



# **Torres Strait Island Regional Council**

## **2008/09 Annual Report**

*Celebrating One  
Year Of Service*



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# The Torres Strait Island Regional Council

This year, the Torres Strait Island Regional Council (TSIRC) celebrated its first birthday.

Formed in 2008 as part of the Queensland Government's local council amalgamation policy, the TSIRC is an entirely new local council governed under the *Local Government Act 1993*.

Prior to this, the communities in the TSIRC area came under the jurisdiction of the *Community Services (Torres Strait) Act 1984* and each had their own independent Island Council.

The Torres Strait Islands are located in Far North Queensland, scattered between the tip of the Cape York Peninsula and Papua New Guinea.

The Torres Strait shares an international border with Papua New Guinea and is located close to Indonesia. The location of the area has earned it the nick-name 'Australia's buffer zone'

This fact, along with the remote location and island environment brings with it a unique set of requirements and challenges for the new TSIRC.



# What services does the TSIRC provide?

The role of a council, like the TSIRC, is to decide on facilities and services for communities and to make local laws. Traditionally councils have provided services such as road maintenance, water and waste but now more and more local councils like the TSIRC are involved in social, economic and cultural development and improving the liveability and sustainability of the region.

Unlike most local councils, the TSIRC is in charge of fifteen separate communities, each with its own facilities and service requirements. This unique situation, coupled with the remote location and island environments adds further dimension to the complexity of providing services to the area.



A few examples of the services the TSIRC provide are:

- Water and sewerage
- Waste
- Child care
- Planning
- Environmental health
- Housing
- Canteens, bistros and taverns
- Resorts, motels and guesthouses
- Libraries
- Roads



## Mayor's Report

Firstly, I want to acknowledge traditional owners, elders and youth of the Torres Strait. It has been a blessing and a privilege to serve you in this first year as the Mayor of the new Torres Strait Island Regional Council (TSIRC).

This year we have faced significant challenges in setting up the Council but I am pleased to say that we have also achieved some substantial mile-stones.

The TSIRC now has a Corporate Plan, a 'roadmap' that underpins our strategic direction. The Plan, based on direct community input, represents the needs and desires of residents. By closely adhering to the Corporate Plan, Council can ensure that our priorities over the next five years are in line with communities' priorities.

The Corporate Plan addresses a wide range of issues such as environmental protection, culture and arts, public health and economic development. In all these areas and more we have begun to lay the foundations to make progress towards achieving our goals.


The Ranger Program implemented to preserve and protect our unique island environment for example was launched earlier this year in Mabuiag. The Program, run in partnership with the Torres Strait Regional Authority and the Caring for Our Country Program, has been met with great community support and the Rangers are already making a significant contribution to protecting our lands and sea.

The Ranger Program combines science with traditional knowledge to ensure the very best protection of our delicate island eco-system and sacred sites. It also provides valuable full-time employment and training for community members.

Our Corporate Plan also addresses the area of housing and pinpoints the need to find a solution to over-crowding. Since our formation we have been pressing the issue with government and recently secured \$10million in additional funds from the Department of Communities to build new, or extend current, housing structures. Next year will see the fruition of this acquisition in funds and the development will relieve some of our most affected families.

The TSIRC is committed to economic and community development. During the past financial year we completed and opened a number of new enterprises such as the Dhamuway Bistro on Saibai Island and the Mabuiag Motel on Mabuiag Island. We have also committed funding, and are continuing to negotiate with the Queensland Government, to complete the resort on Warraber.

Early in our term Council made the decision to divest TSIRC owned enterprises such as the motels, bistros, taverns and freezers back to community owned and run organisations. This process begun in earnest this financial year. Council proactively engaged with community organisations and consultants were hired to visit communities to document the current viability of enterprises. Next year Council will begin to divest some enterprises back to community organisations.



Amalgamation has had its challenges but it has also provided us with the opportunity for fifteen individual communities to unite as one voice, under one umbrella. As a consequence the Councillors and I have been busy engaging the Queensland and Federal Governments on important regional issues such as housing, climate change, policing, health, the high cost of living, a regular transport service, education and economic development. By working together within our electorate area and developing strong partnerships with influential bodies such as the Torres Shire Council and Torres Strait Regional Authority we are successfully moving important Torres Strait issues to the forefront of the public agenda.

One of the more prominent issues discussed with government and communities is the proposed change to our current governing structure and the push towards a territory government for the region. The first round of consultations in the TSIRC electorate area took place in March and much of the behind-the-scenes planning is now completed. Next financial year will see the conclusion of the second round of consultations with communities and a proposed model of governance put to the people.

Throughout this process we will be providing community members with clear, accurate and timely information so that together, we can make an informed decision on the future of the region.

I look forward to the year ahead. A year that will build on foundations already laid. A year of development.

Mayor Fred Gela



# CEO's Report

I am pleased to be contributing to this very first annual report for the Torres Strait Island Regional Council as we celebrate just one year of Council's establishment.

Amalgamation has seen the area move from a community focused model to a region-wide approach and with this new direction there have been many new opportunities and challenges.

A region-wide focus has meant that as an organisation we now command more economies of scale. Services can be commissioned for the region at a cheaper price overall and equipment and skills can be shared across communities. The challenge has always been - how to effectively combine no less than fifteen separate Island Council operating structures into one organisation.

This year was about forming an administration arm that can meet the needs of the region. It was about team building, implementing strategy, processes and procedures.

Much of the focus has concentrated on creating an efficient organisational structure; involving the transition of existing employees and recruiting for new positions. Now with a strengthening team in place we have steadily begun to move forward with service delivery.

In the area of Environmental Health and Communities team building, training and development has underpinned activities and while capacity building is ongoing, some important achievements have already been made.

Waste management has been identified as needing to be upgraded and made compliant with legislation. Council have embarked on a review of our current solid waste disposal systems and early in the new financial year, a waste pilot project will be launched to test a model that encourages a reduce, reuse and recycle methodology.

A consultant veterinary clinic has been appointed to care for sick animals, de-sex animals that are presented by the community, address feral animal populations and train Animal Management Workers. This has been met with overwhelming community support.

In Engineering Services there has also been a push to upskill our workforce, transition the majority of our water and sewerage operators from CDEP to full-time employees and build capacity in our civil works team.

Over the year, five new sewerage schemes including Masig, St Pauls, Kubin, Warraber and Mabuiag have been constructed under the government supported Major Infrastructure Program (MIP) and handed over to Council. New paved roads are also under construction in Mabuiag as part of the Program and are to be completed in the new financial year.

Finance and Corporate Governance has begun to consolidate the accounts from the fifteen previous councils and incorporate this information into the new structure. New policies and procedures have been implemented throughout the year including budgets, internal auditing, banking systems and payroll to ensure we are compliant with standard operating procedures for an organisation of our size.

I firmly believe that a strong team, thorough planning and clear procedures build a solid foundation for a large organisation such as the TSIRC. I look forward to building further momentum over the year ahead.

John Scarce

## Ordinary Council Meetings Attended

Councillor Name	Ordinary Meetings Attended	Total Ordinary Meetings Held
Mayor Fred Gela	14	14
Deputy Mayor Kenny Bedford	13	14
Cr Donald Banu	10	14
Cr Raymond Soki	13	14
Cr Ron Enosa	8	14
Cr Keith Fell	13	14
Cr Wayne Guivarra	12	14
Cr David Bosun	8	14
Cr Toshie Kris	11	14
Cr Nancy Pearson	13	14
Cr Walter Mackie	13	14
Cr Willie Lui	13	14
Cr Philemon Mosby	13	14
Cr John Mosby	13	14
Cr Florianna Bero	13	14
Cr Ron Day	10	14

## Standing Committee Meetings

Councillor Name	Standing Committee Meetings Attended	Standing Committee Meetings Held*
Mayor Fred Gela	24	36
Deputy Mayor Kenny Bedford	8	11
Cr Donald Banu	7	11
Cr Raymond Soki	7	11
Cr Ron Enosa	5	12
Cr Keith Fell	9	11
Cr Wayne Guivarra	9	12
Cr David Bosun	7	11
Cr Toshie Kris	7	11
Cr Nancy Pearson	12	12
Cr Walter Mackie	5	12
Cr Willie Lui	12	12
Cr Philemon Mosby	10	11
Cr John Mosby	11	11
Cr Florianna Bero	8	11
Cr Ron Day	9	11

\* note councillors (excl. Mayor) were not members of all committees

## Human Resources

Council is committed to providing a safe and healthy working environment for all employees. Council practices Equal Employment Opportunities (EEO) and is in the process of formalising an EEO policy.

Although no formal policy is in place yet, the TSIRC is nevertheless actively promoting this notion through our recruitment process. All recruitment is conducted in transparent manner. The process involves the provision of detailed position descriptions, internal and external advertising, shortlisting by the vacancy manager, panel interviews and reports. To ensure the transparency of this process the interview panel must contain the vacancy manager, a member of the Human Resources team and an independent officer.

Council also promotes the employment of Torres Strait Islanders to positions where appropriate and offers a range of cadet, apprentice and trainee positions to assist young or unskilled people to get into the workforce. The Torres Strait Island Regional Council is now one of the largest employers of Torres Strait Islanders in the region.

In the 2009/10 financial year Council will be introducing an Enterprise Bargaining Agreement (EBA). This process has already involved extensive consultation with stakeholders, including trade unions. The EBA will contain flexibility provisions for training and development leave and the recognition of leave for cultural activities or caring for families.

## Councillor's Code of Conduct

Total number of breaches of the local governments code of conduct committed by councillors	NIL
Name of each councillor who breached the code, a description of the breach and penalty	NIL
Number of complaints of alleged breach, other than frivolous and vexatious, referred to conduct review panel	NIL
Number of recommendations made to Council by review panel that were adopted, not adopted by Council	NIL
Number of complaints resolved under general complaints process and No. relating to councillors	NIL
Number of complaints made to Ombudsman and notified to Council re enforcement decisions of Council	NIL

# Introducing the Councillors

Division	Community	Councillor
	Hammond	Mayor Fred Gela
Division one	Boigu	Cr Donald Banu
Division two	Dauan	Cr Raymond Soki
Division three	Saibai	Cr Ron Enosa
Division four	Mabuiag	Cr Keith Fell
Division five	Badu	Cr Wayne Guivarra
Division six	Kubin	Cr David Bosun
Division seven	St Pauls	Cr Toshie Kris
Division eight	Hammond	Cr Nancy Pearson
Division nine	Iama	Cr Walter Mackie
Division ten	Warraber	Cr Willie Lui
Division eleven	Poruma	Cr Phillemon Mosby
Division twelve	Yorke	Cr John Mosby
Division thirteen	Ugar	Cr Florianna Bero
Division fourteen	Erub	Deputy Mayor Kenny Bedford
Division fifteen	Mer	Cr Ron Day



The members of the TSIRC and Kaurareg Elder at the first Ordinary Meeting: Front Row: Nancy Pearson (Hammond), Donald Banu (Boigu), Kaurareg Elder John Mills, Mayor Fred Gela, Deputy Mayor Kenny Bedford (Erub), Florianna Bero (Ugar), Wayne Guivarra (Badu). Back Row: Walter Mackie (Iama), Phillemon Mosby (Poruma), Keith Fell (Mabuiag), John Mosby (Masig), Ron Enosa (Saibai), Mario Soki (Dauan), Toshi Kris (St Pauls), Ron Day (Mer), Willie Lui (Warraber) and David Bosun (Kubin). *Photo courtesy of Torres News.*

# Councillor Remuneration

\* Note remuneration is based on a 15 month period

Councillor*	Remuneration & Amalgamation Loading	Travel Allowance
Fred Gela	\$104, 203.08	\$7,636.90
Kenny Bedford	\$70,465.49	\$2,195.70
Toshie Kris	\$57,661.66	\$1,070.95
Raymond Soki	\$57,661.66	\$2,725.55
Ron Enosa	\$57,661.66	\$2,271.60
Ron Day	\$57,661.66	\$1,874.90
Keith Fell	\$57,661.66	\$3,374.10
Walter Mackie	\$57,661.66	\$2,589.95
Nancy Pearson	\$57,661.66	\$2,233.85
Willie Lui	\$57,661.66	\$2,567.15
Florianna Bero	\$57,661.66	\$3,828.20
Wayne Guivarra	\$57,661.66	\$2,684.05
Phillemon Mosby	\$57,661.66	\$2,784.80
John Mosby	\$57,661.66	\$3,212.05
Donald Banu	\$57,661.66	\$2,575.15
David Bosun	\$57,661.66	\$2,003.80

## Resolutions Relating to Councillor Remuneration

**Ordinary Meeting March 2008** Moved Cr Kris, Seconded Cr Bosun that the Council adopts the remuneration policy plus an amalgamation allowance (determined as a fixed amount) as per below, to be paid in equal monthly instalments:

Councillors	35%	\$44,300
Deputy Mayor	40%	\$50,620
Mayor	55%	\$69,610

**Ordinary Meeting April 2008:** Moved Cr. Bedford, Seconded Cr. Banu that Council proposes to make the Expense Reimbursement Policy as presented, and to forward the Director-General for his approval before formally adopting and publicly advertising.

**Ordinary Meeting 23 July 2008:** Moved Cr Soki, Seconded Cr Mackie that Council endorses Mr Bedford's request for Council to cover his T/A and accommodation expenses to attend a Media Training in Cairns on the 31 July, as per the TSIRC Expenses Reimbursement Policy under Discretionary Professional Development. Motioned Carried.

**Ordinary Meeting 27 January 2009:** Moved Cr Bedford, Seconded Cr Fell that Council in accordance with section 236A of the Local Government Act authorize the remuneration of Mayor, Deputy Mayor and Councillors to be the top of the scale as detailed in the Remuneration Tribunal report December 2008, plus the amalgamation allowance effective 1 January 2009. Motion carried.

**Ordinary Meeting 30 June 2009:** Moved Cr Pearson, Seconded Cr Bero that Council refers the provided policy to the Associate Director General of the Department of Infrastructure and Planning for review prior to formally adopting at the July Ordinary Meeting of Council. Motion carried.

**Ordinary Meeting 30 June 2009:** Moved Cr Bedford, Seconded Cr Pearson that Council adopt the Entertainment & Hospitality Policy for the 2009/10 budget year in accordance with s9 of the Local Government Finance Standard 2005, as presented. Motion carried.

# Statutory Disclosures

## Summary of Expenditure, Hospitality, Advertising and Grants

Type of Expenditure	\$ Spent
Entertainment and Hospitality	\$8,861
Advertising	\$0
Community Grants	\$19,010

## Summary of Expenditure on Consultants

<b>Accounting and Management Consultants</b>		
	<b>Firm Name</b>	<b>\$ Spent</b>
	JPS Consulting Service	\$25,148
	Jessup and Partners	\$204,751
	Kleinhardt Business Consultants	\$6,968
	KPMG	\$29,037
	MLCS Corporate	\$22,083
	Moller Family Trust	\$15,294
	Pacifica Chartered Accountants	\$7,590
	RPM	\$184,956
	WHK Greenwoods	\$110
	A. J. Wright	\$4,218
	Total	\$500,155
<b>Engineering</b>		
	Black and Moore	\$68,700
	Maunsell Australia	\$23,581
	NBC Consultants	\$239,617
	O'rourke Barnes and Associates	\$7,447
	PDR Engineers	\$6,250
	Peddlethorp Architects	\$6,104
	Remote Project Management	\$174,482
	Total	\$526,181



## Overseas Travel

The CEO, John Scarce took a study tour to New Zealand as part of the State Government's working group on the new Local Government Act. The trip was paid for by the Local Government Association of Queensland (LGAQ).

## Special Rates and Charges

The Council levied no special rates or charges on land for the period ending 30 June 2009.

## Rates Rebates and Concessions

The Council did not levy general rates – therefore, no rebates or concessions were applied.

## Council's Borrowing Policy

The following principles are accepted financial management principles associated with non-current liability management.

Borrowings will not be utilised to fund re-current operations;

Borrowings will be "matched" with the profile of the asset;

Borrowings for new assets should be linked with income producing assets that create wealth;

Before Borrowings are undertaken a risk evaluation on the asset or works is required to be undertaken to enable Council make a fully informed decision;

The ratio of Interest and Redemption to Grant Income should remain less than ten (10) percent;

Borrowings will only be for assets identified in Council planning including Strategic Plans, Management Plans, Five and Ten Year Capital Works Plans or other documentation of a Strategic Nature e.g. State / Federal Government Planning; and

Where transactions are considered "off-balance sheet" a full financial analysis including a risk assessment is undertaken in accordance with State Government Guidelines to ensure the Council is receiving "value for money".

## Invitations to Change Tenders

Invitations to submit a revised tenders were invited for the MIP 4 Sustainability Asset Renewal Project after a review was conducted on the ranking criteria.

**Ordinary Meeting 30 June 2009** Moved Cr Pearson, Seconded Cr Day that the Committee recommend to Council the acceptance of the revised tender submitted by Maunsell AECOM for Project Management of the Asset Renewal Project.

## Expressions of Interest

Expressions of interest were called for the regional waste management strategy.

**Ordinary Meeting 20 August 2008:** Moved Cr Pearson, Seconded Cr Lui that the Executive Manager for Communities call for expressions of interest from suitably qualified consultants to develop management plans for the operation of 15 community rubbish tips.

## Registers

The Council keeps the following registers open to public inspection:

- Register of Councillor Interests
- Register of Disclosure of Election Gifts
- Register of Delegations of Authority by Council

## Names of shareholders delegates of the local government for its LGOCs

For the period ending 30 June 2009, the Council controlled no LGOC's.

## List of all business activities (National Competition Policy)

The Council had no identified business activities for the period ending 30 June 2009.

## Disclosure of Cross Subsidies

The Council did not levy water and sewerage rates for the period ending 30 June 2009.

## Corporate and Operational Plan

The Council used the financial year to June 2009 to consult with its community and draft a Corporate Plan. The Corporate Plan for Torres Strait Island Regional Council was put to consultation in March 2009 after extensive community engagement. Further to this, the Corporate Plan was adopted in June 2009.

The Operational Plan was adopted at the time of the Budget in October 2008. There were no changes to the Operational Plan for the period ending 30 June 2009. The Operational Plan was reviewed to ensure progress was being achieved in the implementation of Council policies, initiatives and targets.

## Reserve Land Controlled by Council

Council does not control any reserve land

## Length of roads controlled by Council

Island Name	Total Road Length (m)	Total Road Length (km)
Ugar	2815	2.8
Dauan	3762	3.8
Poruma	4402	4.4
iama	4812	4.8
Boigu	6392	6.4
Saibai	7596	7.6
masig	8468	8.5
Warraber	11060	11.1
Mabuiag	11505	11.5
Mer	12762	12.8
Erub	15710	15.7
Hammond	23846	23.8
Badu	82017	82.0
Moa	86716	86.7
	<b>281863</b>	<b>281.863</b>



# Expense Reimbursement Policy

## Commencement

The Torres Strait Island Regional Council expenses reimbursement policy will take effect from the date Council formally adopts this date will appear on the last page of the policy under the heading certification.

## Background

In developing an expense reimbursement policy the Council must comply with guidelines issued by the Chief Executive Officer of the Department of Local Government, and sections 236B, 250AR, 250AS, 250AT and 250AU of the *Local Government Act 1993*.

## Purpose

The purpose of the policy is to ensure that councillors (including mayors) can receive reimbursement of reasonable expenses and be provided with necessary facilities in performance of their role.

## Statement of Principles

The policy complies with the Statement of Principles, set out in the guidelines:

- Reasonable expenses reimbursement to councillors
- Public accountability and transparency
- Public perceptions and community expectations
- No private benefit to be derived
- Equity and participation

## Payment of Expenses


Expenses will be paid to a councillor through administrative processes approved by a council's Chief Executive Officer subject to:

- The limits outlined in this policy and
- Council endorsement by resolution.

## Expense Categories

### Representing Council

Where Council resolves Councillors are required to attend conferences or workshops to either deliver a paper or as a delegate of Council; Council will reimburse expenses identified by resolution, associated with attending the event since participation is part of the business of Council.



## Professional development

A local government will reimburse expenses incurred for:

- Mandatory professional development

Where Council resolves that all Councillors are to attend training courses or workshops for skills development related to a Councillors role, the Council will reimburse expenses identified by resolution, that being the total cost of the course plus associated expenses and

- Discretionary professional development

Where a Councillor identifies a need to attend a conference, workshop or training to improve skills relevant to their role as a Councillor, other than Mandatory training, Council will reimburse expenses identified by resolution to a maximum of \$5,000 for the current term of their office.

## Travel as required to represent council

A local government may reimburse local and in some cases interstate and overseas travel expenses (e.g. flights, car, accommodation, meals and associated registration fees) deemed necessary to achieve the business of council where:

- A councillor is an official representative of council and
- The activity/event and travel have been endorsed by resolution of council.

Councillors are to travel via the most direct route, using the most economical and efficient mode of transport. Council will pay for reasonable expenses incurred for overnight accommodation when a councillor is required to stay outside the local government's region.

NOTE: Any fines incurred while travelling in council-owned vehicles or privately owned vehicles when attending to council business, will be the responsibility of the councillor incurring the fine.

If a Councillor travels using their private vehicle, a log is to be kept of the mileage travelled and the reimbursement will be in accordance with the Australian Taxation Office rulings for the engine capacity of the vehicle used.

## Travel bookings

All councillor travel approved by Council will be booked and paid for by Council.

Economy class is to be used, however for journeys of three (3) hours or more and it being the fourth (4) time of travel in the current term of office for Council business, paid directly by Council (that is not recovered from a second party as a result of a meeting, training or workshop requested by them), Business class is to be used where available.

Airline tickets are not transferable and can only be procured for the councillor's travel on council business. They cannot be used to offset other unapproved expenses. (e.g. cost of partner or spouse accompanying the councillor.)

## Travel transfer costs

Any travel transfer expenses associated with councillors travelling for council approved business will be reimbursed.

Example: Trains, taxis, buses and ferry fares. **Cab charge vouchers may also be used if approved by Council where Councillors are required to undertake duties relating to the business of council.**



## **Private vehicle usage**

Councillor's private vehicle usage may be reimbursed by council if the:

- Travel has been endorsed by council resolution
- Claim for mileage is substantiated with log book details and
- Total travel claim does not exceed the cost of the same travel using economy flights plus the cost of taxi transfers.

Reimbursement will be in accordance with the Australian Taxation Office rulings for the engine capacity of the vehicle used.

## **Accommodation**

All Councillor accommodation for Council business will be booked and paid for by Council. Council will pay for the most economical deal available. Where possible, the minimum standards for councillors' accommodation should be four (4) star rating. Where particular accommodation is recommended by conference organisers, council will take advantage of the package deal that is the most economical and convenient to the event.

## **Meals**

A local government will reimburse costs of meals for a councillor when:

- The councillor incurs the cost personally and
- The meal was not provided:
  - Within the registration costs of the approved activity/event
  - During an approved flight.

The following limits apply to the amount councils will reimburse for meals:

- Breakfast \$19.60
- Lunch \$20.05
- Dinner \$34.55

No alcohol will be paid for by council.

## **Incidental allowance**


A \$20 per day will be paid by a Council to cover any incidental costs incurred by Councillors required to travel, and who are away from home overnight, for official Council business.

## **Hospitality**

Council provides a \$500 per annum Hospitality Expenditure for all Councillors.

Council provides a \$2,000 per annum Hospitality Expenditure for the Mayor.

The Mayor and the Councillors will provide evidence of the expenditure to the Standing Committee for Finance and Corporate who will recommend to Council the amount to be reimbursed. Upon Council resolution the Hospitality Expenditure will be reimbursed to the Mayor or Councillor.



## Provision of Facilities

All facilities provided to councillors remain the property of council and must be returned to council when a councillor's term expires.

### Private use of Council owned facilities

Based on the principle that *no private benefit is to be gained* the facilities provided to Councillors by Local Governments are to be used only for Council business unless prior approval has been granted by resolution of Council and are in accordance with the charges for private use as set out in this policy.

## Facilities Categories

### Administrative tools

Administrative tools are to be provided to Councillors as required to assist Councillors in their role.

Administrative tools include:

- Office space and meeting rooms
- Computers
- Stationery
- Access to photocopiers
- Printers
- Facsimile machines
- Publications
- Use of council landline telephones and internet access in council offices.

Secretarial support may also be provided for Mayors and Councillors under a directive given by the Chief Executive Officer to staff concerned.

Council may via a separate resolution provide a Councillor with home office equipment including computer, internet access if necessary.

### Maintenance costs of council owned equipment

Council will be responsible for the ongoing maintenance and reasonable wear and tear costs of council-owned equipment that is supplied to councillors for official business use. This includes the replacement of any facilities which fall under council's asset replacement program.

### Name badge and uniform

The Council will provide Councillors with a name badge

The Council may by separate resolution authorise personal protective equipment and/or a uniform of the Council.

### Use of council vehicles on council business

Councillors will have access to a council vehicle for official business.



### **Private use of vehicles**

Councillors do not have the ability to full private use of Council owned vehicles, they can utilise from vehicles in the Car Pool for official Council business use and private use, and however the vehicle must be made available for all Council personnel to utilise as a priority over any private use.

Private use of Council owned vehicles is to be recorded in a log book with the date of use and mileage travelled, each month the log book will be expected by Council staff to calculate the mileage travelled, the Councillor will reimburse Council the mileage travelled in accordance with the Australian Taxation Office rulings for the engine capacity of the vehicle used.

### **Telecommunication needs – mobile devices**

Council owned mobile telecommunication devices may be used by Councillors for official Council business use, any personal calls must be reimbursed to Council, a copy of the phone bill will be provided to the Councillor for identification of personal calls, and payment is to be made immediately.

Alternately if a mobile telecommunication device is not made available to a Councillor a listed telephone can be placed at a Councillors residence with a reimbursement of 50% of all charges and local call costs, any STD or International calls associated with Council business will also be reimbursed if a receipt and certification is provided.

Home internet access will be reimbursed 50% of the package cost.

### **Insurance cover**

Council will indemnify or insure Councillors in the event of injury sustained while discharging their civic duties. Council will pay the excess for injury claims made by a Councillor resulting from conducting official Council business.

### **Fuel costs**

Fuel for a council-owned vehicle used for official council business, will be provided or paid for by council.

### **Certification**

This and the preceding five (5) pages bearing my initials has been adopted by Council at its meeting held on the 25<sup>th</sup> June 2008.

John Scarce

CHIEF EXECUTIVE OFFICER



# Community Financial Report

## 15 March 2008 - 30 June 2009

This community financial report shows a summary of the financial statements with the aim of providing easily understood information to the members of our community. Through the use of graphs it also assists readers to evaluate Council's financial performance and financial position.

The former Island Councils were amalgamated on 14 March 2008. This has meant the financial statements for the period ending 30 June 2009 for Torres Strait Island Regional Council actually start on 15 March 2008, concluding on 30 June 2009.

There are four financial statements which provide different information.

These are:

### **The Income Statement**

This statement shows the income (or revenue) and the operational expenditure for the year. This then creates a profit (where income exceeds expenses) or loss (where expenses exceed income) for Council. This profit or loss is known as the net result attributable to Council.

### **The Balance Sheet**

This statement shows all of the assets (what is owned and owing to Council) and liabilities (what Council owes). This statement also shows the total community equity, being total assets minus total liabilities. Total community equity can help to show how healthy the position of Council is at a given point in time. The more that assets are greater than liabilities, the better the position of Council.

### **The Statement of Changes in Equity**

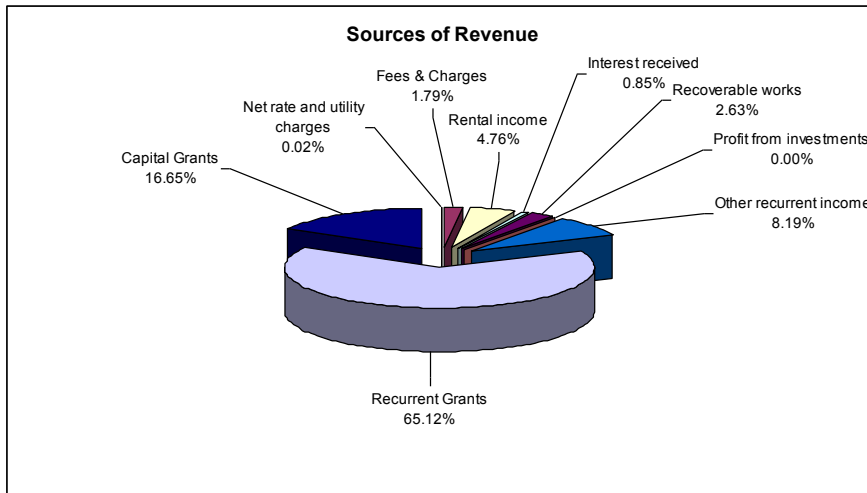
This statement shows the movements between elements of Community Equity shown in the Balance Sheet.

### **The Statement of Cashflows**

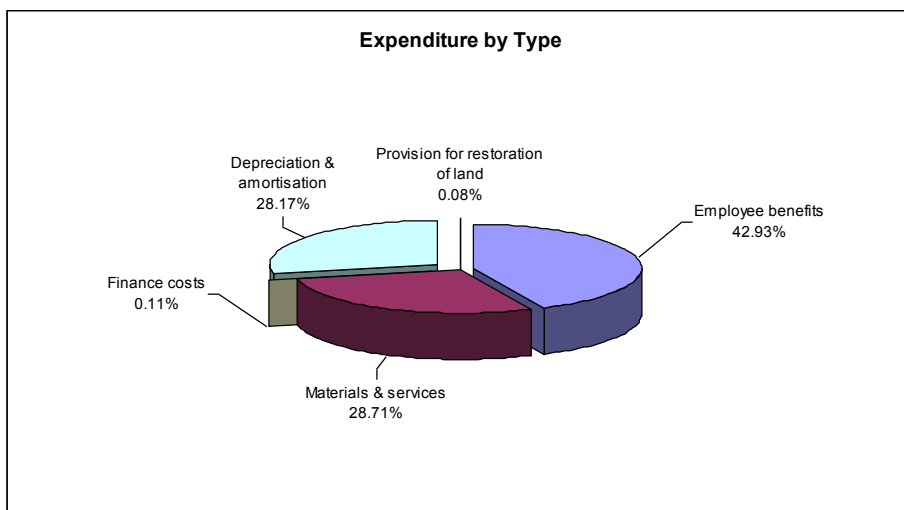
This statement shows the nature and amount of cash inflows/outflows of council activities.

## THE INCOME STATEMENT

Revenue – where did the dollars come from?

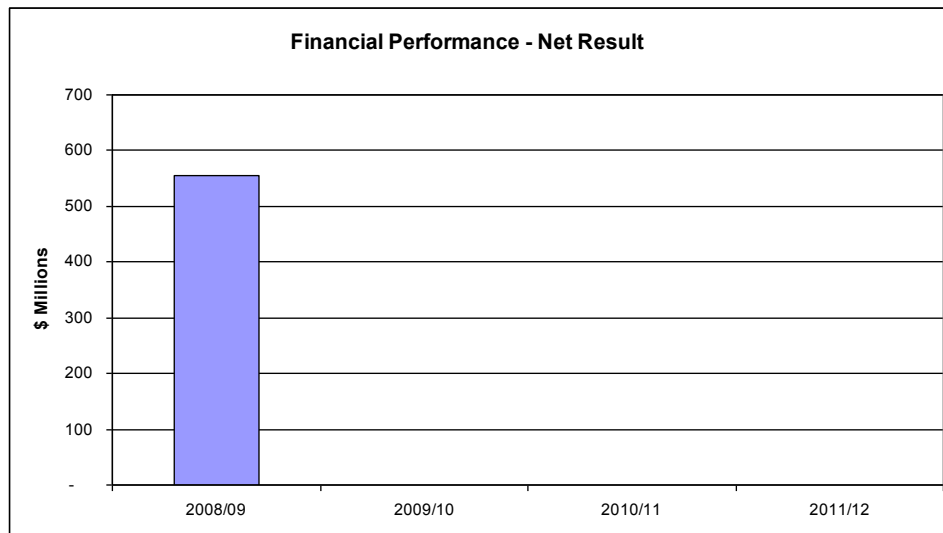


Council received \$78 million in revenue during 2008/09. This was primarily from recurrent grants of \$51 million which accounted for 65% of total revenue. Capital grants made up 16% of revenue. The remaining revenue is sourced from recoverable works, interest revenue, rental income, fees and charges and net rates



Total expenses of \$98 million were incurred during March 2008 and June 2009, which were primarily for employee costs of \$42 million and materials and services of \$28 million which together made up 71% of total expenditure. The remaining expenditure is made up of depreciation, increase in restoration of land provision and finance costs.

## Net Result attributable to Council



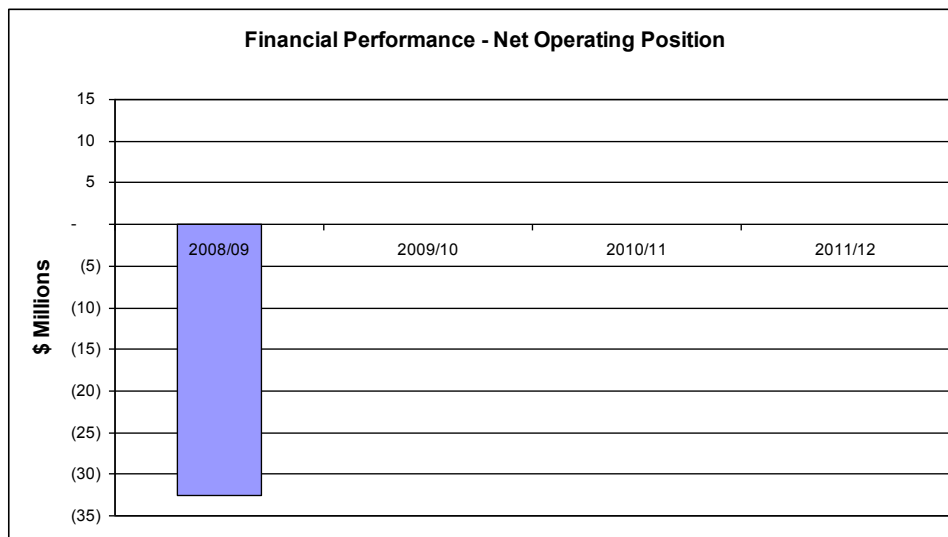
The net result is the difference between revenue received and the operating expenses incurred by Council throughout the year on an accrual basis. The 2008/2009 net result is \$554 million which indicates that revenue is \$554 million greater than expenses. This does not represent surplus funds however, as two significant items of revenue are included in this surplus. They are:

Revenue from Assets and Liabilities from Abolished Councils – This revenue of \$254 million, is the net value of the former Island Councils transferred to Torres Strait Island Regional Council at 15 March 2008.

Revenue from Adjustments in Accounting Policy - This revenue of \$319 million, is primarily difference between asset values recorded by the former Island Councils and the fair value of assets at amalgamation.

Therefore, the surplus is not actual cash, but rather fixed assets in the form of, for example – water and sewage treatment plants, roads and buildings.

## Operating Position



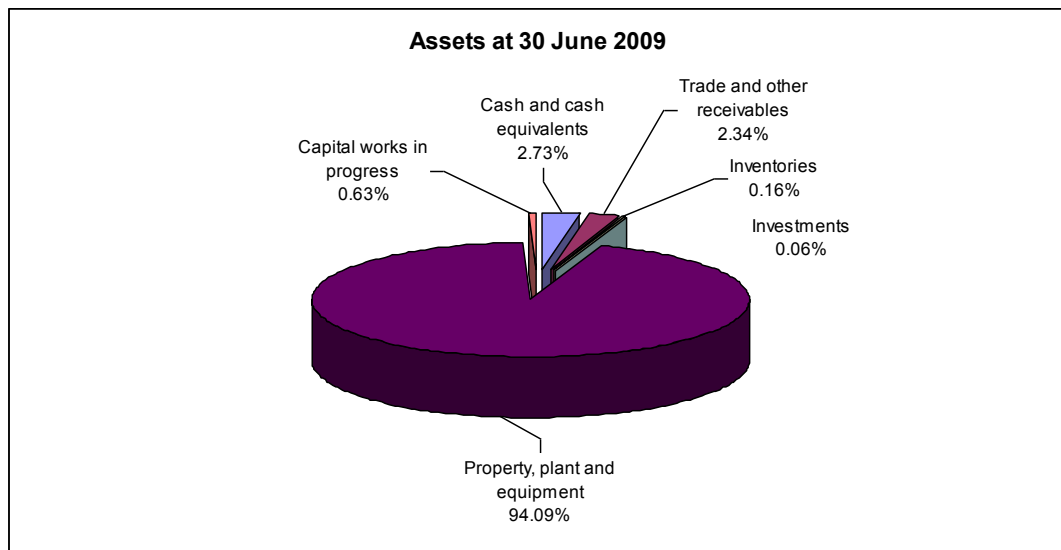
The operating position is calculated by taking total operating expenditure from the total operating revenue. Operating revenue in this calculation does not include any revenue for capital projects.

In many ways the operating position is the best measure of Council's financial performance in a given year. The operating position gives an indication of Council's ability to continue operating at sustainable levels, as well as Council's ability to fund the future acquisition and replacement of assets.

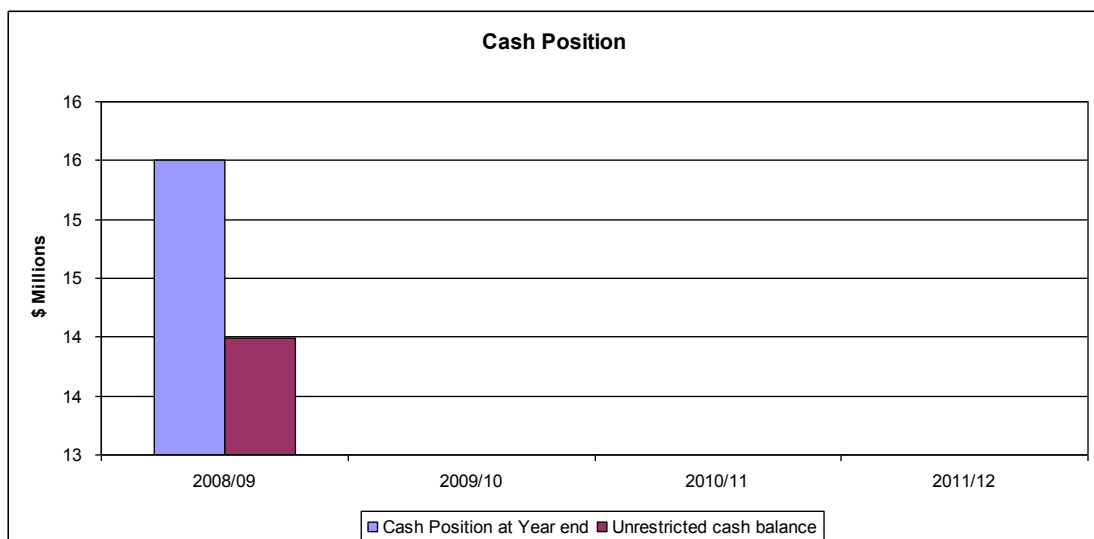
The Council is showing a loss level in terms of operating position, principally due to recognition of depreciation (or consumption of assets).

## THE BALANCE SHEET

Assets – what we own and what is owing to us

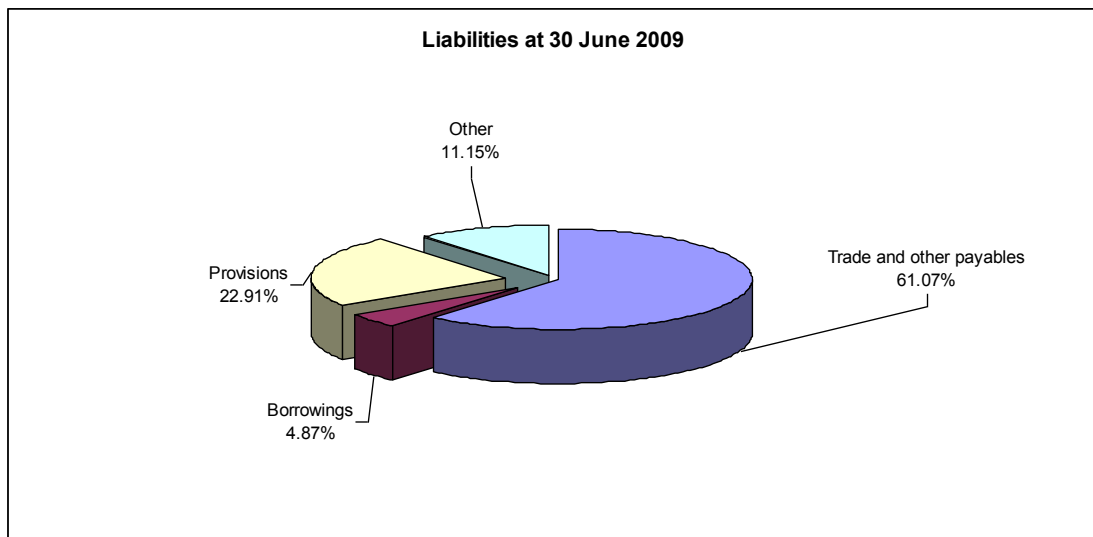


The major components of assets include property, plant and equipment, land, roads, water and sewerage, housing, capital works in progress and cash assets. These assets represent 96% of all assets.

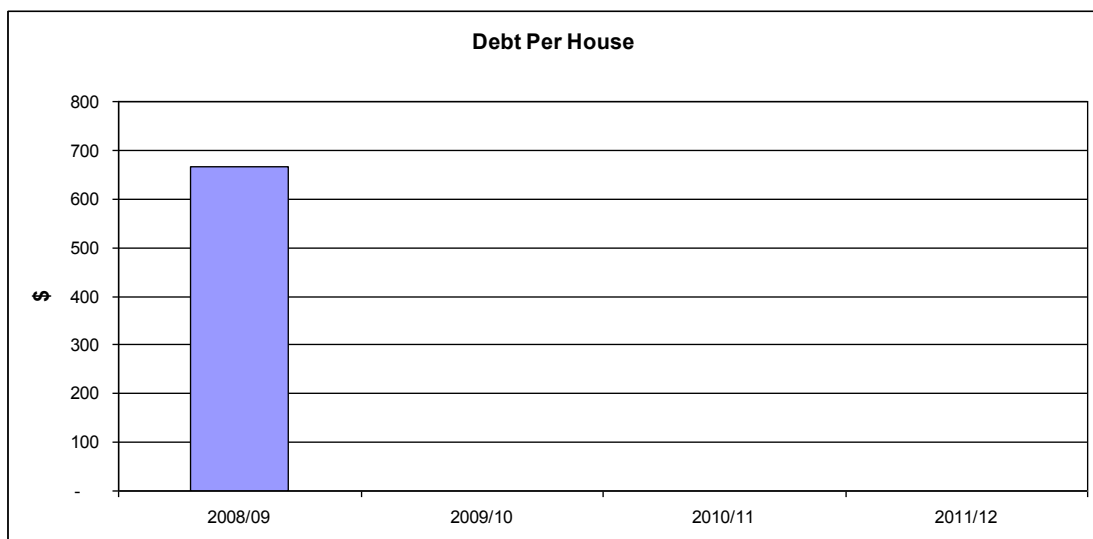


The cash position at 30 June 2009 was \$15.5 million. The unrestricted cash balance (total cash less constrained grant funds) was \$13.9 million.

## Liabilities – what we owe



Council's liabilities include loans, amounts owing to suppliers, and amounts owing to employees for leave entitlements. Total liabilities at 30 June 2009 were \$13.6 million.



The debt per community house is \$667 at 30 June 2009.

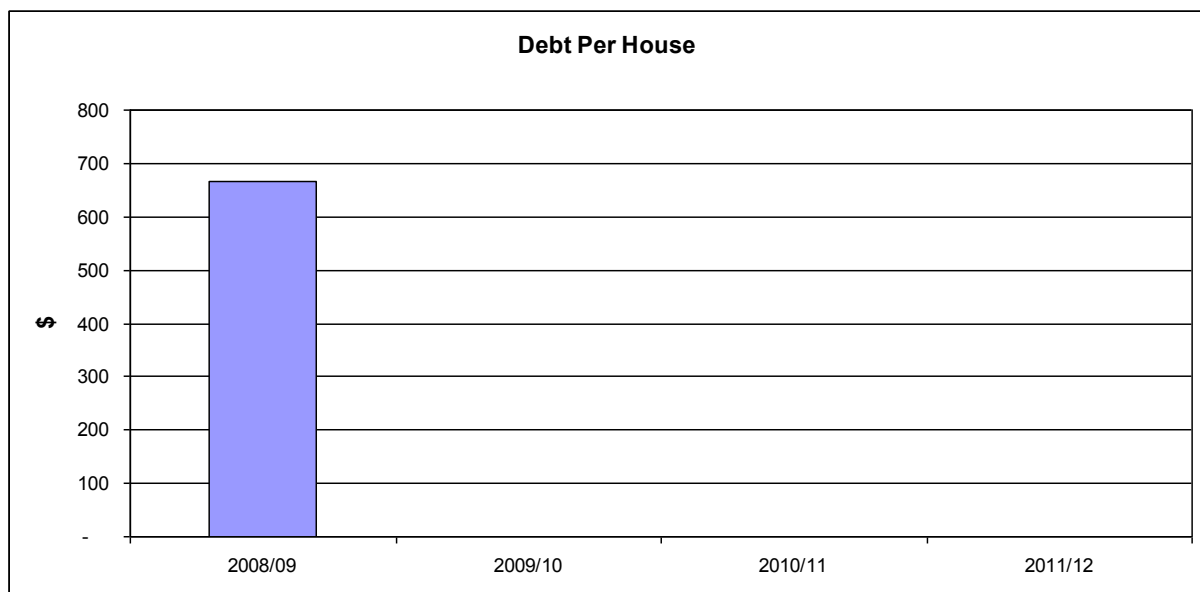
## QUEENSLAND TREASURY DEBT

Council's current borrowing policy requires:

- No use of long term debt to finance operating activities or recurrent expenditure;

- Priority will be given in any borrowing program to income producing assets;

These borrowings are repaid on a monthly basis in accordance with the terms and conditions set by the Queensland Treasury Corporation. The repayment terms are reviewed on a regular basis in order to ensure that the expected loan term aligns with market movements.



The debt per community house is \$667 at 30 June 2009.

## CONCLUSION

At 30 June 2009, Torres Strait Island Regional Council recorded a substantial operating deficit. This deficit was principally driven by the recognition of depreciation in the accounts. At present, the revenue streams of Council are not adequate to cover the operational costs (including depreciation) of Council.

## FINANCIAL MANAGEMENT SUSTAINABILITY

The Queensland Department of Infrastructure and Planning has published a Financial Management (Sustainability) Guideline. The Department has defined sustainability in the Queensland Local Government sector as:

*A local council is sustainable if its infrastructure capital and financial capital is able to be maintained over the long term.*

The Department has published a number of Financial Ratios as measures of sustainability.

Financial ratios provide a useful snapshot of Council's status. These ratios are calculated by dividing a dollar amount of one item reported in the financials statements by the dollar amount of another. The result is a relationship between two related items that is easy to interpret and is also useful in comparing Torres Strait Island Regional Council to other Councils.

Sustainability Indicators				
Ratio	Calculation	Information	Target	Actual
Working Capital Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	This is an indicator of the management of working capital. Measures the extent to which a council has liquid assets available to meet short term financial obligations.	Greater than 1:1	1:3
Operating Surplus Ratio	$\frac{\text{Net Operating Surplus}}{\text{Total Operating Revenue}}$	This is an indicator of the extent to which revenues raised covers operational expenses or are available for capital funding.	Between 0% and 15%	-30%
Net Financial Liabilities Ratio	$\frac{\text{Total Liabilities - Current Assets}}{\text{Total Operating Revenue}}$	This is an indicator of the extent to which the net financial liabilities of council can be serviced by its operating revenues.	Not Greater than 60%	-25%
Interest Coverage Ratio	$\frac{\text{Net Interest Expense on Debt}}{\text{Total Operating Revenue}}$	This ratio indicates the extent to which council's operating revenues are committed to interest expense.	Between 0% and 10%	0.09%



Sustainability Indicators				
Ratio	Calculation	Information	Target	Actual
Asset Sustainability Ratio	Capital Expenditure on Replacement Assets	This is an approximation of the extent to which the infrastructure assets are being replaced as they reach the end of their useful lives.	Greater than 90%	1%
	<div> <div></div> <div>Depreciation Expense</div> </div>			
Asset Consumption Ratio	Written Down Value of Infrastructure Assets	The average proportion of "as new" value remaining in infrastructure assets. This ratio highlights the aged condition of council's stock of physical assets.	Between 40% and 80%	95%
	<div> <div></div> <div>Gross Current Replacement Cost</div> </div>			
Asset Renewal Funding Ratio	Net Present Value of Planned Capital Expenditure on Renewals over 10 years	This represents the extent to which the required capital expenditures on renewals have been incorporated into the 10 Year Financial Model of Council.	Greater than 90%	Due to Grant Funding uncertainty it is not possible to calculate this indicator.
	<div> <div></div> <div>Net Present Value of Required Capital Expenditure on Renewals</div> </div>			



This Community Financial Report and Financial Sustainability Indicator Report has been compiled in accordance with:

Local Government Finance Standard 2005 s.23(1)/(2)(b):

This section states particular matters that a local government's annual report for a financial year must contain.

The matters are –

(b) a community financial report that is –

consistent with, but not part of, the local government's financial statements: and

in a form that is readily understood by the community.

In this section –

"community financial report" means a report containing a summary and analysis of the local government's financial performance and position for the financial year.

# *Celebrating One*



# *Year of Service*





# **Torres Strait Island Regional Council**

## **Financial Report**

### **For the Period**

**15 March 2008 to 30 June 2009**

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# Income Statement

For the period 15 March 2008 to 30 June 2009

		2009
	Note	\$
<b>Income</b>		
<b>Revenue</b>		
<b>Recurrent Revenue</b>		
Net rate and utility charges	3(a)	13,637
Fees and Charges	3(b)	1,402,522
Rental income	3(c)	3,732,305
Interest received	3(d)	663,815
Sales - Contract and recoverable works	3(e)	2,060,508
Profit from investments	3(f)	-
Other recurrent income	3(g)	6,425,739
Grants, subsidies, contributions and donations	4(a)	51,064,847
Total recurrent revenue		<u>65,363,374</u>
<b>Capital revenue</b>		
Grants, subsidies, contributions and donations	4(b)	13,053,276
Total revenue		<u>78,416,650</u>
<b>Gain on restructure of local government</b>		
Assets and liabilities transferred from abolished Councils	9	254,555,946
Adjustments due to accounting policy alignment	9	<u>319,269,769</u>
		<u>573,825,715</u>
Total income		<u>652,242,365</u>
<b>Expenses</b>		
Employee benefits	5	(42,097,147)
Materials and services	6	(28,154,385)
Finance costs	7	(107,827)
Depreciation and amortisation	8	<u>(27,621,778)</u>
Total recurrent expenses		<u>(97,981,136)</u>
<b>Capital expenses</b>		
Impairment losses		-
Provision for restoration of land		(82,194)
Revaluation decrements		-
		<u>(82,194)</u>
Total expenses		<u>(98,063,330)</u>
<b>Net result attributable to Council</b>		<u>554,179,035</u>

# Balance Sheet

as at 30 June 2009

		2009
	Note	\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	10	15,504,604
Trade and other receivables	11	13,266,174
Inventories	12	893,334
		<u>29,664,113</u>
<b>Total current assets</b>		<u>29,664,113</u>
<b>Non-current Assets</b>		
Investments	13	350,002
Property, plant and equipment	14	534,201,385
Capital works in progress	15	3,564,213
<b>Total non-current assets</b>		<u>538,115,599</u>
<b>TOTAL ASSETS</b>		<u>567,779,712</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	16	7,948,908
Borrowings	17	105,166
Provisions	20	513,883
Other	21	1,516,065
<b>Total current liabilities</b>		<u>10,084,022</u>
<b>Non-current Liabilities</b>		
Trade and other payables	16	356,534
Borrowings	17	557,612
Provisions	20	2,602,509
<b>Total non-current liabilities</b>		<u>3,516,655</u>
<b>TOTAL LIABILITIES</b>		<u>13,600,677</u>
<b>NET COMMUNITY ASSETS</b>		<u>554,179,035</u>
<b>Community Equity</b>		
Shire capital	22	-
Retained surplus/(deficiency)	23	554,179,035
Other reserves	24	-
<b>TOTAL COMMUNITY EQUITY</b>		<u>554,179,035</u>

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

# Statement of Changes in Equity

For the period 15 March 2008 to 30 June 2009

	Notes	Shire Capital 22 \$	Retained surplus 23 \$	Capital and Other Reserves 24 \$	Total \$
<b>Period 15 March 2008 to 30 June 2009</b>					
<b>Opening Balance</b>		-	-	-	-
Revaluations of Property, Plant and Equipment		-	-	-	-
Available for sale investments:					
Valuation gains/(losses)		-	-	-	-
Transferred to income statement on sale		-	-	-	-
Impairment Losses		-	-	-	-
Change in value of future rehabilitation cost		-	-	-	-
Net income recognised directly in equity		-	-	-	-
Surplus for the period		-	554,179,035	-	554,179,035
<b>Total recognised income and expense</b>		-	554,179,035	-	554,179,035
<b>Transfers to and from reserves</b>					
Transfers to/from capital		-	-	-	-
Transfers to capital and other reserves		-	-	-	-
Transfers from capital and other reserves		-	-	-	-
<b>Total transfers to and from reserves</b>		-	-	-	-
<b>Balance at 30 June 2009</b>		-	554,179,035	-	554,179,035

# Statement of Cashflows

For the period 15 March 2008 to 30 June 2009

		2009
<b>Cash flows from operating activities :</b>	<b>Note</b>	<b>\$</b>
Receipts from customers		5,867,698
Payments to suppliers and employees		<u>(65,986,831)</u>
		(60,119,133)
Dividend received		-
Interest received		663,815
Rental income		3,732,305
Non capital grants and contributions		51,064,847
Income from investments		-
Borrowing costs		<u>(58,132)</u>
<b>Net cash inflow (outflow) from operating activities</b>		<u><b>(4,716,297)</b></u>
<b>Cash flows from investing activities:</b>		
Payments for property, plant and equipment		(9,493,756)
Payments for intangible assets		-
Net movement in loans and advances		-
Proceeds from sale of property plant and equipment		-
Grants, subsidies, contributions and donations		<u>13,053,276</u>
<b>Net cash inflow (outflow) from investing activities</b>		<u><b>3,559,520</b></u>
<b>Cash flows from financing activities:</b>		
Proceeds from borrowings		-
Repayment of borrowings		(99,724)
Repayments made on finance leases		<u>(40,112)</u>
<b>Net cash inflow (outflow) from financing activities</b>		<u><b>(139,836)</b></u>
<b>Net increase (decrease) in cash held</b>		<u><b>(1,296,613)</b></u>
Cash at beginning of reporting period		-
Cash flow arising from restructure of local government	9	16,801,217
<b>Cash at end of reporting period</b>	10	<u><u><b>15,504,604</b></u></u>

# Notes to and forming part of the Financial Statements—Note 1

For the period 15 March 2008 to 30 June 2009

## 1 Summary of Significant Accounting Policies

### 1.A Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and complies with the requirements of the Local Government Act 1993, the Local Government Reform Implementation Regulation 2008, section 37 of the Local Government (Community Government Areas) Act 2004 and the Local Government (Community Government Areas) Finance Standard 2004 and the Local Government Finance Standard 2005.

The Local Government Reform Commission report to the Minister for Local Government, Planning and Sport on 27 July 2007 recommended that the former Badu Island Council, Boigu Island Council, Dauan Island Council, Erub Island Council, Hammond Island Council, Iama Island Council, Kubin Island Council, Mabuiag Island Council, Mer Island Council, Poruma Island Council, Saibai Island Council, St. Pauls Island Council, Ugar Island Council, Warraber Island Council, Yorke Island Council and Island Co-ordinating Council be amalgamated to form Torres Strait Island Regional Council. Pursuant to Part 1B of the Local Government Act 1993 and in accordance with the Local Government Reform Implementation Regulation 2008, the Torres Strait Island Regional Council was formed on 15 March 2008.

The Local Government Reform Implementation Regulation 2008 and the Local Government Reform Implementation (Transferring Areas) Amendment Regulation (No.1) 2008 transferred the assets and liabilities of the former Badu Island Council, Boigu Island Council, Dauan Island Council, Erub Island Council, Hammond Island Council, Iama Island Council, Kubin Island Council, Mabuiag Island Council, Mer Island Council, Poruma Island Council, Saibai Island Council, St. Pauls Island Council, Ugar Island Council, Warraber Island Council, Yorke Island Council and Island Co-ordinating Councils to the Torres Strait Island Regional Council as at changeover date.

Pursuant to section 159YQ of the *Local Government Act 1993* and sections 26 and 35 of the *Local Government Reform Implementation Regulation 2008*, financial statements have been prepared for the period starting on 15 March 2008 and ending on 30 June 2009. Future periods will be for twelve month periods starting 1 July and ending on 30 June.

Assets and liabilities of the former Councils have been recognised by Torres Strait Island Regional Council on 15 March 2008 at the previous book values of the transferor local governments with adjustments to non-current assets to reflect a valuation undertaken as at that date. This is shown as income in the Income Statement and details are disclosed in note 9.

Torres Strait Island Regional Council adopted consistent accounting policies to the former Island Councils from its commencement date of 15 March 2008, except for the recognition of provisions made in respect of the Councils landfill sites. In some cases, this resulted in adjustments to the measurement of assets and liabilities transferred from former Councils as at 15 March 2008. These accounting policy alignment adjustments are shown in the Income Statement and details are disclosed in note 9.

This financial report has been prepared under the historical cost convention except for the revaluation of certain non-current assets.

# Notes to and forming part of the Financial Statements—Note 1

## 1.B Statement of Compliance

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Because the Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS), to the extent these inconsistencies are applied, this Report does not comply with IFRS. The main impact is in:

- the offsetting of revaluation and impairment gains and losses within a class of assets; and
- the recognition of assets and liabilities of the former Councils at the amounts at which they were recognised by the transferor local governments.

## 1.C Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Torres Strait Island Regional Council (Council) as at 30 June 2009 and the results of all significant controlled entities for the period then ended. The Council and its controlled entities together form the economic entity which is referred to in this financial report as the consolidated entity.

In the process of reporting the Council as a single economic entity, all transactions with entities controlled by the Council have been eliminated.

Torres Strait Island Regional Council owns the entire issued share capital of Poruma Island Pty Ltd. The Council has determined that this entity is not a significant controlled entity and therefore the assets and liabilities and results of Poruma Island Pty Ltd have not been reflected in these financial statements. There are no other controlled entities.

## 1.D Adoption of new Accounting Standards.

The following Australian Accounting Standards, issued on the dates shown, are not mandatory for the period ending 30 June 2009 but, as permitted, have been applied in preparing this report where applicable:

AASB 1004 Contributions (December 2007)  
AASB 1051 Land Under Roads (December 2007)  
AASB 1052 Disaggregated Disclosures (December 2007)  
AASB 2007-9 Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31  
AASB Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

The following Australian Accounting Standards, issued on the dates shown, are not mandatory for the period ending 30 June 2009 and have not been applied.

AASB3 Business Combinations (March 2008)  
AASB8 Operating Segments (Feb 2007)  
AASB101 Presentation of Financial Statements (September 2007)  
AASB123 Borrowing Costs (June 2007)  
AASB127 Consolidated and Separate Financial Statements (March 2008)  
AASB 1039 Concise Financial Reports (August 2008)  
AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB8 (February 2007)  
AASB2007-6 Amendments to Australian Accounting Standards arising from AASB123 (June 2007)  
AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB101 (September 2007)  
AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101  
AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations (February 2008)  
AASB2008-2 Amendments to Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation (March 2008)  
AASB2008-3 Amendments to Accounting Standards arising from AASB3 and AASB127 (March 2008)

# Notes to and forming part of the Financial Statements—Note 1

AASB2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008)

AASB2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (July 2008)

AASB2008-8 Amendments to Australian Accounting Standards - Eligible Hedged Items [AASB 139] (August 2008)

AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101 (September 2008)

AASB 2008-11 Amendments to Australian Accounting Standard – Business Combinations Among Not-for-Profit Entities [AASB 3] (November 2008)

AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners (December 2008) [AASB 5 & AASB 110]

Interpretation 15 - Agreements for the Construction of Real Estate (August 2008)

Interpretation 16 - Hedges of a Net Investment in a Foreign Operation (August 2008)

Interpretation 17 – Distributions of Non-cash Assets to Owners (December 2008)

It is not expected that the new standards would have made a substantial difference to the results if they had applied to this accounting period. Most of the changes are matters of presentation.

## **1.E Critical accounting estimates**

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

The estimates and assumptions that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are referred to in the appropriate notes to the financial statements.

## **1.F Currency**

The Council uses the Australian Dollar as its functional currency and its presentation currency.

## **1.G Constitution**

The Torres Strait Island Regional Council is constituted under the Queensland Local Government Act 1993 and is domiciled in Australia.

## **1.H Date of authorisation**

The financial report was authorised for issue on the date it was submitted to the Auditors for final signature.

The Local Government has the power to amend the Financial Report after it is authorised for issue until the adoption of the report by the Local Government as part of the Annual Report.

## **1.I Changes to Accounting Policies, Estimates and Errors**

Unless otherwise stated, accounting policies have been consistently applied throughout the period.

# Notes to and forming part of the Financial Statements—Note 1

## **1.J Rates, Grants and Other Revenue**

Rates, Grants and Other Revenue are recognised as revenue on receipt of funds or earlier unconditional entitlement to the funds.

### **(i) Rates**

Where rate monies are received prior to the commencement of the rating period, the amount is recognised as revenue in the period in which they are received.

### **(ii) Grants and Subsidies**

Where the Council has an obligation to use a grant or subsidy in a particular manner the amount is recognised as revenue on receipt. An equivalent amount is placed in a reserve until the obligation is satisfied.

### **(iii) Non-Cash Contributions**

Non-cash contributions with a value in excess of the recognition thresholds set out in note 1.R, are recognised within revenue as a donated asset and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.

### **(iv) Other Revenue Including Contributions**

Other Revenue is recognised as a receivable when it is probable that it will be received and the amount is known, otherwise the amount is recognised upon receipt.

## **1.K 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, and bank overdrafts.

## **1.L Receivables**

Trade receivables are recognised initially at fair value due at the time of sale or service delivery and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Settlement of these amounts is required within 30 days from invoice date.

The collectability of receivables is assessed periodically and, if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced with provision being made for impairment. The loss is recognised in other expenses.

The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated cash flows, discounted at the effective interest rate. Increases in the provision for impairment are based on loss events.

Loans and advances are recognised in the same way as other receivables. Terms are usually a maximum of five years with interest charged at commercial rates. Security is not normally obtained.

## **1.M Other Financial Assets**

Other Financial Assets are recognised at cost.

# Notes to and forming part of the Financial Statements—Note 1

## 1.N Financial Assets and Financial Liabilities

### ***Categorisation***

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

<b>Financial Assets</b>
Cash
Shares - Financial assets available for sale (at cost)
Receivables - Loans and receivables (at amortised cost)
Other financial assets
<b>Financial Liabilities</b>
Payables - Financial liability (at cost)
Borrowings - Financial liability (at amortised cost)
Finance Lease liabilities - Financial liability (at amortised cost)

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

The fair value of financial assets and liabilities must be estimated for recognition and measurement and for disclosure purposes.

The fair value of financial assets and liabilities is determined as follows:

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

The fair value of borrowings, as disclosed in note 18 to the accounts, is determined by reference to published price quotations in an active market and/or by reference to pricing models and valuation techniques. It reflects the value of the debt if the Council repaid it in full at balance date. As it is the intention of the Council to hold its borrowings for their full term, no adjustment provision is made in these accounts.

The fair value of other monetary financial assets and financial liabilities is based on market prices where a market exists, or is determined by discounting expected future cash flows by the current interest rate for financial assets and liabilities with similar risk profiles.

The fair value of trade receivables and payables are assumed to approximate their nominal value less estimated credit adjustments.

The fair value of prepayments is represented by the book value as the period of time to consumption is short and there are no rates involved in the calculation, therefore they are not disclosed separately.

Available for sale financial assets are measured at cost, as fair value cannot be reliably measured, therefore no fair value is disclosed.

# Notes to and forming part of the Financial Statements—Note 1

- 1.O Inventories**  
Stores, raw materials and water held for resale are valued at the lower of cost and net realisable value and include, where applicable, direct material, direct labour and an appropriate portion of variable and fixed overheads. Costs are assigned on the basis of weighted average cost.
- Inventories held for distribution are:
- goods to be supplied at no, or nominal, charge, and
  - goods to be used for the provision of services at no, or nominal, charge.
- These goods are valued at cost, adjusted, when applicable, for any loss of service potential.
- 1.P Investments**  
Financial institution deposits at call and term deposits with a short maturity of three months or less are treated as cash equivalents.
- Interest and dividend revenues are recognised on an accrual basis.
- The controlled entity is accounted for at cost in the Council's financial statements. Torres Strait Island Regional Council hold 100% of the shares in the controlled entity.
- 1.Q Investment Property**  
Investment property is property held for the primary purpose of earning rentals and/or capital appreciation, and primarily consists of the social welfare housing portfolio. This includes property held by the Council without any specific purpose (such as land no longer required for its original purpose).
- Investment property is measured using the fair value model. This means it is initially recognised at cost including transaction costs. Where investment property is acquired at no or nominal cost it is recognised at fair value. Investment property transferred from the former Badu Island Council, Boigu Island Council, Dauan Island Council, Erub Island Council, Hammond Island Council, Iama Island Council, Kubin Island Council, Mabuiag Island Council, Mer Island Council, Poruma Island Council, Saibai Island Council, St. Pauls Island Council, Ugar Island Council, Warraber Island Council, Yorke Island Council and Island Co-ordinating Councils was initially recognised at the amount at which it was recognised by the former Councils as disclosed in Note 1.A and Note 9. All Investment property is subsequently revalued annually at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in the income statement for the period in which they arise. Investment property is not depreciated and is not tested for impairment.
- Rental revenue from investment property is recognised as income on a periodic straight line basis over the lease term.
- 1.R Property, Plant and Equipment**  
Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. Items of plant and equipment with a total value of less than \$5,000, and infrastructure assets, and buildings with a total value of less than \$10,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.
- The classes of property, plant and equipment recognised by the Council are:
- Land
  - Buildings (Community and Corporate)
  - Wharves, Jetties and Pontoons
  - Plant and equipment
  - Road transport, stormwater and flood mitigation network
  - Water
  - Sewerage
  - Other infrastructure assets including recreational facilities

# Notes to and forming part of the Financial Statements—Note 1

## (i) 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.

Non-monetary assets, including property, plant and equipment, received in the form of contributions are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Non-current assets transferred from the former Badu Island Council, Boigu Island Council, Dauan Island Council, Erub Island Council, Hammond Island Council, Iama Island Council, Kubin Island Council, Mabuiag Island Council, Mer Island Council, Poruma Island Council, Saibai Island Council, St. Pauls Island Council, Ugar Island Council, Warraber Island Council, Yorke Island Council and Island Co-ordinating Councils, as a result of a Government restructure, were initially recognised at the amount at which they were recognised by the former Councils as at the changeover day as disclosed in Note 1.A and Note 9, and subsequently revalued as at the same date. Those assets are reflected as additions at valuation in Note 14.

## (ii) Capital and operating expenditure

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

## (iii) Valuation

Land and improvements, buildings, plant and equipment and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB116 *Property, Plant and Equipment* and the *Local Government Finance Standard 2005*. Other plant and equipment is measured at cost.

Non-current physical assets measured at fair value are revalued where required so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by comprehensively revaluing these assets at least once every five years with interim valuations, using a suitable index, being otherwise performed on an annual basis where there has been a material variation in the index.

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation reserve of the appropriate class, 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 reserve relating to 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

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

Details of valuers and methods of valuations are disclosed in Note 14.

# Notes to and forming part of the Financial Statements—Note 1

## (iv) Depreciation

Land is not depreciated as it has an unlimited useful life. Depreciation on other property, plant and equipment is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the Council.

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

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

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

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements to the Council or the unexpired period of the lease, whichever is the shorter.

The estimated useful lives of property, plant and equipment are reviewed annually. Details of the range of useful lives for each class of asset are shown in note 14.

## (v) Unfunded Depreciation

Torres Strait Island Regional Council has elected not to fund depreciation expenses for assets that will not be replaced or where external funding sources other than loans will be obtained to fund their replacement. Where grant income allows for it, depreciation is funded to the extent necessary to meet future replacement capital works.

## (vi) Land Under Roads

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

# Notes to and forming part of the Financial Statements—Note 1

**(vii) Deed of Grant in Trust land**

The Council is located on land assigned to it under various Deeds of Grant in Trust (DOGIT) pursuant to section 334 of the Land Act 1962. The land comprises a total area of approximately 483.6 sq km, across the following islands:

Badu Island  
Boigu Island  
Dauan Island  
Erub Island  
Hammond Island  
Iama Island  
Moa Island  
Mabuiag Island  
Poruma Island  
Saibai Island  
Ugar Island  
Warraber Island  
Yorke Island

The land is administered by the Department of Environment and Resource Management and the Council has restricted use of this land for the benefit of Island inhabitants. The DOGIT land has not been taken up in the Council's assets as it cannot be reliably measured.

**1.S Intangible Assets**

Only intangible assets which have a cost exceeding \$10,000 are recognised as intangible assets.

Expenditure on internally generated intangible assets is recognised from the date of the approval by the Council of a capital expenditure authorisation for the acquisition or development of the asset as before approving the expenditure Council requires it to meet conditions which equal or exceed the criteria for recognition in AASB138.57.

Expenditure on internally generated assets, up to the decision to generate the asset in a particular form, is research expenditure and is not capitalised.

It has been determined that there is not an active market for any of the Council's intangible assets. Therefore, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

**1.T Capital Work in Progress**

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

**1.U Biological Assets**

The Council operates a nursery to produce bedding plants and trees for its own use. In view of the immaterial nature of this operation the accounting procedures related to biological assets have not been applied. The costs incurred in this operation are included in Council's general operations as they are incurred.

# Notes to and forming part of the Financial Statements—Note 1

## **1.V Impairment of Non Current Assets**

Each non-current physical and intangible asset and group of assets 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.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

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

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

## **1.W Leases**

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

### **(i) Finance leases**

Finance leases where the Council is lessee are capitalised in that a lease asset and a liability equal to the fair value of the leased property (or the present value of the minimum lease payments, if lower) are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged as finance costs. The asset is accounted for on the same basis as other assets of the same class. Contingent rentals are written off as an expense in the accounting period in which they are incurred.

### **(ii) Operating leases**

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

## **1.X Payables**

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

# Notes to and forming part of the Financial Statements—Note 1

## 1.Y

### **Liabilities - Employee Benefits**

Liabilities are recognised for employee benefits such as wages and salaries, annual leave and long service leave in respect of services provided by the employees up to the reporting date. Liabilities for employee benefits are assessed at each reporting date. Where it is expected that the leave will be taken in the next twelve months the liability is treated as a current liability. Otherwise the liability is treated as non-current.

#### **(i) Salaries and Wages**

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

#### **(ii) Annual Leave**

A liability for annual leave is recognised. The current portion (based on the expected payment date) is calculated on current wage and salary levels and includes related employee on-costs. The non current portion is calculated on projected future wage and salary levels and related employee on-costs, discounted to present values. This liability represents an accrued expense and is reported in Note 16 as a payable.

#### **(iii) Sick Leave**

Council has an obligation to pay sick leave on termination to certain employees and therefore a liability has been recognised for this obligation.

#### **(iv) Superannuation**

The superannuation expense for the reporting period is the amount of the contribution the local government makes to the superannuation plan which provides benefits to its employees.

Details of those arrangements are set out in Note 28.

#### **(v) Long Service Leave**

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. This liability is reported in Note 20 as a provision.

## 1.Z

### **Borrowings**

Loans payable are measured at amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

Borrowing costs, which includes interest calculated using the effective interest method and administration fees, are expensed in the period in which they arise. Costs that are not settled in the period in which they arise are added to the carrying amount of the borrowing.

Borrowing costs are treated as an expense, as assets constructed by the Council are generally completed within one year and therefore are not considered to be qualifying assets.

Gains and losses on the early redemption of borrowings are recorded in other revenue / expense.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

# Notes to and forming part of the Financial Statements—Note 1

## 1.AA

### Restoration Provision

A provision is made for the cost of restoration of assets and other future restoration costs where it is probable the Council will be liable, or required, to incur such a cost on the cessation of use of the facility. This liability is provided in respect of the landfill sites on each of the islands under Council responsibility. No such provision is deemed necessary in respect of the Quarry on the basis of the extended life of that facility and uncertainty of the future costs of rehabilitation of that site.

The provision is measured at the expected cost of the work required discounted to current day values using an appropriate rate. The current QTC lending rate is considered an appropriate rate.

Gravel pits are land. The cost of the restoration provision is therefore be added to the cost of the land as an improvement and amortised over the expected useful life of the pit. Changes in the provision not arising from the passing of time are added to or deducted from the asset revaluation reserve for land. If there is no available reserve increases in the provision are treated as an expense and recovered out of future decreases if any.

Changes to the provision resulting from the passing of time (the unwinding of the discount) are treated as a finance cost.

## 1.AB

### Asset Revaluation Reserve

The asset revaluation reserve comprises adjustments relating to changes in value of property, plant and equipment that do not result from the use of those assets. Net incremental changes in the carrying value of classes of non-current assets since their initial recognition are accumulated in this reserve.

Increases and decreases on revaluation are offset within a class of assets.

Where a class of assets is decreased on revaluation, that decrease is offset first against the amount remaining in the asset revaluation reserve in respect of that class. Any excess is treated as an expense.

When an asset is disposed of the amount in the reserve in respect of that asset is retained in the reserve.

## 1.AC

### Reserves

The following reserves have been established by Council at 30 June 2009 and are expected to be utilised in the future. They are cash backed reserves and represent funds that are accumulated within the Council to meet anticipated future needs. In each case the amount relates to a perceived future requirement which is not currently a liability. At 30 June 2009 no such funds have been reserved under any of the headings, with future transfers to these reserves made from surplus funds arising in a particular financial year.

#### (i) Operating Reserve

This reserve represents amounts set aside for any initiative on the island.

#### (ii) Operating Reserve - Natural Disaster

This reserve represents amounts set aside to fund significant repairs and rehabilitation to assets damaged due to natural disaster.

#### (iii) Operating Reserve - Plant and Fleet Replacement

This reserve represents constrained surpluses generated from plant operations and used to fund plant replacement and upgrades.

# Notes to and forming part of the Financial Statements—Note 1

- 1.AD Retained Surplus**  
This represents the amount of Council's net community equity not set aside in reserves to meet specific future needs.
- 1.AE National Competition Policy**  
Council has not applied National Competition Policy reform to any of its activities.
- 1.AF Rounding and Comparatives**  
Amounts included in the financial statements have been rounded to the nearest \$1.  
  
Comparative figures have not been provided as Torres Strait Island Regional Council commenced operation on 15 March 2008 and the financial statements cover the period 15 March 2008 to 30 June 2009.
- 1.AG Financial Risk Management**  
The Council minimises its exposure to financial risk in the following ways:  
  
Investments in financial assets are only made where those assets are with a bank or other financial institution in Australia and are for a period of less than one year.  
  
The Council does not invest in derivatives or other high risk investments.  
  
When the Council borrows, it borrows from the Queensland Treasury Corporation unless another financial institution can offer a more beneficial rate, taking into account any risk. Borrowing by the Council is constrained by the provisions of the Statutory Bodies Financial Arrangements Act 1982.  
  
Details of financial instruments and the associated risks are shown at note 31.
- 1.AH Judgements and Assumptions**  
The Council has made no judgements or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.
- 1.AI Trust Funds Held for Outside Parties**  
Funds held in the Trust Account on behalf of outside parties include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance, funeral funds and unclaimed monies (e.g. wages) paid into the Trust Account by the Council. 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.  
  
The monies are disclosed in the notes to the financial statements for information purposes only.  
  
For details see note 29.



# Notes to and forming part of the Financial Statements—Note 1

## 1.AJ

### **Taxation**

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

The controlled entity of the Council pays an income tax equivalent to the Council in accordance with the requirements of the *Local Government Act 1993*.

Where an activity of the controlled entity of the Council is subject to the Tax Equivalents Regime, the income tax expense is calculated on the operating surplus adjusted for permanent differences between taxable and accounting income. These transactions are eliminated upon consolidation.

The Council pays Payroll Tax to the Queensland Government on certain activities.

# Notes to and forming part of the Financial Statements—


## Note 2 (a)

### 2 Analysis of results by function

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

#### (a) Period ended 30 June 2009

Functions	Gross program income		Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurring operations	Net result attributable to Council	Assets
	Recurring	Capital			Recurring	Capital					
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Corporate Governance	-	-		-	(6,685,614)		436,651	(6,248,963)	(6,248,963)	(6,248,963)	52,763
Economic & Tourism Development	4,279,029	2,312,766		6,591,795	(9,223,182)		602,385	(8,620,797)	(4,341,768)	(2,029,002)	15,623,072
Housing & Ports	5,066,594	7,236,246		12,302,840	(18,415,471)		1,202,751	(17,212,720)	(12,146,126)	(4,909,880)	301,062,591
Finance	1,267,412			1,267,412	6,795,260		(5,115,244)	1,680,016	2,947,428	2,947,428	6,046,391
Corporate Services	22,433,334	41,500		22,474,834	(17,621,484)		1,150,895	(16,470,589)	5,962,745	6,004,245	16,577,031
Community Services	26,493,354	948,724		27,442,078	(26,456,285)		-	(26,456,285)	37,069	985,793	20,066,719
Engineering	5,823,651	2,514,040		8,337,691	(26,374,360)	(82,194)	1,722,563	(24,733,991)	(18,828,146)	(16,396,300)	174,772,818
				-				-	-	-	
Total Council	65,363,374	13,053,276	-	78,416,650	(97,981,136)	(82,194)	-	(98,063,330)	(32,617,762)	(19,646,680)	534,201,385
Controlled entity net of eliminations				-				-	-	-	
Total	65,363,374	13,053,276	-	78,416,650	(97,981,136)	(82,194)	-	(98,063,330)	(32,617,762)	(19,646,680)	534,201,385



# Notes to and forming part of the Financial Statements—Note 2 (b)

## **2 Analysis of results by function (continued)**

### **(b) Components of Council functions**

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

#### **Governance**

This comprises the support functions for the Mayor and Councillors, Council and committee meetings and statutory requirements. The key components of the Governance function also include Internal Audit and Human Resources.

#### **Economic & Tourism Development**

The objective of the Economic and Tourism Development function provides the basis for the Torres Strait to leverage of its comparative advantage associated with its natural environment.

#### **Housing & Ports**

The outcomes achieved from the Housing and Ports function provides for a base level of standard of living for all communities associated with the Housing component whilst the Airports / Seaports are managed to provide greater community access / choice of transportation services.

#### **Finance**

The outcomes achieved from the Finance function provides the Council and Community with risk management strategy setting, internal controls and effective resource management.

#### **Corporate Services**

The outcomes achieved from the Corporate Services function provides the Council and Community with improvement in the quality of services provided by the Council to Community through reduction in waste and implementation of best practice systems.

#### **Community Services**

The outcomes achieved by Community Services are linked with the Council's commitment to public health, recreational opportunities, the arts and community development.

#### **Engineering**

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

# Notes to and forming part of the Financial Statements—Note 3

For the period 15 March 2008 to 30 June 2009

	2009
	\$
<i>Notes on the Income Statement</i>	
<b>3 Revenue analysis</b>	
<b>(a) Rates and charges</b>	
General rates	-
Separate rates	-
Water	-
Water consumption, rental and sundries	6,819
Sewerage	-
Sewerage trade waste	-
Waste management	6,819
Garbage charges	-
Total rates and utility charge revenue	13,637
Less: Discounts	-
Less: Pensioner remissions	-
Net rates and utility charges	13,637
<b>(b) Fees and charges</b>	
Fees and Charges	1,402,522
	1,402,522
<b>(c) Rental income</b>	
Investment property rentals	3,732,305
	3,732,305
<b>(d) Interest received</b>	
Interest received from term deposits	-
Other sources	663,815
Interest from overdue rates and utility charges	-
	663,815
<b>(e) Sales - Contract and recoverable works</b>	
Sales - Contract and recoverable works	2,060,508
	2,060,508
<b>(f) Profit from investments</b>	
Profit from associates and other joint ventures	-
	-
<b>(g) Other recurrent income</b>	
Dividend	-
Trading income from Enterprise activities	6,149,772
Other Income	275,967
	6,425,739

# Notes to and forming part of the Financial Statements—Note 4

## 4 Grants, subsidies, contributions and donations

(a) Recurrent grants and subsidies, other contributions and donations are analysed as follows:

General purpose grants	33,606,195
State Government subsidies & grants	17,458,652
Donations	-
Contributions	-
Total recurrent revenue	<u>51,064,847</u>

(b) Capital government grants and subsidies, and other contributions are analysed as follows:

State Government subsidies & grants	11,739,711
General purpose grants	1,313,565
Total capital revenue	<u>13,053,276</u>

### (c) Conditions over contributions

Contributions and grants which were recognised as revenues 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.

Grants for expenditure on infrastructure	-
Contributions for infrastructure	-
	<u>-</u>

Contributions and grants which were recognised as revenues during a previous reporting period and were expended during the current reporting period in accordance with the Council's obligations.

Grants expended on infrastructure	13,053,276
Contributions expended on infrastructure	-
	<u>13,053,276</u>

# Notes to and forming part of the Financial Statements—Note(s) 5, 6, 7 and 8

## 5 Employee benefits

Total staff wages and salaries	34,411,515
Councillors' remuneration	1,109,433
Annual, sick and long service leave entitlements	4,391,295
Superannuation	1,026,360
	<u>40,938,604</u>
Other employee related expenses	1,615,514
	<u>42,554,118</u>
Less : Capitalised employee expenses	(456,971)
	<u><u>42,097,147</u></u>

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

Total Council employees at the reporting date:

	Number
Elected members	16
Ordinary staff (full time equivalents)	407
Community Development Employment Programme Participants	1,502
Total full time equivalent employees	<u><u>1,925</u></u>

## 6 Materials and services

	\$
Advertising and marketing	14,709
Administration supplies and consumables	9,780,369
Audit services	666,863
Communications and IT	388,032
Consultants	141,801
Contractors	1,507,258
Donations paid	13,875
Investment Property Expenses (property generating income)	-
Investment Property Expenses (property not generating income)	-
Power	1,117,486
Repairs and maintenance	9,368,244
Rentals - Operating leases	72,002
Subscriptions and registrations	215,421
Town Plan	-
Travel	507,134
Other material and services	4,361,191
	<u><u>28,154,385</u></u>

## 7 Finance costs

Finance costs charged by the Queensland Treasury Corporation	47,172
Interest on finance leases	10,960
Bank charges	49,695
	<u><u>107,827</u></u>

## 8 Depreciation and Amortisation

### (a) Depreciation of non-current assets

Buildings (Community)	10,343,082
Buildings (Corporate)	2,961,414
Recreation Facilities	380,771
Roads/Transport Network	2,384,417
Stormwater Drainage Network	27,287
Flood Mitigation Network	74,926
Water Supply Network	2,818,095
Sewerage Network	4,797,745
Wharves, Piers, Jetties and Pontoons	512,504
Plant and Equipment	3,321,537

# Notes to and forming part of the Financial Statements—Note 8 (c)

## Unfunded Depreciation

### ( c) Accumulated Unfunded Depreciation

The accumulated un-funded depreciation represents the accumulated shortfall in funding being provided from operating revenue to replace the assets at some future time.

It is anticipated external borrowings will be required as the assets are replaced resulting in higher future operating costs. Recognition of un-funded depreciation represents a decline in the capital value of the shire.

Net adjusted unfunded depreciation is calculated by taking the gross unfunded depreciation and deducting the amount of depreciation that will not require funding due to either non-replacement of the asset, contributions becoming available for funding the replacement, the replacement asset will cost less than the existing asset, or the engineers assessment of depreciation funding is less than the depreciation expense in the period.

There is no difference between the gross and net unfunded depreciation on the basis that assets have only been valued and subsequently depreciated if they represent a future requirement of the Council to maintain and replace.

The gross unfunded depreciation can be analysed as follows:

Road, Drainage and Bridge Network	2,387,914
Buildings	13,304,497
Recreation facilities	380,771
Water and wastewater drainage network	8,228,590
Wharves, jetties and pontoons	512,504
Plant & equipment	2,807,504
	<u>27,621,778</u>

# Notes to and forming part of the Financial Statements—

## Note 9

### 9 Gain on restructure of local government

The Local Government Reform Commission report to the Minister for Local Government, Planning and Sport on 27 July 2007 recommended that the former Island Councils be amalgamated to form the Torres Strait Island Regional Council. Pursuant to Part 1B of the Local Government Act 1993 and in accordance with the Local Government Reform Implementation Regulation 2008, the amalgamation was effective from the changeover date of 15 March 2008.

The Local Government Reform Implementation Regulation 2008 and the Local Government Reform Implementation (Transferring Assets) Amendment Regulation (No.1) 2008 transferred the assets and liabilities of the former Island Councils to the Torres Strait Island Regional Council as at changeover date.

The assets and liabilities of the former Councils have been recognised at the amounts at which they were recognised by the transferor Island Councils as at the changeover date.

Torres Strait Island Regional Council adopted consistent accounting policies from its commencement date of 15 March 2008. In some cases, this resulted in adjustments to the measurement of assets and liabilities transferred from former Councils as at 15 March 2008.

Details are as follows:

	Torres Strait Island Regional Council	Badu Island Council	Boigu Island Council	Dauan Island Council	Enab Island Council	Hammond Island Council	Iama Island Council
	14 March 2008 \$	14 March 2008 \$	14 March 2008 \$	14 March 2008 \$	14 March 2008 \$	14 March 2008 \$	14 March 2008 \$
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	16,801,217	1,289,914		216,209	798,949	211,817	896,257
Trade and other receivables	6,971,616	1,167,462		68,776	8,389	1,508,337	99,173
Inventories	942,448	401,081		18,556	9,851	57,660	13,000
Other financial assets	2,564,446			870,754	256,304	41,519	7,017
	26,871,727	2,858,457		874,295	1,073,493	1,777,814	1,049,949
Non-current assets classified as held for sale							
<b>Total current assets</b>	26,871,727	2,858,457		874,295	1,073,493	1,777,814	1,049,949
<b>Non-current Assets</b>							
Receivables	103,404	-	-	-	-	2,000	-
Investments	350,002	-	-	-	-	-	-
Investment property	-	-	-	-	-	-	-
Property, plant and equipment	233,647,228	45,769,689		12,781,524	7,240,817	22,679,289	8,760,530
Capital works in progress	11,151,083	-	-	401,627	61,147	435,850	-
Intangible assets	-	-	-	-	-	-	-
<b>Total non-current assets</b>	245,251,717	45,769,689		13,183,151	7,851,964	23,117,139	8,760,530
<b>TOTAL ASSETS</b>	272,123,444	48,628,146		14,057,446	8,925,457	24,894,953	9,810,479
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Trade and other payables	5,229,722	469,427		235,936	646,082	651,797	120,114
Borrowings	27,658	-	-	-	-	-	-
Provisions	1,287,213	423,656		-	-	110,970	57,012
Other	8,788,861	-		555,017	23,438	256,778	345,308
<b>Total current liabilities</b>	15,333,454	893,083		790,953	669,520	1,019,545	522,434
<b>Non-current Liabilities</b>							
Trade and other payables	1,349,450	1,311,743		-	28,316	-	-
Borrowings	632,889	-		-	-	-	-
Provisions	251,705	159,798		-	-	41,468	-
<b>Total non-current liabilities</b>	2,234,044	1,471,541		-	28,316	41,468	-
<b>TOTAL LIABILITIES</b>	17,567,498	2,364,624		790,953	697,836	1,061,013	522,434
<b>NET ASSETS TRANSFERRED FROM ABOLISHED COUNCILS</b>	254,555,946	46,263,522		13,266,493	8,227,621	23,833,940	9,288,045

#### (b) Adjustments due to accounting policy alignment

Property, Plant and Equipment - Torres Strait Island Regional Council.  
This resulted in the derecognition of assets transferred from the former Councils where the gross value fell below the asset recognition threshold.

#### (c) Net result attributable to Council before net assets transferred from abolished Councils

Net result attributable to Council	\$	554,179,035
Gain on restructure of local government	\$	(573,825,715)
Net result attributable to Council before Gain on restructure of local government	\$	(19,646,680)

2009  
\$

# Notes to and forming part of the Financial Statements—

## Note 9

### 9 Gain on restructure of local government

The Local Government Reform Commission report to the Minister for Local Government, Planning and Sport on 27 July 2007 recommended that the former Island Councils be amalgamated to form the Torres Strait Island Regional Council. Pursuant to Part 1B of the Local Government Act 1993 and in accordance with the Local Government Reform Implementation Regulation 2008, the amalgamation was effective from the changeover date of 15 March 2008. The Local Government Reform Implementation Regulation 2008 and the Local Government Reform Implementation (Transferring Areas) Amendment Regulation (No.1) 2008 transferred the assets and liabilities of the former Island Councils to the Torres Strait Island Regional Council as at changeover date.

The assets and liabilities of the former Councils have been recognised at the amounts at which they were recognised by the transferor Island Councils as at the changeover day. Torres Strait Island Regional Council adopted consistent accounting policies from its commencement date of 15 March 2008. In some cases, this resulted in adjustments to the measurement of assets and liabilities transferred from former Councils as at 15 March 2008.

Details are as follows:

	Kubin Island Council	Mabunguh Island Council	Mer Island Council	Poruma Island Council	Sabatul Island Council	St Pauls Island Council	Ugar Island Council
	14 March 2008	14 March 2008	14 March 2008	14 March 2008	14 March 2008	14 March 2008	14 March 2008
	\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	1,502,118	1,326,440	110,476	1,132,519	830,077	307,446	399,721
Trade and other receivables	400,172	141,074	157,310	1,202,769	634,140	82,324	89,062
Inventories	16,980	134,744	67,955	14,610	111,521	76,443	-
Other financial assets	17,319	151,260	848,199	-	162,210	62,112	5,489
	1,936,589	1,753,518	1,183,940	2,349,898	1,737,948	528,325	494,272
Non-current assets classified as held for sale							
	1,936,589	1,753,518	1,183,940	2,349,898	1,737,948	528,325	494,272
<b>Total current assets</b>							
	1,936,589	1,753,518	1,183,940	2,349,898	1,737,948	528,325	494,272
<b>Non-current Assets</b>							
Receivables	-	-	-	92,749	-	8,655	-
Investments	-	-	-	350,002	-	-	-
Investment property	-	-	-	-	-	-	-
Property, plant and equipment	14,741,365	8,391,139	23,437,215	10,070,390	19,148,956	17,749,997	5,247,795
Capital works in progress	-	2,127,552	1,422,581	-	-	1,190,288	494,525
Intangible assets	-	-	-	-	-	-	-
<b>Total non-current assets</b>							
	14,741,365	10,518,691	26,068,095	11,935,722	19,148,956	18,948,940	5,742,320
<b>TOTAL ASSETS</b>							
	16,677,954	12,272,209	27,252,035	14,285,620	20,886,904	19,477,265	6,236,592
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Trade and other payables	17,239	169,535	214,078	375,190	1,387,352	125,015	6,250
Borrowings	-	-	-	-	-	-	-
Provisions	-	-	-	-	97,640	-	10,435
Other	650,471	362,069	961,055	1,099,771	533,500	347,698	434,457
<b>Total current liabilities</b>							
	667,710	531,604	1,175,133	1,474,961	2,018,492	557,356	451,142
<b>Non-current Liabilities</b>							
Trade and other payables	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Provisions	-	-	-	-	49,195	-	-
<b>Total non-current liabilities</b>							
	-	-	-	-	49,195	-	-
<b>TOTAL LIABILITIES</b>							
	667,710	531,604	1,175,133	1,474,961	2,067,687	557,356	451,142
<b>NET ASSETS TRANSFERRED FROM ABOLISHED COUNCILS</b>							
	16,010,244	11,740,605	26,076,902	12,810,659	18,819,217	18,919,909	5,785,450

#### (b) Adjustments due to accounting policy alignment

Property, Plant and Equipment - Torres Strait Island Regional Council.  
This resulted in the derecognition of assets transferred from the former Councils where the gross value fell below the asset recognition threshold.

#### (c) Net result attributable to Council before net assets transferred from abolished Councils

Net result attributable to Council	\$	554,179,035
Gain on restructure of local government	\$	(573,825,715)
Net result attributable to Council before Gain on restructure of local government	\$	(19,646,680)

2009  
\$

# Notes to and forming part of the Financial Statements—

## Note 9

### 9 Gain on restructure of local government

The Local Government Reform Commission report to the Minister for Local Government, Planning and Sport on 27 July 2007 recommended that the former Island Councils be amalgamated to form the Torres Strait Island Regional Council. Pursuant to Part 1B of the Local Government Act 1993 and in accordance with the Local Government Reform Implementation Regulation 2008 the amalgamation was effective from the changeover date of 15 March 2008.

The Local Government Reform Implementation Regulation 2008 and the Local Government Reform Implementation (Transferring Areas) Amendment Regulation (No. 1) 2008 transferred the assets and liabilities of the former Island Councils to the Torres Strait Island Regional Council as at changeover date.

The assets and liabilities of the former Councils have been recognised at the amounts at which they were recognised by the transferor Island Councils as at the changeover date.

The Torres Strait Island Regional Council adopted consistent accounting policies from its commencement date of 15 March 2008. In some cases, this resulted in adjustments to the measurement of assets and liabilities transferred from former Councils as at 15 March 2008.

Details are as follows:

	Warabur Island Council	Yorke Island Council	Island Co-ordinating Council	Total assets and liabilities recognised by Torres Strait Island Regional Council	Adjustments due to accounting policy alignment	Gain on restructure of local government
	14 March 2008	14 March 2008	14 March 2008	15 March 2008	2009	2009
	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	1,955,291	1,766,372	3,427,809	16,801,217		16,801,217
Trade and other receivables	463,786	273,614	274,391	6,971,616		6,971,616
Inventories	10,950	2,080	-	942,448		942,448
Other financial assets	12,381	20,100	8,799	2,156,446		2,156,446
	2,442,408	2,062,166	3,710,999	26,871,727	-	26,871,727
Non-current assets classified as held for sale						
<b>Total current assets</b>	2,442,408	2,062,166	3,710,999	26,871,727	-	26,871,727
<b>Non-current Assets</b>						
Receivables	-	-	-	103,404		103,404
Investments	-	-	-	350,002		350,002
Investment property	-	-	-	-		-
Property, plant and equipment	10,894,931	12,327,512	1,759,439	233,647,228	321,464,563	555,111,791
Capital works in progress	670,343	1,038,665	-	11,151,083	(10,044,192)	1,106,891
Intangible assets	-	-	-	-		-
<b>Total non-current assets</b>	11,565,274	13,366,177	1,759,439	245,251,717	311,420,371	556,672,088
<b>TOTAL ASSETS</b>	14,007,682	15,428,343	5,470,438	272,123,444	311,420,371	583,543,815
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Trade and other payables	94,023	115,783	299,605	5,229,722	(751,081)	4,478,641
Borrowings	-	-	27,658	27,658		27,658
Provisions	54,057	15,168	272,741	1,287,213		1,287,213
Other	1,509,073	1,207,171	-	8,788,861	(8,021,331)	767,530
<b>Total current liabilities</b>	1,507,153	1,338,122	600,004	15,333,454	(8,772,412)	6,561,042
<b>Non-current Liabilities</b>						
Trade and other payables	9,391	-	-	1,349,450		1,349,450
Borrowings	-	-	632,889	632,889		632,889
Provisions	-	-	-	251,705		251,705
<b>Total non-current liabilities</b>	9,391	-	632,889	2,234,044	923,014	1,174,719
<b>TOTAL LIABILITIES</b>	1,516,544	1,338,122	1,232,893	17,567,498	(7,849,398)	9,718,100
<b>NET ASSETS TRANSFERRED FROM ABOLISHED COUNCILS</b>	12,491,138	14,090,221	4,237,545	254,555,946	319,269,769	573,825,715

#### (b) Adjustments due to accounting policy alignment

Property, Plant and Equipment - Torres Strait Island Regional Council.  
This resulted in the derecognition of assets transferred from the former Councils where the gross value fell below the asset recognition threshold.

#### (c) Net result attributable to Council before net assets transferred from abolished Councils

Net result attributable to Council	\$	554,179,035
Gain on restructure of local government	\$	(573,825,715)
Net result attributable to Council before Gain on restructure of local government	\$	(19,646,680)

2009  
\$

# Notes to and forming part of the Financial Statements—Note(s) 10, 11 and 12

## 10 Cash and cash equivalents

Cash at bank and on hand	14,343,232
Deposits at call	1,161,372
Less Bank Overdraft	-
Balance per cash flow statement	<u>15,504,604</u>

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

Unspent government grants and subsidies	1,516,065
Unspent developer contributions	-
Unspent loan monies	-
Total unspent restricted cash for capital projects	<u>1,516,065</u>

Cash and deposits at call are held in the National Australia Bank in normal term deposits and business cheque accounts. The Bank currently has a Standard & Poor's credit rating of AA and a Moody's rating of Aa1.

## 11 Trade and other receivables

### Current

Rateable revenue and utility charges	-
Water charges not yet levied	-
Other debtors	9,572,412
Less provision for doubtful debts	(2,302,439)
GST recoverable	-
Loans and advances to controlled entities	115,099
Prepayments and accrued income	<u>5,881,102</u>
	<u>13,266,174</u>

No interest is charged on other debtors.

There is no concentration of credit risk for other debtors receivable.

Loans relate to advances made to Poruma Island Pty Ltd. This loan is interest free and has no scheduled date for repayment. The credit risk on this loan is considered low.

Other debtors includes a debt owing from Saibai Construction Pty Ltd of \$988,957 which is fully provided for in these financial statements having previously been fully provided for in the financial statements of Saibai Island Council in prior years.

## 12 Inventories

### Current

Inventories held for sale:	
Miscellaneous saleable items	893,334
Other trading stocks	-
Total inventories for consumption	<u>893,334</u>
Valued at lower of cost and net realisable value	

Inventories held for distribution:

Quarry and road materials	-
Plant and equipment stores	-
Total inventories for distribution	<u>-</u>
Valued at the cost, adjusted when applicable for any loss of service potential	

Land purchased for development and sale	-
Total inventories	<u>893,334</u>

# Notes to and forming part of the Financial Statements—Note 13

## 13 Equity investments

Interest in controlled entity - Poruma Island Pty Ltd	350,002	
	<u>350,002</u>	-

### Reconciliation of non-traded shares

Carrying amount at beginning of period	350,002
Carrying amount at the period end	<u>350,002</u>

The shares in Poruma Island Pty Ltd are not traded on an active market and their fair value cannot be ascertained reliably. Accordingly they are shown at cost.

Poruma Island Pty Ltd (CAN 098 641 162) was incorporated on 5 November 2001, to manage the Poruma Island Resort. The operations of the controlled entity have not been consolidated within these financial statements. The results of operations for the financial years 2007-2008 and 2008-2009 are disclosed below. The financial reporting for a 15 month period did not apply to Poruma Island Pty Ltd as part of the Local Government amalgamation.

	2009	2008
	\$	\$
Net Profit/(Loss) from ordinary activities before income tax	(98,469)	(15,193)
Total assets	653,660	681,565
Total liabilities	459,954	389,389
Total equity	<u>193,706</u>	<u>292,177</u>

## Notes to and forming part of the Financial Statements—Note 14

#### 14 Property, plant and equipment

(a)

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	Land Assets	Plant and Equipment	Total
Revaluation 2009	Revaluation 2009	Revaluation 2009	Cost 2009	Revaluation 2009	Revaluation 2009	Revaluation 2009	Revaluation 2009	Revaluation 2009	Revaluation 2009	Revaluation 2009	2009
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
279,670,800	53,457,600	6,285,000	45,446,300	940,000	2,161,000	66,272,000	84,067,900	11,207,800	630,000	11,359,700	561,498,100
15,500										309,563	325,063
											-
											-
											-
											-
											-
											-
											-
279,670,800	53,473,100	6,285,000	45,446,300	940,000	2,161,000	66,272,000	84,067,900	11,207,800	630,000	11,669,263	561,823,163

## Accumulated Depreciation and Impairment

													-
10,343,082	2,961,414	380,771	2,387,914	27,287	74,926	3,314,458	4,811,918	512,504	-	2,807,504	27,621,778	-	
												-	
												-	
												-	
												-	
												-	
												-	
												-	
												-	
10,343,082	2,961,414	380,771	2,387,914	27,287	74,926	3,314,458				2,807,504	27,621,778		
269,327,718	50,511,686	5,904,229	43,058,386	912,713	2,086,074	62,957,542				8,861,759	534,201,385		
				-	-	-				-		-	
1 - 49	1 - 56	2.5 - 49	6 - 41	41 - 46	11 - 49	2 - 38	4 - 38	2 - 44	Land: Not depreciated Improvements: 7	1 - 26		-	

# Notes to and forming part of the Financial Statements—Note(s) 14, 15 and 16

2009

**14 (b) Property, plant and equipment valuations were determined by reference to the following:**

## **Land and Improvements**

Land has been included at fair value as at 14 March 2008 as determined by Rushton AssetVal Pty Ltd, Property, Plant, Equipment and Infrastructure Consultants.

Land under infrastructure and reserve land does not have a value for the purpose of the Torres Strait Island Regional Council's financial statements.

## **Buildings**

Buildings have been included at their fair value as at 14 March 2008 as determined by Rushton AssetVal Pty Ltd, Property, Plant, Equipment and Infrastructure Consultants, less accumulated depreciation as at 30 June 2009.

## **Plant and Equipment**

Other plant and equipment has been included at fair value as at 14 March 2008 as determined by Rushton AssetVal Pty Ltd, Property, Plant, Equipment and Infrastructure Consultants, less accumulated depreciation as at 30 June 2009.

## **Infrastructure**

Infrastructure has been included at fair value as at 14 March 2008 as determined by Rushton AssetVal Pty Ltd, Property, Plant, Equipment and Infrastructure Consultants, less accumulated depreciation as at 30 June 2009.

<b>15 Capital work in progress</b>	3,564,213
	3,564,213

Capital work in progress reflects expenditure incurred on infrastructure and housing programs that was not complete at 30 June 2009 and therefore was not subject to the valuation exercise. Capital work in progress is held at cost.

## **16 Trade and other payables**

### **Current**

Creditors and accruals	5,011,101
GST Payable	1,809,395
Annual leave	1,128,412
	7,948,908

### **Non-Current**

Annual leave	356,534
	356,534

# Notes to and forming part of the Financial Statements—Note 17

## 17 Borrowings

### Current

Loans QTC	18	70,080
Finance leases	19	35,086
		<u>105,166</u>

### Non-Current

Loans QTC	18	538,752
Finance leases	19	18,860
		<u>557,612</u>

#### (a) Bank Overdraft

At 30 June 2009 Council has no bank overdraft facility.

#### (b) Unsecured Borrowings

Unsecured borrowings are provided by the Queensland Treasury Corporation (QTC).

All borrowings are in \$A denominated amounts and carried at amortised cost, interest being expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary from 31 December 2009 to 31 December 2014.

There have been no defaults or breaches of the loan agreement during the period.

Principal and interest repayments are made quarterly in arrears.

# Notes to and forming part of the Financial Statements—Note(s) 18 and 19

## 18 Loans

### (a) Queensland Treasury Corporation

Transferred from Island Co-ordinating Council as part of Government restructure	1.A, 9	660,588
Loans raised		-
Principal repayments		(99,724)
Interest and admin charges accrued		47,967
Book value at period end		<u>608,831</u>
Classified as :		
Current		70,080
Non-current		<u>538,752</u>
		<u>608,831</u>

The loan market value at the reporting date was \$602,767. This represents the value of the debt if the Council repaid it at that date. As it is the intention of the Council to hold the debt for its term, no adjustment is required to be made in these accounts.

## 19 Finance leases

Movements in finance lease during the reporting period were as follows:

Transferred from Badu Island Council as part of Government restructure	1.A, 9	94,058
Payments made in the period		<u>(40,112)</u>
Minimum lease payments		<u>53,946</u>

The above minimum lease payments are payable as follows:

Not later than one year	40,068
Later than 1 year but not later than 5 years	18,860
Later than 5 years	-
	<u>58,928</u>
Less: Future finance charges	<u>(4,982)</u>
Lease liability recognised in the financial statements	<u>53,946</u>

Classified as:

Current	35,086
Non-Current	<u>18,860</u>
	<u>53,946</u>

The present value of above minimum lease payments are payable as follows:

Not later than one year	40,068
Later than 1 year but not later than 5 years	18,860
Later than 5 years	-
	<u>58,928</u>

There are 4 lease agreements which commenced on 14 December 2006 for a period of 4 years.

The carrying value of the leased assets is as follows:

Motor Vehicles	<u>63,250</u>
----------------	---------------

# Notes to and forming part of the Financial Statements—Note 20

## 20 Provisions

### Current

Long service leave		513,883
		<u>513,883</u>

### Non-Current

Quarry rehabilitation	(a)	-
Refuse restoration	(b)	2,315,114
Long service leave	(c)	287,395
		<u>2,602,509</u>

### Details of movements in provisions:

#### (a) Quarry rehabilitation

Transferred from former Island Councils as part of Government restructure	1.A, 9	-
Increase in provision - finance cost		-
Increase (decrease) in provision due to change in discount rate		-
Balance at the end of period		<u>-</u>

The present value of the estimated cost of restoring the Quarry site on Badu Island to a useable state at the end of its useful life has been assessed as \$nil. The quarry is expected to have a useful life of at least a further 30 years and no reliable costs of rehabilitation are currently available.

#### (b) Refuse restoration

Transferred from former Island Councils as part of Government restructure - change in accounting policy	1.A, 9	2,232,920
Increase in provision - finance cost		-
Increase in provision due to change in discount rate		82,194
Balance at the end of period		<u>2,315,114</u>

This is the present value of the estimated cost of restoring the Refuse disposal site to a useable state at the end of its useful life. The projected cost is \$2,662,060 and this cost is expected to be incurred in 2013.

#### (c) Long Service Leave

Transferred from former Island Councils as part of Government restructure	1.A, 9	661,651
Long service leave entitlement arising		-
Long Service entitlement extinguished		-
Long Service entitlement paid		-
Balance at the end of period		<u>661,651</u>

Current		513,883
Non current		287,395
Balance at the end of period		<u>801,278</u>

# Notes to and forming part of the Financial Statements—Note(s) 21,22 and 23

## 21 Other liabilities

### Current

Unspent Grant Funds

1,516,065

1,516,065

## 22 Shire Capital

### Calculation of retained surplus

Cash and cash Equivalents

-

Less:

Reserves (other than Asset Revaluation Reserve)

-

Unearned income

-

Funded depreciation carried forward

-

Cash backed rehabilitation provisions

-

Funded employee entitlements (non-current)

-

Unspent loan funds

-

Unspent proceeds of sale (earmarked for capital expenditure)

-

Working cash requirement (proportion of rates to first collection date)

-

Retained surplus/(Deficit)

-

Total capital and surplus

-

Capital Account

-

Capital account opening balance

-

Transfer to/(from) capital

-

Closing Balance

-

## 23 Retained surplus

Movements in the retained surplus were as follows:

Retained surplus/(deficit) at the beginning of financial year

-

Change in Net Assets resulting from operations after gain on restructuring

554,179,035

Transfers (to) from capital reserves for future capital project

funding, or from reserves funds that have been expended:

24

Plant and Fleet Replacement reserve

-

Transfers (to) recurrent reserves for future project

funding, or from reserves funds that have been expended:

Operating reserve

-

Operating reserve - natural disaster

-

Transfers (to)/from Shire Capital

-

Retained surplus at the end of the financial year

554,179,035

# Notes to and forming part of the Financial Statements—Note 24

## 24 Capital and other reserves

### (a) Summary of reserves held for funding future capital expenditure:

(i) Plant and Fleet Replacement reserve	-
	-

### (b) Summary of reserves held for funding future recurrent expenditure:

(i) Operating reserve	-
(ii) Operating reserve - natural disaster	-
	-
Total reserves	-

### (c) Movements in capital reserves are analysed as follows:

#### (i) Plant and Fleet Replacement reserve

Balance at the beginning of period	-
Transfer from retained earnings for future expenditure	-
Transfer to retained earnings	-
Balance at the end of period	-

### (d) Movements in recurrent reserves are analysed as follows:

#### (i) Operating reserve

Balance at the beginning of period	-
Transfer from retained earnings for future expenditure	-
Transfer to retained earnings	-
Balance at the end of period	-

### Movements in recurrent reserves are analysed as follows:

#### (ii) Operating reserve - natural disaster

Balance at the beginning of period	-
Transfer from retained earnings for future expenditure	-
Transfer to retained earnings	-
Balance at the end of period	-

# Notes to and forming part of the Financial Statements—Note(s) 25 and 26

## 25 Commitments for expenditure

### (a) Operating leases

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

Within one year	-
One to five years	379,820
More than five years	227,665
	<u>607,485</u>

### (b) Contractual Commitments

Contractual commitments at balance date but not recognised in the financial statements are as follows:

Unfulfilled purchase orders	2,320,909
	<u>2,320,909</u>

## 26 Contingent liabilities

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

### Local Government Mutual

The Torres Strait Island Regional 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 2008 the financial statements of LGM Queensland reported an accumulated surplus and it is not anticipated any liability will arise in the 2009 financial year.

### Local Government Workcare

The Torres Strait Island Regional Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities.

Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$120,000.

# Notes to and forming part of the Financial Statements—Note(s) 27 and 28

## 27 Events after balance date

There were no material adjusting events after the balance date.

## 28 Superannuation

The Torres Strait Island Regional Council contributes to the Local Government Superannuation Scheme (the scheme) in respect of certain of its employees.. The scheme has two elements referred to as the defined benefits scheme and the accumulation scheme.

Both these schemes are defined contribution schemes as defined in the Australian Accounting Standard AASB119 *Employee benefits* . Council has no liability to or interest in the scheme other than the payment of the statutory contributions.

Any amount by which either scheme is over or under funded would only affect future benefits and is not an asset or liability of the council.

Accordingly there is no recognition in the financial statements of any over- or under-funding of the scheme.

The audited general purpose financial report of the scheme as at 30 June 2008 (the most recent available) which was not subject to any audit qualification, indicates that the assets of the scheme are sufficient to meet the accrued benefits.

The general purpose financial statements disclose that the most recent actuarial assessment of the scheme was undertaken as at 1 July 2006. The actuary indicated that without improvements to benefit conditions, or other unanticipated events, current contribution rates would be sufficient to meet members benefits as they accrue.

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

The amount of superannuation contributions paid by Torres Strait Island Regional Council to the superannuation scheme in this period for the benefit of employees was: 475,780

The balance of contributions for the period of \$550,580 was paid after the year end, and this liability is recognised within accruals in note 16.

# Notes to and forming part of the Financial Statements—Note(s) 29 and 30

## 29 Trust funds

Monies collected or held on behalf of residents yet to be paid	622,434
	<u>622,434</u>

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

## 30 Reconciliation of result from ordinary activities to net cash inflow (outflow) from operating activities

Result from ordinary activities	554,179,035
Non-cash operating items:	
Depreciation and amortisation	27,621,778
Revaluation down of property, plant and equipment	-
Loss on impairment of property plant and equipment	-
Change in future rehabilitation costs	82,194
	<u>27,703,971</u>
Investing and development activities :	
Net (profit) loss on disposal of non current assets	-
Capital grants and contributions	(13,053,276)
Provision for restoration added to asset	
Profit retained in joint venture	-
	<u>(13,053,276)</u>
Financing Activities	
	<u>-</u>
Changes in operating assets and liabilities :	
(Increase) decrease in receivables	(4,034,708)
(Increase) decrease in other operating assets	49,114
Increase (decrease) in payables	(393,297)
Increase (decrease) in other provisions	2,019,095
Increase (decrease) in other liabilities	-
	<u>(2,359,796)</u>
Gain on restructure of local government	(573,825,715)
<b>Net cash outflow from operating activities</b>	<u><b>(7,355,781)</b></u>

# Notes to and forming part of the Financial Statements—Note 31

## 31 Financial Risk Management

Torres Strait Island Regional Council's activities expose it to a variety of financial risks including interest rate risk, credit risk, and liquidity risk.

Exposure to financial risks is managed in accordance with Council approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of the Council.

Torres Strait Island Regional Council measures risk exposure using a variety of methods as follows:

Risk exposure	Measurement method
Interest rate risk	Sensitivity analysis
Liquidity risk	Maturity
Credit Risk	Ageing analysis

### (i) Credit Risk

Credit risk exposure refers to the situation where the Council may incur financial loss as a result of another party to a financial instrument failing to discharge their obligations.

In the case of rate receivables, the Council has the power to sell the property to recover any defaulted amounts. In effect this power protects the Council against credit risk in the case of these debts.

In other cases, the Council assesses the credit risk before providing goods or services and applies normal business credit protection procedures to minimise the risk.

The Council is exposed to credit risk through its investments with the Queensland Treasury Corporation (QTC) and National Australia Bank. The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rating counterparties. Deposits are capital guaranteed. Other investments are held with National Australia bank and whilst not capital guaranteed, the likelihood of a credit failure is remote. The National Australia Bank has a Standard & Poor's credit rating of AA and a Moody's rating of Aa1.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provisions for impairment.

No collateral is held as security relating to the financial assets held by the Council.

The following table represents the Council's maximum exposure to credit risk:

	2009
Financial Assets	\$
Cash and cash equivalents - QTC	1,161,372
Cash and cash equivalents – bank	15,357,759
Receivables - other	14,660,694
<b>Total</b>	<b>31,179,825</b>

# Notes to and forming part of the Financial Statements—Note 31

## Past due or impaired

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated.

The following table represents an analysis of the age of the Council's financial assets that are either fully performing, past due or impaired:

	Fully Performing	Past due			Impaired	Total
	\$	Less than 30 days \$	30-60 days \$	61-90 days \$	\$	\$
Receivables	5,871,519	-	-	11,022,202	(2,233,027)	14,660,694

## (ii) Liquidity Risk

Liquidity risk refers to the situation where the Council may encounter difficulty in meeting obligations associated with financial liabilities. The Council is exposed to liquidity risk through its trading in the normal course of business and borrowings from the Queensland Treasury Corporation for capital works.

The Corporation manages its exposure to liquidity risk by maintaining sufficient undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in the Borrowings note 17.

The following table sets out the liquidity risk of financial liabilities held by the Council in a format as it might be provided to management. The amounts disclosed in the maturity analysis represent the contractual undiscounted cash flows at balance date:

## Financial Liabilities

	0 to 1 year	1 to 5 years	Over 5 years	Total
	\$	\$	\$	\$
2009 QTC Loan	71,869	287,475	503,081	862,425

## Financing Arrangements

Unrestricted access was available at balance date to the lines of credit listed below:

	2009 \$
Bank Overdraft facility	100,000

The bank overdraft facility is related to the maximum exposure associated with Councils procurement cards.

## (iii) Interest Rate Risk

The Council is exposed to interest rate risk through its finance lease borrowings, borrowings from the Queensland Treasury Corporation.

The risk in borrowing is effectively managed by borrowing mainly (only) from the Queensland Treasury Corporation and having access to a mix of floating and fixed funding sources such that the desired interest rate risk exposure can be constructed. Interest rate risk in other areas is minimal.

The Council does not undertake any hedging of interest rate risk.

