance leases | | 14,308,549 | 9,870,234 |
| | | <u>14,308,549</u> | <u>9,870,234</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 | 361,787 | 303,563 |
| Later than one year but not later than five years | 1,447,149 | 1,214,253 |
| Later than five years | 11,472,020 | 9,736,989 |
| | <u>13,280,956</u> | <u>11,254,805</u> |
| Add: Estimated contingent rent | 7,968,217 | 6,958,688 |
| Less: Present value adjustment | (6,578,837) | (8,039,696) |
| Fair value of lease payments | <u>14,670,336</u> | <u>10,173,797</u> |

The fair value of lease payments is receivable as follows:

| | | |
|---|-------------------|-------------------|
| Not later than one year | 361,787 | 303,563 |
| Later than one year but not later than five years | 1,468,036 | 1,197,123 |
| Later than five years | 12,840,513 | 8,673,111 |
| | <u>14,670,336</u> | <u>10,173,797</u> |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

| | Note | 2019 \$ | 2018 \$ |
|--|------|-------------------|-------------------|
| 12 Other financial assets (continued) | | | |
| Movements in finance leases were as follows: | | | |
| Opening balance | | 10,173,797 | 8,491,909 |
| Add: Initial recognition of new leases | | 2,006,779 | 1,736,276 |
| Less: Lease receipts | | (350,741) | (310,810) |
| Less: Surrender of leases | | (67,380) | (510,834) |
| Add: Gain on revaluation | 3(d) | 2,907,881 | 767,255 |
| Closing balance | | <u>14,670,336</u> | <u>10,173,797</u> |

The calculation of fair value has included an estimate of average annual CPI increases of 2.5% (2.5%, 2018) and a discount rate of 1.92% (3.09%, 2018).

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

13 Property, plant and equipment

Council - 30 June 2019

Basis of measurement

Asset values

Opening gross value as at 1 July 2018

Additions

Capital contributions

Assets capitalised from work in progress

Projects written off from work in progress

Disposals

Revaluation adjustment to asset revaluation surplus

Closing gross value as at 30 June 2019

Accumulated depreciation and impairment

Opening balance as at 1 July 2018

Depreciation provided in period

Revaluation adjustment to asset revaluation surplus

Impairment adjustment to asset revaluation surplus

Depreciation/impairment on disposals

Accumulated depreciation as at 30 June 2019

Book value as at 30 June 2019

Range of estimated useful life in years

Additions comprise:

Renewals

Other additions

Total additions

Asset revaluation surplus

Opening balance as at 1 July 2018

Movements - Revaluation

Movements - Impairments

Closing balance asset revaluation surplus as at

30 June 2019

| Buildings (Communities) | Buildings (Corporate) | Recreational Facilities | Road / Transport Network | Stormwater Drainage Network | Flood Mitigation Network | Water Supply Network | Sewerage Network | Wharves, Piers, Jetties & Pontoons | Waste Landfill | Land Assets | Plant & Equipment | Work in progress | Total |
|-------------------------|-----------------------|-------------------------|--------------------------|-----------------------------|--------------------------|----------------------|------------------|------------------------------------|----------------|-------------|-------------------|------------------|---------------|
| Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Cost | Cost | \$ |
| 591,076,460 | 104,482,116 | 25,333,822 | 274,517,709 | 12,933,154 | 33,038,763 | 224,027,139 | 244,901,706 | 37,939,200 | 1,271,120 | 520,000 | 7,556,980 | 10,372,770 | 1,567,970,940 |
| 11,060,625 | 1,064,554 | - | - | - | - | 809,309 | - | - | - | - | 29,900 | 25,264,328 | 25,264,328 |
| 929,654 | 2,308,943 | 1,961,615 | 751,120 | - | - | 1,744,617 | 20,786 | 6,318,434 | 1,350,273 | - | 448,050 | (15,833,492) | 12,964,387 |
| (40,257,480) | (1,003,171) | (1,794,161) | (125,996) | - | - | (1,709,536) | (20,786) | (289,561) | - | - | (146,685) | (3,007) | (45,327,357) |
| 7,560,061 | 1,394,931 | 299,406 | 5,847,553 | 311,109 | 825,969 | 6,694,450 | 7,326,693 | 1,138,176 | 26,078 | - | - | - | 31,424,426 |
| 570,369,340 | 108,247,372 | 25,800,682 | 280,990,386 | 13,244,263 | 33,864,732 | 231,565,979 | 252,228,399 | 45,126,249 | 2,647,471 | 520,000 | 7,888,245 | 19,800,600 | 1,592,293,718 |

| | | | | | | | | | | | | | |
|--------------|------------|-------------|-------------|-----------|-----------|-------------|-------------|------------|-----------|---|-----------|---|--------------|
| 273,865,452 | 59,086,914 | 18,172,202 | 107,239,276 | 4,583,968 | 4,520,807 | 102,908,685 | 100,966,050 | 16,423,018 | 1,097,140 | - | 5,269,253 | - | 684,132,766 |
| 18,671,781 | 3,706,514 | 850,380 | 5,439,461 | 249,759 | 730,495 | 7,052,752 | 7,537,980 | 885,399 | 171,635 | - | 652,565 | - | 45,948,721 |
| 3,704,140 | 828,697 | 214,816 | 2,421,263 | 115,649 | 131,283 | 3,255,242 | 3,250,499 | 510,922 | 24,150 | - | - | - | 14,456,661 |
| - | - | - | 939,004 | - | - | - | - | - | - | - | - | - | 939,004 |
| (19,933,861) | (611,864) | (1,620,972) | (68,258) | - | - | (1,381,334) | (17,211) | (193,554) | - | - | (139,402) | - | (23,966,457) |
| 276,307,512 | 63,010,262 | 17,616,426 | 115,970,747 | 4,949,375 | 5,382,585 | 111,835,345 | 111,737,318 | 17,625,786 | 1,292,924 | - | 5,782,416 | - | 731,510,695 |

| | | | | | | | | | | | | | |
|-------------|------------|-----------|-------------|-----------|------------|-------------|-------------|------------|-----------|-----------------------|-----------|----------------------|-------------|
| 294,061,828 | 45,237,110 | 8,184,256 | 165,019,640 | 8,294,888 | 28,482,147 | 119,730,634 | 140,491,082 | 27,500,463 | 1,354,546 | 520,000 | 2,105,829 | 19,800,600 | 860,783,022 |
| 2 - 88 | 2 - 73 | 5 - 55 | 1 - 136 | 47 - 53 | 10 - 50 | 1 - 64 | 1 - 113 | 3 - 55 | 8 - 29 | Land: Not Depreciated | 1 - 25 | WIP: Not Depreciated | |

| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
|------------|-----------|-----------|---------|----|----|-----------|--------|-----------|-----------|----|---------|----|------------|
| 9,838,363 | 737,771 | 761,807 | 645,311 | - | - | 1,340,648 | 20,786 | 269,561 | - | - | 33,428 | - | 13,647,695 |
| 2,151,896 | 2,635,725 | 1,199,808 | 105,809 | - | - | 1,213,279 | - | 6,048,873 | 1,350,273 | - | 444,523 | - | 15,150,185 |
| 11,990,279 | 3,373,496 | 1,961,615 | 751,120 | - | - | 2,553,926 | 20,786 | 6,318,434 | 1,350,273 | - | 477,950 | - | 28,797,879 |

| | | | | | | | | | | | | | |
|-------------|------------|-----------|-------------|-----------|-----------|------------|------------|------------|-------|---|---|---|-------------|
| 109,261,547 | 13,087,691 | 2,317,945 | 129,342,191 | 3,010,914 | 1,116,719 | 58,825,219 | 84,246,341 | 12,622,073 | 5,761 | - | - | - | 413,836,402 |
| 3,855,921 | 566,233 | 84,589 | 3,426,290 | 195,460 | 694,687 | 3,439,208 | 4,076,194 | 627,254 | 1,928 | - | - | - | 16,967,764 |
| - | - | - | (939,004) | - | - | - | - | - | - | - | - | - | (939,004) |
| 113,117,468 | 13,653,925 | 2,402,535 | 131,829,476 | 3,206,374 | 1,811,405 | 62,264,427 | 88,322,535 | 13,249,326 | 7,690 | - | - | - | 429,865,161 |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

13 Property, plant and equipment (continued)

Council - 30 June 2018

| Basis of measurement | Buildings (Communities) | Buildings (Corporate) | Recreational Facilities | Road / Transport Network | Stormwater Drainage Network | Flood Mitigation Network | Water Supply Network | Sewerage Network | Wharves, Piers, Jetties & Pontoons | Waste Landfill | Land Assets | Plant & Equipment | Work in progress | Total |
|--|----------------------------|--------------------------|----------------------------|--------------------------------|-----------------------------------|--------------------------------|-------------------------|---------------------|--|-------------------|----------------|----------------------|------------------|---------------|
| | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Fair Value | Cost | Cost | \$ |
| Asset values | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Opening gross value as at 1 July 2017 | 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 |
| Additions | - | - | - | - | - | - | - | - | - | - | - | - | 13,924,129 | 13,924,129 |
| Capital contributions | 14,771,202 | - | - | - | - | - | 22,532 | - | - | - | - | - | - | 14,793,734 |
| Housing previous under finance leases | 5,590,458 | - | - | - | - | - | - | - | - | - | - | - | - | 5,590,458 |
| Assets capitalised from work in progress | - | 661,107 | 257,000 | 3,657,445 | 86,034 | 2,843,148 | 594,405 | 854,588 | 155,591 | - | - | 415,179 | (9,524,497) | - |
| Assets previously not recognised | - | - | - | 2,314,200 | - | - | - | - | - | - | - | - | - | - |
| Disposals | (14,945,283) | (3,846,594) | (339,000) | (3,293,101) | - | - | (472,910) | (777,936) | (155,591) | - | - | (1,134,879) | - | (24,965,294) |
| 'Revaluation adjustment to asset revaluation surplus | 20,518,083 | 3,679,303 | 897,634 | 10,552,354 | 494,120 | 1,161,370 | 8,615,562 | 9,418,604 | 1,459,200 | 40,120 | - | - | - | 56,836,350 |
| Transfers between classes | - | - | (156,512) | 180,112 | - | - | - | - | (23,600) | - | - | - | - | - |
| Closing gross value as at 30 June 2018 | 591,076,460 | 104,482,116 | 25,333,822 | 274,517,710 | 12,933,154 | 33,038,763 | 224,027,139 | 244,901,706 | 37,939,200 | 1,271,120 | 520,000 | 7,556,980 | 10,372,770 | 1,567,970,940 |

Accumulated depreciation and impairment

| | | | | | | | | | | | | | | |
|---|-------------|-------------|------------|-------------|-----------|-----------|-------------|-------------|------------|-----------|---|-------------|---|--------------|
| Opening balance as at 1 July 2017 | 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 |
| Accum dep on housing previous under finance lease | 2,645,044 | - | - | - | - | - | - | - | - | - | - | - | - | 2,645,044 |
| Depreciation provided in period | 18,173,766 | 3,573,936 | 779,788 | 5,403,854 | 240,714 | 623,931 | 6,912,921 | 7,454,556 | 798,306 | 102,832 | - | 673,923 | - | 44,738,527 |
| Revaluation adjustment to asset revaluation surplus | 9,681,515 | 2,075,663 | 639,844 | 3,960,849 | 173,710 | 173,876 | 3,958,026 | 3,880,773 | 631,655 | 34,359 | - | - | - | 25,210,290 |
| Impairment adjustment to asset revaluation surplus | - | 143,207 | 100,573 | 4,159,011 | 67,644 | - | - | 65,955 | - | - | - | - | - | 4,536,390 |
| Depreciation/impairment on disposals | (7,303,473) | (3,701,212) | (287,405) | (942,329) | - | - | (245,513) | (581,984) | (76,336) | - | - | (1,018,986) | - | (14,157,238) |
| Transfers between classes | - | - | (98,197) | 98,503 | - | - | - | - | (306) | - | - | - | - | - |
| Accumulated depreciation as at 30 June 2018 | 273,865,452 | 59,086,915 | 18,172,202 | 107,239,275 | 4,583,968 | 4,520,807 | 102,908,684 | 100,966,050 | 16,423,019 | 1,097,140 | - | 5,269,253 | - | 694,132,766 |

Book value as at 30 June 2018

| | | | | | | | | | | | | | | |
|---|-------------|------------|-----------|-------------|-----------|------------|-------------|-------------|------------|---------|--------------------------|-----------|-------------------------|-------------|
| Range of estimated useful life in years | 2 - 88 | 2 - 73 | 7 - 55 | 1 - 136 | 48 - 53 | 10 - 50 | 1 - 64 | 1 - 113 | 3 - 55 | 8 - 29 | Land: Not Depreciated | 1 - 25 | WIP: Not Depreciated | |
| | 317,211,008 | 45,395,200 | 7,161,619 | 167,278,434 | 8,349,186 | 28,517,956 | 121,118,455 | 143,935,656 | 21,516,181 | 173,980 | 520,000 | 2,287,727 | 10,372,770 | 873,838,174 |

Additions comprise:

| | | | | | | | | | | | | | | |
|---------------------------|------------|---------|---------|-----------|--------|-----------|---------|---------|---------|----|----|---------|----|------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Renewals | 11,734,284 | 302,610 | 257,000 | 3,293,101 | - | - | 472,910 | 777,936 | 155,591 | - | - | 28,241 | - | 17,021,673 |
| Other additions | 8,627,376 | 358,497 | - | 364,344 | 86,034 | 2,843,148 | 144,027 | 76,652 | - | - | - | 386,938 | - | 12,887,016 |
| Previously not recognised | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total additions | 20,361,660 | 661,107 | 257,000 | 5,971,645 | 86,034 | 2,843,148 | 616,937 | 854,588 | 155,591 | - | - | 415,179 | - | 32,222,889 |

Asset revaluation surplus

| | | | | | | | | | | | | | | |
|---|-------------|------------|-----------|-------------|-----------|-----------|------------|------------|------------|-------|---|---|---|-------------|
| Opening balance as at 1 July 2017 | 98,424,979 | 11,627,279 | 2,160,729 | 126,909,696 | 2,758,148 | 129,225 | 54,167,684 | 78,774,465 | 11,794,527 | - | - | - | - | 386,746,732 |
| Movements - Revaluation | 10,836,588 | 1,603,620 | 257,789 | 6,591,505 | 320,410 | 987,494 | 4,657,536 | 5,537,831 | 827,545 | 5,761 | - | - | - | 31,626,059 |
| Movements - Impairments | - | (143,207) | (100,573) | (4,159,011) | (67,644) | - | - | (65,955) | - | - | - | - | - | (4,536,390) |
| Closing balance Asset revaluation surplus as at 30 June 2018 | 109,261,547 | 13,087,692 | 2,317,945 | 129,342,190 | 3,010,914 | 1,116,719 | 58,825,220 | 84,246,341 | 12,622,072 | 5,761 | - | - | - | 413,836,401 |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

13 Property, plant and equipment (continued)

(a) Recognition

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

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

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
- 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 contributor entity, where that value exceeds the recognition threshold for the respective asset class.

Capital and operating expenditure

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

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

(b) Measurement

All asset classes excluding plant and equipment and 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.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

13 Property, plant and equipment (continued)

(b) Measurement (continued)

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.

(c) Depreciation

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

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

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

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

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

13 Property, plant and equipment (continued)

(d) Land under roads

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

(e) Impairment

Property, plant and equipment is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

(f) Deed of Grant in Trust land

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

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

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

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

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

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

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

13 Property, plant and equipment (continued)

(f) Deed of Grant in Trust land (continued)

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 \$87,695 over four 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.

(g) Valuation

(i) Valuation processes

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

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

All of Council's property, plant and equipment measured at fair value at reporting date is categorised at level 3 (2017/18: all at level 3). Council does not have any assets measured at fair value which meet the criteria for categorisation as level 1 or 2.

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.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

13 Property, plant and equipment (continued)

(g) Valuation (continued)

(i) Valuation processes (continued)

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. The most recent fully comprehensive valuation was carried out as at 30 June 2017.

In the intervening years, Council engages independent, professionally qualified valuers to perform a "desktop" valuation. A desktop valuation involves management providing updated information to the valuer regarding additions, disposals and changes in methodology such as useful life and condition rating. The valuer then determines suitable indices which are applied to each of these asset classes. These indices are then reviewed by Asset Class Managers and Executives to ensure accuracy of these indices for Council. A desktop valuation was undertaken as at 30 June 2019 by Jones Lang Lasalle.

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.

(ii) Valuation techniques used to derive fair values

Land (Level 3)

Council's land assets consist of two parcels of land on Thursday Island. Land fair values have been measured by the market 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.

Buildings and infrastructure (Level 3)

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), except two buildings located on Thursday Island that were valued using the market approach.

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 3 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.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

13 Property, plant and equipment (continued)

(g) Valuation (continued)

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

Buildings and infrastructure (Level 3) (continued)

While the replacement cost of the assets could be supported by market supplied evidence (level 2), other unobservable, or level 3 inputs, such as useful life and asset condition were also required, meaning that under AASB 13 the valuation of buildings and infrastructure is considered 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 was used to estimate remaining useful life.

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 and rely as little as possible on entity specifics. The disclosure of valuation estimates is designed to provide users with an insight into the judgements that have been made in the determination of fair values.

The written down 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). Also current projects completed internally and for the Department of Housing were also considered.

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

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

13 Property, plant and equipment (continued)

(g) Valuation (continued)

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

Accumulated depreciation

To calculate the appropriate amount of accumulated depreciation, a large portion of corporate and community buildings were subjected to a site inspection and/or an assessment to determine the remaining useful life of the whole asset and its associated components. This is undertaken by a professional valuer during the full valuations and by suitably qualified Council officers in the years in between. 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

Roads

Current replacement cost

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 (formation and sub grade), pavement (sub base and base course), seal (seal and subsequent) 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 the Asset Revaluation Index: Engineering construction, Queensland and Australian Producer Price Index: Heavy and civil engineering construction, Australia is used to check the Council supplied information for order of magnitude appropriateness and the applicable regional factors are included in the unit costs.

Accumulated depreciation

In determining the level of accumulated depreciation, the roads are disaggregated into significant components which exhibit different useful lives. Asset condition assessments were completed in the year ended 30 June 2019 as part of the event assessment project for Natural Disaster Relief and Recovery Arrangements (NDRRA).

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

13 Property, Plant and Equipment (continued)

(g) Valuation (continued)

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

3. Water and sewer network - calculation of current replacement cost

Water and sewerage

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 and pipelines. Unit rates are applied based on Council supplied recent project costs, similar recent project costs from other entities, unit rate databases, indices, Rawlinson's 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, 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

Asset assessments were completed on a portion of assets in the year ended 30 June 2019 as part of Council's asset condition assessment process and therefore condition rating, useful lives and depreciation rates were updated accordingly.

4. Other infrastructure – Calculation of current replacement cost

Other infrastructure includes the flood mitigation network, waste landfill, recreational facilities, stormwater drainage and wharves, piers, jetties and pontoons, which combined represent less than 10% of Council's property, plant and equipment.

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

Asset assessments were completed on a portion of assets in the year ended 30 June 2019 as part of Council's asset condition assessment process and therefore condition rating, useful lives and depreciation rates were updated accordingly.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

14 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 of remuneration rates that will be paid when the liability is expected to be settled and includes related on-costs.

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

| Note | 2019 \$ | 2018 \$ |
|------------------------------------|------------------|-------------------|
| Current | | |
| Accrued creditors | 3,553,271 | 4,311,472 |
| Employee benefits - annual leave | 2,109,982 | 2,186,604 |
| GST payable | - | 623,600 |
| Accrued payroll | 296,385 | 302,150 |
| Refundable bonds | 2,000 | 2,000 |
| Trade creditors and other payables | 1,421,137 | 1,435,069 |
| Retention | 632,728 | 1,024,846 |
| Revenue in advance | - | 354,612 |
| | <u>8,015,503</u> | <u>10,240,353</u> |

15 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 2019.

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.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

15 Provisions (continued)

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 2020 and 2024.

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 | 2019 \$ | 2018 \$ |
|------------------------------------|------|------------------|------------------|
| Current | | | |
| Long service leave | | 967,282 | 1,096,527 |
| Provision for landfill restoration | | 2,333,562 | 241,310 |
| | | <u>3,300,844</u> | <u>1,337,837</u> |
| Non-current | | | |
| Long service leave | | 353,419 | 309,689 |
| Provision for landfill restoration | | 3,000,219 | 4,794,505 |
| | | <u>3,353,638</u> | <u>5,104,194</u> |

Details of movements in provisions:

Landfill restoration

| | | |
|--|------------------|------------------|
| Balance at beginning of financial year | 5,035,815 | 4,926,548 |
| Increase in provision due to unwinding of discount | 108,799 | 80,769 |
| Increase in provision due to change in discount rate | 189,167 | 28,498 |
| Balance at end of financial year | <u>5,333,781</u> | <u>5,035,815</u> |

Long service leave provision

| | | |
|--|------------------|------------------|
| Balance at beginning of financial year | 1,406,216 | 1,308,382 |
| Long service leave entitlement arising | 204,190 | 275,190 |
| Long service entitlement paid | (289,705) | (177,356) |
| Balance at end of financial year | <u>1,320,701</u> | <u>1,406,216</u> |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

16 Commitments for expenditure

Operating leases

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.

| | Note | 2019 \$ | 2018 \$ |
|--|------|------------------|------------------|
| Minimum lease payments in relation to non-cancellable operating leases are as follows: | | | |
| Within one year | | 656,464 | 558,822 |
| One to five years | | 1,358,046 | 1,665,552 |
| | | <u>2,014,510</u> | <u>2,224,374</u> |

Council has entered into operating leases on certain property across the Torres Strait and Cairns, with lease terms between one and five years.

During the year an amount of \$684,646 (2018: \$626,960) was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases.

Contractual commitments

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

| | | |
|------------------------------|------------------|------------------|
| Recoverable work contractors | 3,069,182 | 6,451,394 |
| Capital assets | 1,550,148 | 1,627,155 |
| Contractors | 213,769 | 790,880 |
| Consultancy | 102,511 | 241,307 |
| Other | 192,712 | 166,891 |
| Audit fees | 132,480 | 146,350 |
| Freight | 246,349 | 58,095 |
| Contract employees | 83,771 | 32,184 |
| | <u>5,590,922</u> | <u>9,514,256</u> |

17 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 2019 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

17 Contingent liabilities (continued)

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 \$298,427.

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.

Land Holding Act Lease

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

The perpetual leases were not all granted in the 1980s with only 61 being granted by 2013. Council and the State are working together to grant all remaining valid lease entitlements either to the original applicant or to the applicant's beneficiaries. Where there is a valid lease entitlement, the lease can be granted without the consent of the native title party because the lease entitlement is a legal right that pre-existed the recognition of native title rights in Australia. This was confirmed by the Supreme Court of Queensland in February 2018. Between then and today, 62 LHA leases have been registered in Torres Strait communities, with 115 valid lease entitlements remaining to be resolved.

The purpose of the lease under the *Land Holding Act* was to provide home ownership. On registration of each of the outstanding 115 lease entitlements, Council will divest the social housing asset (if applicable) to the perpetual leaseholder for \$1.00. The fair value as at 30 June 2019 for social housing assets relating to the outstanding 115 lease entitlements totals \$26,942,675. However, at this time, it is uncertain as to how many applications might be made in respect of the outstanding 115 lease entitlements. On registration of any of the leases, the asset will be removed from Council's asset register and social housing register.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

18 Superannuation

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

| | Note | 2019 \$ | 2018 \$ |
|---|------|------------------|------------------|
| Superannuation contributions made to the Accumulation Benefits Fund | | 1,942,401 | 2,072,633 |
| Other superannuation contributions for employees | | 169,546 | 73,124 |
| Total superannuation contributions paid by Council for employees: | 6 | <u>2,111,948</u> | <u>2,145,757</u> |

19 Trust funds

In accordance with the *Local Government Act 2009* and *Local Government Regulation 2012*, a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties. Funds held in the trust account include those funds relating to island funeral funds, church funds and other community funds. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

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 | 308,527 | 334,643 |
| Church funds | 9,781 | 9,780 |
| Other community funds | 53,103 | 52,341 |
| | <u>371,411</u> | <u>396,764</u> |

Funds held in trust by outside parties

| | | |
|--|-------------------|-------------------|
| DFK Kidsons holding funds for the Major Infrastructure and Other Program | 21,746,979 | 20,155,528 |
| | <u>21,746,979</u> | <u>20,155,528</u> |

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

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

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

| | Note | 2019 \$ | 2018 \$ |
|--|------|--------------------|---------------------|
| Net result | | (28,882,938) | 4,265,969 |
| Non-cash items: | | | |
| Depreciation and amortisation | | 46,163,049 | 44,953,443 |
| Asset contributions in capital income | | (12,964,387) | (14,793,734) |
| Gain on initial recognition of finance lease | | (2,006,779) | (1,736,277) |
| Gain on revaluation of finance lease | | (2,907,881) | (767,255) |
| Gain/loss on disposal of finance leases | | 67,380 | (2,434,580) |
| | | <u>28,351,382</u> | <u>25,221,597</u> |
| Investing and development activities: | | | |
| Loss on disposal of non-current assets | | 19,425,362 | 10,644,033 |
| Capital grants and contributions | | (16,189,737) | (32,890,104) |
| | | <u>3,235,625</u> | <u>(22,246,071)</u> |
| Changes in operating assets and liabilities: | | | |
| (Increase)/decrease in receivables | | (3,119,088) | (922,735) |
| (Increase)/decrease in inventory | | 36,228 | (28,365) |
| Increase/(decrease) in payables | | (2,224,851) | 3,579,798 |
| Increase/(decrease) in other provisions | | 212,450 | 207,102 |
| | | <u>(5,095,261)</u> | <u>2,835,800</u> |
| Net cash inflow from operating activities | | <u>(2,391,193)</u> | <u>10,077,296</u> |

21 Opening balance adjustment

Roads

In the process of commissioning the NDRRA 2015 Event (works completed June 2017), it was discovered that certain road assets had not been previously recognised as Council assets. These assets were added as at 1 July 2017 and an adjustment has been made to retained surplus. Current unit rates and conditions were used to establish the asset values. The assets have since been revalued as at 30 June 2019.

| | As at 1 July 2018 | As at 1 July 2017 |
|---|----------------------|----------------------|
| Gross value added | - | 2,314,200 |
| Net increase to property, plant and equipment | - | 2,314,200 |

22 Events after the reporting period

There were no material adjusting events after the balance date.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

23 Financial instruments and financial risk management

Financial risk management

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

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

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

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

Credit risk

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

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

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

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

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

| | Note | 2019 \$ | 2018 \$ |
|-------------------------------|------|-------------------|-------------------|
| Financial assets | | | |
| Cash and cash equivalents | 10 | 50,756,886 | 59,993,975 |
| Short term deposit | | 63,970 | 62,533 |
| Receivables - housing | 11 | 137,267 | 75,854 |
| Receivables - rates | 11 | 129,590 | 683,419 |
| Receivables - other | 11 | 6,934,024 | 7,490,825 |
| Other financial assets | 12 | 14,670,336 | 10,173,797 |
| Other credit exposures | | | |
| Guarantees | 17 | 298,427 | 257,847 |
| | | <u>72,990,500</u> | <u>78,738,250</u> |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

23 Financial instruments and financial risk management (continued)

Credit risk (continued)

Cash and cash equivalents

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

Trade and other receivables

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

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

At 30 June 2019, the exposure to credit risk for trade receivables by type of counterparty was as follows:

| | 2019 | 2018 |
|---------------------|-------------------|-------------------|
| | \$ | \$ |
| Housing charges | 14,141,294 | 14,071,515 |
| Government entities | 6,511,098 | 6,384,302 |
| Utility charges | 259,179 | 700,147 |
| Other | 459,677 | 1,304,312 |
| Total | 21,371,248 | 22,460,276 |

A summary of the Council's exposure to credit risk for trade receivables is as follows:

| | 2019 | | 2018 |
|------------------------------------|---------------------|-------------------|-------------------|
| | \$ | \$ | \$ |
| | Not credit-impaired | Credit-impaired | |
| Not past due | 6,717,747 | - | 5,835,677 |
| Past due 31-60 days | 200,160 | - | 848,569 |
| Past due 61-90 days | 144,074 | - | 115,333 |
| More than 90 days | - | 14,309,267 | 15,660,697 |
| Total gross carrying amount | 7,061,981 | 14,309,267 | 22,460,276 |
| Loss allowance | (284,017) | (13,886,351) | (14,210,178) |
| | 6,777,964 | 422,916 | 8,250,098 |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

23 Financial instruments and financial risk management (continued)

Credit risk (continued)

Expected Credit loss assessment as at 1 July 2018 and 30 June 2019

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

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

The following table provided information about the exposure to credit risk and expected losses for trade receivables from individual customers as at 30 June 2019:

Housing receivables

| 2019 | Weighted - average loss rate | Gross carrying amount | Loss allowance | Credit - impaired |
|---------------------|---------------------------------------|-----------------------------|-------------------|----------------------|
| | \$ | \$ | \$ | \$ |
| Not past due | 28.00% | 186,006 | 52,082 | No |
| Past due 31-60 days | 99.00% | 133,815 | 132,477 | No |
| Past due 61-90 days | 99.00% | 96,806 | 95,837 | No |
| More than 90 days | 99.99% | 13,724,667 | 13,723,631 | Yes |
| Total | | <u>14,141,294</u> | <u>14,004,027</u> | |

Other trade receivables

| 2019 | Weighted - average loss rate | Gross carrying amount | Loss allowance | Credit - impaired |
|---------------------|---------------------------------------|-----------------------------|-------------------|----------------------|
| | \$ | \$ | \$ | \$ |
| Not past due | 0.03% | 6,531,741 | 1,949 | No |
| Past due 31-60 days | 1.22% | 66,345 | 807 | No |
| Past due 61-90 days | 1.83% | 47,268 | 865 | No |
| More than 90 days | 27.83% | 584,600 | 162,720 | Yes |
| Total | | <u>7,229,954</u> | <u>166,341</u> | |

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

The movement in the allowance for impairment of trade receivable during the year was \$39,810.

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

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

23 Financial instruments and financial risk management (continued)

Credit risk (continued)

Exposure to liquidity risk

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

The Council manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows.

The following table sets out the liquidity risk in relation to financial liabilities 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 |
|--------------------------|-------------|--------------|--------------|------------------------------|-----------------|
| | \$ | \$ | \$ | \$ | \$ |
| 2019 | | | | | |
| Trade and other payables | 8,015,503 | - | - | 8,015,503 | 8,015,503 |
| Loans - QTC | 74,219 | 111,113 | - | 185,332 | 185,332 |
| | 8,089,722 | 111,113 | - | 8,200,834 | 8,200,834 |
| 2018 | | | | | |
| Trade and other payables | 10,240,353 | - | - | 10,240,353 | 10,240,353 |
| Loans - QTC | 74,219 | 185,332 | - | 259,551 | 259,551 |
| | 10,314,572 | 185,332 | - | 10,499,904 | 10,499,904 |

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

Market risk

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

Interest rate risk

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

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

23 Financial instruments and financial risk management (continued)

Market risk (continued)

Sensitivity

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

Council does not account for any fixed- rate financial assets or financial liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

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

| | Net carrying amount | Effect on net result | | Effect on equity | |
|-------------------|---------------------|----------------------|------------------|------------------|------------------|
| | | 1% increase | 1% decrease | 1% increase | 1% decrease |
| 2019 | | | | | |
| QTC cash fund | 36,675,252 | 366,753 | (366,753) | 366,753 | (366,753) |
| Other investments | 63,970 | 640 | (640) | 640 | (640) |
| Loans - QTC | (168,421) | (1,684) | 1,684 | (1,684) | 1,684 |
| Net total | 36,570,800 | 365,708 | (365,708) | 365,708 | (365,708) |
| 2018 | | | | | |
| QTC cash fund | 53,175,252 | 531,753 | (531,753) | 531,753 | (531,753) |
| Other investments | 62,533 | 625 | (625) | 625 | (625) |
| Loans - QTC | (227,573) | (2,276) | 2,276 | (2,276) | 2,276 |
| Net total | 53,010,212 | 530,102 | (530,102) | 530,102 | (530,102) |

24 National Competition Policy

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

25 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. As a result of a corporate structure change as at 1 July 2018, the Executive Management team now consist of the Chief Operating Officer and Chief Financial Officer. Compensation paid to KMPs for 2018/19:

| | 2019 | 2018 |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| Short-term employee benefits | 1,781,173 | 2,440,969 |
| Post-employment benefits | 75,427 | 159,988 |
| Termination benefits | 15,000 | 38,318 |
| Long-term employee benefits | - | - |
| | 1,871,600 | 2,639,275 |

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 2019

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

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

| Details of transactions | | 2019 \$ | 2018 \$ |
|---|-------|------------|------------|
| Employee expenses for close family members of KMPs | (i) | 791,819 | 729,729 |
| Purchase of materials and services from entities controlled by KMPs | (ii) | 94,538 | 981,668 |
| Grants and donations for close family members of KMPs | (iii) | 10,500 | 28,442 |
| Fees and charges charged to entities controlled by KMPs | (iv) | 10,847 | 10,284 |

(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 326 staff (304 full time equivalent staff) of which 12 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:

| | | |
|----------------------|---------------|----------------|
| Ferry charters | 64,958 | 68,105 |
| Commercial rent | 12,000 | 22,686 |
| Accommodation | 9,680 | 22,830 |
| Consumables | 7,900 | 5,746 |
| Fuel and electricity | - | 327,070 |
| Freight | - | 535,231 |
| | <u>94,538</u> | <u>981,668</u> |

Included in the above is \$64,958 of ferry charter charges from Hammond Island Ferry. During this time Councillor Sabatino was the owner of this entity. All purchases were at arm's length, on normal terms and conditions and were in the normal course of Council's operations.

(iii) Grants and donations totalling \$10,500 (2018: \$28,442) 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 arm's length. \$7,052 (2018: \$6,932) was charged for a commercial lease for M&M Mini Mart at Hammond Island, a business owned by Councillor Sabatino and \$3,796 (2018: \$3,351) for licensing fees for Maria Tamaru Tamu for office space use on Warraber Island, as close family member of Councillor Tamu.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

25 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:

| | 2019 | 2018 |
|----------------------------|---------------|--------------|
| | \$ | \$ |
| Badu Island Foundation Ltd | 4,700 | 2,036 |
| Hammond Island Ferry | 3,691 | 3,210 |
| M & M Mini Mart | 1,847 | 1,235 |
| | <u>10,238</u> | <u>6,481</u> |

During the period Councillor Nona was the Chair of Badu Island Foundation Ltd and Councillor Sabatino was the owner of both Hammond Island Ferry and M&M Mini Mart. All commitments were at arm's length, on normal terms and conditions and were in the normal course of Council's operations.

(d) Loans and guarantees to/from related parties

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

(e) Outstanding balances

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

| Receivables | Current | Over 30 Days | Over 60 Days | Over 90 Days | Total |
|------------------------|--------------|----------------|--------------|----------------|----------------|
| | \$ | \$ | \$ | \$ | \$ |
| 2019 | | | | | |
| Rates and charges | - | - | - | 215,197 | 215,197 |
| Social housing | 2,773 | 2,345 | 1,852 | 246,155 | 253,125 |
| Other fees and charges | 808 | 313 | 94 | 60,220 | 61,435 |
| Total | 3,581 | 2,658 | 1,946 | 521,572 | 529,757 |
| 2018 | | | | | |
| Rates and charges | - | 120,312 | - | 123,313 | 243,625 |
| Social housing | 5,769 | 2,422 | 2,832 | 228,712 | 239,735 |
| Other fees and charges | 54 | 50 | - | 103,913 | 104,017 |
| Total | 5,823 | 122,784 | 2,832 | 455,938 | 587,377 |

\$367,740 has been recognised in current and prior years for the allowance for bad or doubtful debts owed by related parties.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

25 Transactions with related parties (continued)

(e) Outstanding balances (continued)

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

2019

| Related party | Relationship | Customer | Nature of transactions | Over 90 Days \$ |
|------------------|--------------|-----------------------------|------------------------|--------------------|
| Laurie Nona | Chair | Badu Island Foundation | Rates and charges | 138,041 |
| Laurie Nona | Manager | Badu Art Centre | Rates and charges | 61,884 |
| Mario Sabatino | Shareholder | Arafura Blue Marine Pty Ltd | Maritime fees | 59,661 |
| Getano Lui (Jnr) | Councillor | Getano Lui (Jnr) | Social housing | 41,533 |
| Ted Nai | Uncle | Gabriel Nai | Social housing | 39,470 |
| Ted Nai | Uncle | Ned Mosby | Social housing | 34,765 |
| Bob Kaigey | Brother | Robert Kaigey (Snr) | Social housing | 31,970 |
| Ted Nai | Uncle | John Morris | Social housing | 29,219 |
| Torenzo Elisala | Father | Tenny Elisala | Social housing | 26,458 |
| Keri Akiba | Councillor | Keri Akiba | Social housing | 17,653 |
| Rocky Stephen | Director | Kos & Abob Fisheries (TSI) | Rates and charges | 10,137 |
| Rocky Stephen | Father | Daniel Stephen | Social housing | 7,801 |
| Dimas Toby | Spouse | Telita Banu | Social housing | 7,265 |
| Ted Nai | Uncle | Gabriel Nai | Rates and charges | 5,134 |
| Keith Fell | Councillor | Keith Fell | Social housing | 2,352 |
| Clara Tamu | Son | Pryce Mareko | Social housing | 2,290 |
| Rocky Stephen | Councillor | Rocky Stephen | Social housing | 1,142 |
| Dimas Toby | Councillor | Dimas Toby | Social housing | 1,063 |
| Torenzo Elisala | Spouse | Daina Wosomo | Social housing | 818 |
| Torenzo Elisala | Councillor | Torenzo Elisala | Social housing | 818 |
| Torenzo Elisala | Mother | Maleta Elisala | Social housing | 818 |
| Laurie Nona | Councillor | Laurie Nona | Social housing | 721 |
| Laurie Nona | Partner | Stevie Lee | Other fees and charges | 409 |
| Getano Lui (Jnr) | Wife | Lizzie Lui | Other fees and charges | 150 |
| | | | | <u>521,572</u> |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

25 Transactions with related parties (continued)

(e) Outstanding balances (continued)

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

2018

| Related party | Relationship | Customer | Nature of transactions | Over 90 Days \$ |
|------------------|--------------|-----------------------------|------------------------|--------------------|
| Mario Sabatino | Shareholder | Arafura Blue Marine Pty Ltd | Maritime fees | 103,280 |
| Laurie Nona | Director | Badu Island Foundation | Rates and charges | 64,107 |
| Laurie Nona | Manager | Badu Art Centre | Rates and charges | 50,308 |
| Getano Lui (Jnr) | Councillor | Getano Lui (Jnr) | Social housing | 37,983 |
| Ted Nai | Uncle | Gabriel Nai | Social housing | 33,170 |
| Robert Kaigey | Councillor | Robert Kaigey | Social housing | 33,062 |
| Torenzo Elisala | Father | Tenny Elisala | Social housing | 23,590 |
| Ted Nai | Uncle | John Morris | Social housing | 21,419 |
| Keri Akiba | Councillor | Keri Akiba | Social housing | 21,413 |
| Ted Nai | Uncle | Ned Mosby | Social housing | 13,180 |
| Rocky Stephen | Father | Daniel Stephen | Social housing | 12,211 |
| Rocky Stephen | Director | Kos and Abob Fisheries | Rates and charges | 8,898 |
| Dimas Toby | Spouse | Telita Banu | Social housing | 7,865 |
| Clara Tamu | Son | Pryce Mareko | Social housing | 5,790 |
| John Levi | Councillor | John Levi | Social housing | 3,227 |
| Dimas Toby | Councillor | Dimas Toby | Social housing | 2,688 |
| Keith Fell | Councillor | Keith Fell | Social housing | 3,118 |
| Clara Tamu | Spouse | Samuel Tamu | Social housing | 2,298 |
| Torenzo Elisala | Spouse | Daina Wosomo | Social housing | 2,068 |
| Torenzo Elisala | Councillor | Torenzo Elisala | Social housing | 2,068 |
| Torenzo Elisala | Mother | Maleta Elisala | Social housing | 2,068 |
| Rocky Stephen | Councillor | Rocky Stephen | Social housing | 1,106 |
| Laurie Nona | Councillor | Laurie Nona | Social housing | 728 |
| Laurie Nona | Partner | Stevie Lee | Other fees and charges | 150 |
| Getano Lui (Jnr) | Councillor | Getano Lui (Jnr) | Social housing | 79 |
| Keri Akiba | Son | Adrian Akiba | Social housing | 43 |
| Clara Tamu | Daughter | James & Iris Billy | Social housing | 21 |
| | | | | <u>455,938</u> |

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2019

25 Transactions with related parties (continued)

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

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

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

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

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

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

2019

| Related party | Relationship | Customer | Nature of transactions | Debt balance written off \$ |
|------------------|--------------|------------------|------------------------|--------------------------------|
| Rocky Stephen | Father | Daniel Stephen | Social housing | 4,914 |
| Getano Lui (Jnr) | Councillor | Getano Lui (Jnr) | Social housing | 4,250 |
| Clara Tamu | Son | Pryce Mareko | Social housing | 3,500 |
| Keri Akiba | Councillor | Keri Akiba | Social housing | 3,240 |
| Dimas Toby | Councillor | Dimas Toby | Social housing | 1,625 |
| Torenzo Elisala | Councillor | Torenzo Elisala | Social housing | 1,250 |
| Torenzo Elisala | Mother | Meleta Elisala | Social housing | 1,250 |
| Torenzo Elisala | Spouse | Wosomo Daina | Social housing | 1,250 |
| | | | | <u>21,279</u> |

2018

| Related party | Relationship | Customer | Nature of transactions | Debt balance written off \$ |
|------------------|--------------|------------------|------------------------|--------------------------------|
| Torenzo Elisala | Mother | Maleta Elisala | Social housing | 8,950 |
| Getano Lui (Jnr) | Councillor | Getano Lui (Jnr) | Social housing | 4,420 |
| Clara Tamu | Son | Pryce Mareko | Social housing | 3,640 |
| Torenzo Elisala | Spouse | Daina Wosomo | Social housing | 1,300 |
| Torenzo Elisala | Councillor | Torenzo Elisala | Social housing | 1,050 |
| | | | | <u>19,360</u> |

Torres Strait Island Regional Council

Financial statements

For the year ended 30 June 2019

Management Certificate For the year ended 30 June 2019

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

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, 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: 13 / 09 / 2019



**Chief Executive Officer
Bruce Ranga**

Date: 13 / 09 / 2019

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 accompanying financial report of Torres Strait Island Regional Council (the council).

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2019, 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 2019, 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 2019, 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.

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.

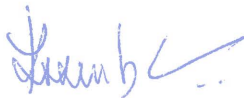
- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If 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 2019:

- 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.



Sri Narasimhan
as delegate of the Auditor-General

16 September 2019

Queensland Audit Office
Brisbane

Torres Strait Island Regional Council

Current - year Financial Sustainability Statement

For the year ended 30 June 2019

Measures of Financial Sustainability

| | How the measure is calculated | Target | 30 June 2019 Result |
|---------------------------------|--|----------------------|---------------------|
| Operating surplus ratio | Net result (excluding capital items) divided by total operating revenue (excluding capital items) | Between 0% and 10% | -55% |
| Asset sustainability ratio | Capital expenditure on the replacement of assets (renewals) divided by depreciation expense | greater than 90% | 30% |
| Net financial liabilities ratio | Total liabilities less current assets divided by total operating revenue (excluding capital items) | not greater than 60% | -69% |

Note 1 - Basis of Preparation

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

Certificate of Accuracy For the year ended 30 June 2019

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

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



Mayor
Fredrick Gela

Date: 13 / 09 / 2019



Chief Executive Officer
Bruce Ranga

Date: 13 / 09 / 2019

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 (the council) for the year ended 30 June 2019, 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 2019 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 2019, 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.

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

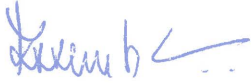
My objectives are to obtain reasonable assurance about whether the current year financial sustainability statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, 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 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.
- Evaluate the overall presentation, structure and content of the statement, including the disclosures, and whether the statement represents the underlying transactions and events in a manner that achieves fair presentation.

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



Sri Narasimhan
as delegate of the Auditor-General

16 September 2019

Queensland Audit Office
Brisbane

Torres Strait Island Regional Council Unaudited Long-Term Financial Sustainability Statement Prepared as at 30 June 2019

Measures of Financial Sustainability

| | Measure | Target | Actuals at 30 June 2019 | Projected for the years ended | | | | | | | | |
|---------------------------------|---|-------------------------|-------------------------------|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | | | | 30 June 2020 | 30 June 2021 | 30 June 2022 | 30 June 2023 | 30 June 2024 | 30 June 2025 | 30 June 2026 | 30 June 2027 | 30 June 2028 |
| Operating surplus ratio | Net result divided by total operating revenue | Between 0% and 10% | -55% | -52% | -53% | -49% | -44% | -38% | -33% | -29% | -26% | -23% |
| Asset sustainability ratio | Capital expenditure on the replacement of assets (renewals) divided by depreciation expense. | greater than 90% | 30% | 122% | 31% | 15% | 16% | 0% | 0% | 0% | 0% | 0% |
| Net financial liabilities ratio | Total liabilities less current assets divided by total operating revenue | not greater than 60% | -69% | -34% | -30% | -33% | -38% | -49% | -46% | -44% | -43% | -42% |

Council's Financial Management Strategy

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

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

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

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

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


Mayor
Fredrick Gela

Date: 13 / 09 / 2019



Chief Executive Officer
Bruce Ranga

Date: 13 / 09 / 2019







**Head Office &
General Enquiries**

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