

# Financial Statements

An aerial photograph of Awoonga Dam, showing a large body of blue water surrounded by green trees and a dirt road. A blue watercolor splash is at the bottom, containing text about financial statements.

Each year, Council's financial statements are audited by an external party to ensure that they are accurate, valid and transparent. An independent audit certificate was received from the Queensland Audit Office in October 2017.

# Table of Contents

<b>Statements of Comprehensive Income</b>	<b>80</b>
<b>Statements of Financial Position</b>	<b>81</b>
<b>Statements of Changes in Equity</b>	<b>82</b>
<b>Statements of Cash Flows</b>	<b>84</b>
<b>Notes to the Financial Statements</b>	
1 Significant accounting policies	85
2 Analysis of results by function	90
3 Revenue analysis	92
4 Grants, subsidies, contributions and donations	94
5 Employee benefits	96
6 Materials and services	98
7 Finance costs	98
8 Capital expenses	99
9 Cash and cash equivalents	99
10 Trade and other receivables	100
11 Land purchased for development and sale	101
12 Investment in controlled entity	102
13 Investment property	102
14 Property, plant and equipment	103
15 Trade and other payables	115
16 Borrowings	116
17 Borrowings - Interest bearing	116
18 Borrowings - Interest free	116
19 Provisions	117
20 Asset revaluation surplus	118
21 Reserves	119
22 Commitments for expenditure	123
23 Contingent liabilities	123
24 Superannuation	124
25 Correction of errors	126
26 Events after balance date	127
27 Trust funds	127
28 Reconciliation of net result for the year to net cash inflow from operating activities	127
29 Financial instruments	128
30 National competition policy	134
31 Transactions with relation parties	139
<b>Management Certificate</b>	<b>141</b>
<b>Independent Audit Report</b>	<b>142</b>
<b>Financial Sustainability Statement</b>	<b>145</b>
<b>Certificate of Accuracy Current Year Financial Sustainability Statement</b>	<b>146</b>
<b>Independent Auditor's Report: Financial Sustainability</b>	<b>147</b>
<b>Long Term Financial Sustainability Statement</b>	<b>149</b>
<b>Certificate of Accuracy Long Term Financial Sustainability Statement</b>	<b>149</b>

# Statement of Comprehensive Income

for the year ended 30 June 2017

	Note	Consolidated		Council	
		30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
<b>Income</b>					
<b>Revenue</b>					
<b>Recurrent revenue</b>					
Net rate and utility charges	3(a)	138,701	138,619	138,781	138,702
Fees and charges	3(b)	19,338	23,630	10,255	11,807
Interest received	3(c)	4,722	5,422	4,424	5,111
Other recurrent income	3(d)	20,116	13,071	19,689	11,931
Grants, subsidies, contributions and donations	4(a)	13,081	10,655	13,081	10,655
<b>Total recurrent revenue</b>		<b>195,958</b>	<b>191,397</b>	<b>186,230</b>	<b>178,206</b>
<b>Capital revenue</b>					
Grants, subsidies, contributions and donations	4(b)	21,553	31,487	21,553	31,487
<b>Total capital revenue</b>		<b>21,553</b>	<b>31,487</b>	<b>21,553</b>	<b>31,487</b>
<b>Total income</b>		<b>217,511</b>	<b>222,884</b>	<b>207,783</b>	<b>209,693</b>
<b>Expenses</b>					
Employee benefits	5	(56,332)	(55,014)	(52,683)	(51,196)
Materials and services	6	(74,397)	(75,501)	(72,551)	(72,060)
Finance costs	7	(8,924)	(11,497)	(6,711)	(9,293)
Depreciation and amortisation		(45,502)	(46,323)	(43,038)	(43,547)
<b>Total recurrent expenses</b>		<b>(185,155)</b>	<b>(188,335)</b>	<b>(174,983)</b>	<b>(176,096)</b>
<b>Capital expenses</b>	8	<b>(19,632)</b>	<b>(8,001)</b>	<b>(19,642)</b>	<b>(8,002)</b>
<b>Total Expenses</b>		<b>(204,787)</b>	<b>(196,336)</b>	<b>(194,625)</b>	<b>(184,098)</b>
<b>Net recurrent result</b>		<b>10,803</b>	<b>3,062</b>	<b>11,247</b>	<b>2,110</b>
<b>Net result</b>		<b>12,724</b>	<b>26,548</b>	<b>13,158</b>	<b>25,595</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to net result</b>					
Increase/(decrease) in asset revaluation surplus	20	111,130	125,578	111,130	125,578
<b>Total other comprehensive income for the year</b>		<b>111,130</b>	<b>125,578</b>	<b>111,130</b>	<b>125,578</b>
<b>Total comprehensive income for the year</b>		<b>123,854</b>	<b>152,127</b>	<b>124,288</b>	<b>151,173</b>

# Statement of Financial Position

as at 30 June 2017

		Consolidated		Council	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
Note		\$'000	\$'000	\$'000	\$'000
<b>Current assets</b>					
Cash and cash equivalents	9	120,375	106,201	108,479	95,009
Trade and other receivables	10	26,063	27,546	25,958	26,745
Inventories		2,478	2,695	2,478	2,695
Land Purchased for development and sale	11	300	191	300	191
<b>Total current assets</b>		<b>149,216</b>	<b>136,633</b>	<b>137,215</b>	<b>124,640</b>
<b>Non-current assets</b>					
Investment property	13	4,712	5,510	4,712	5,510
Property, plant and equipment	14	2,319,998	2,208,637	2,229,697	2,116,084
Intangible assets		397	612	397	612
Investment in controlled entity	12	-	-	71,854	71,854
Trade and other receivables	10	-	-	33,716	35,396
<b>Total non-current assets</b>		<b>2,325,107</b>	<b>2,214,759</b>	<b>2,340,376</b>	<b>2,229,456</b>
<b>Total assets</b>		<b>2,474,323</b>	<b>2,351,392</b>	<b>2,477,591</b>	<b>2,354,096</b>
<b>Current liabilities</b>					
Trade and other payables	15	21,380	18,624	20,448	17,598
Borrowings - interest bearing	17	8,587	7,786	8,586	7,776
Borrowings - interest free	18	484	467	484	467
<b>Total current liabilities</b>		<b>30,451</b>	<b>26,877</b>	<b>29,518</b>	<b>25,841</b>
<b>Non-current liabilities</b>					
Borrowings - interest bearing	17	123,350	131,979	123,350	131,979
Borrowings - interest free	18	5,027	5,511	5,027	5,511
Provisions	19	9,947	10,807	9,941	10,774
<b>Total non-current liabilities</b>		<b>138,324</b>	<b>148,297</b>	<b>138,318</b>	<b>148,264</b>
<b>Total liabilities</b>		<b>168,775</b>	<b>175,174</b>	<b>167,836</b>	<b>174,105</b>
<b>Net community assets</b>		<b>2,305,548</b>	<b>2,176,218</b>	<b>2,309,755</b>	<b>2,179,991</b>
<b>Community equity</b>					
Retained surplus		1,419,895	1,399,050	1,410,150	1,388,871
Asset revaluation surplus	20	794,818	683,688	808,770	697,640
Reserves	21	90,835	93,480	90,835	93,480
<b>Total community equity</b>		<b>2,305,548</b>	<b>2,176,218</b>	<b>2,309,755</b>	<b>2,179,991</b>

# Statement of Changes in Equity

for the year ended 30 June 2017

## Consolidated

		Retained surplus	Asset revaluation surplus	Reserves	Total
	Note	\$'000	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2016</b>		1,399,050	683,688	93,480	2,176,218
Found assets first recognised	14	5,476	-	-	5,476
<b>Restated balance as at 1 July 2016</b>		<b>1,404,526</b>	<b>683,688</b>	<b>93,480</b>	<b>2,181,694</b>
Net operating result		12,724	-	-	12,724
<b>Other comprehensive income for the year:</b>					
Increase / (decrease) in asset revaluation surplus	20	-	111,130	-	111,130
<b>Total comprehensive income for the year</b>		<b>12,724</b>	<b>111,130</b>	<b>-</b>	<b>123,854</b>
<b>Total capital revenue</b>					
Transfers to / (from) capital	21	(20,645)	-	20,645	-
Transfers to / (from) reserves	21	23,290	-	(23,290)	-
<b>Total transfers to / (from) reserves</b>		<b>2,645</b>	<b>-</b>	<b>(2,645)</b>	<b>-</b>
<b>Balance as at 30 June 2017</b>		<b>1,419,895</b>	<b>794,818</b>	<b>90,835</b>	<b>2,305,548</b>
<b>Balance as at 1 July 2015</b>		1,368,252	558,110	92,353	2,018,715
Found assets first recognised	14	5,377	-	-	5,377
<b>Restated balance as at 1 July 2015</b>		<b>1,373,629</b>	<b>558,110</b>	<b>92,353</b>	<b>2,024,092</b>
Net operating result		26,548	-	-	26,548
<b>Other comprehensive income for the year:</b>					
Increase / (decrease) in asset revaluation surplus	20	-	125,578	-	125,578
<b>Total comprehensive income for the year</b>		<b>26,548</b>	<b>125,578</b>	<b>-</b>	<b>152,126</b>
<b>Total capital revenue</b>					
Transfers to / (from) capital	21	(19,872)	-	19,872	-
Transfers to / (from) reserves	21	18,745	-	(18,745)	-
<b>Total transfers to / (from) reserves</b>		<b>(1,127)</b>	<b>-</b>	<b>1,127</b>	<b>-</b>
<b>Balance as at 30 June 2016</b>		<b>1,399,050</b>	<b>683,688</b>	<b>93,480</b>	<b>2,176,218</b>



# Statement of Changes in Equity continued

for the year ended 30 June 2017

## Council

		Retained surplus	Asset revaluation surplus	Reserves	Total
	Note	\$'000	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2016</b>		1,388,871	697,640	93,480	2,179,991
Found assets first recognised	14	5,476	-	-	5,476
<b>Restated balance as at 1 July 2016</b>		<b>1,394,347</b>	<b>697,640</b>	<b>93,480</b>	<b>2,185,467</b>
Net operating result		13,158	-	-	13,158
<b>Other comprehensive income for the year</b>					
Increase / (decrease) in asset revaluation surplus	20	-	111,130	-	111,130
<b>Total comprehensive income for the year</b>		<b>13,158</b>	<b>111,130</b>	<b>-</b>	<b>124,288</b>
<b>Total capital revenue</b>					
Transfers to / (from) capital	21	(20,645)	-	20,645	-
Transfers to / (from) reserves	21	23,290	-	(23,290)	-
<b>Total transfers to / (from) reserves</b>		<b>2,645</b>	<b>-</b>	<b>(2,645)</b>	<b>-</b>
<b>Balance as at 30 June 2017</b>		<b>1,410,150</b>	<b>808,770</b>	<b>90,835</b>	<b>2,309,755</b>
<b>Balance as at 1 July 2015</b>		1,359,026	572,062	92,353	2,023,441
Found assets first recognised	14	5,377	-	-	5,377
<b>Restated balance as at 1 July 2015</b>		<b>1,364,403</b>	<b>572,062</b>	<b>92,353</b>	<b>2,028,818</b>
Net operating result		25,595	-	-	25,595
<b>Other comprehensive income for the year</b>					
Increase / (decrease) in asset revaluation surplus	20	-	125,578	-	125,578
<b>Total comprehensive income for the year</b>		<b>25,595</b>	<b>125,578</b>	<b>-</b>	<b>151,173</b>
<b>Total capital revenue</b>					
Transfers to / (from) capital	21	(19,872)	-	19,872	-
Transfers to / (from) reserves	21	18,745	-	(18,745)	-
<b>Total transfers to / (from) reserves</b>		<b>(1,127)</b>	<b>-</b>	<b>1,127</b>	<b>-</b>
<b>Balance as at 30 June 2016</b>		<b>1,388,871</b>	<b>697,640</b>	<b>93,480</b>	<b>2,179,991</b>

# Statement of Cash Flow

for the year ended 30 June 2017

		Consolidated		Council	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
Note		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
		189,968	182,589	180,412	171,737
		(132,795)	(144,315)	(126,042)	(136,044)
		57,173	38,274	54,370	35,693
		4,722	5,422	4,424	5,111
		645	701	645	701
	4(a)	13,081	10,655	13,081	10,655
	28	75,621	55,052	72,520	52,160
Cash flow from investing activities					
		(62,447)	(55,778)	(62,089)	(54,839)
	4(b)	17,190	25,941	17,190	25,941
	8	641	845	589	822
		(33)	(56)	(33)	(56)
		(44,649)	(29,048)	(44,343)	(28,132)
Cash flow from financing activities					
		(8,236)	(9,381)	(6,154)	(7,278)
	17,18	(8,562)	(22,946)	(8,553)	(22,946)
		(16,798)	(32,327)	(14,707)	(30,224)
Net increase/(decrease) in cash and cash equivalents held					
		14,174	(6,323)	13,470	(6,196)
Cash and cash equivalents at the beginning of the financial year					
		106,201	112,524	95,009	101,205
Cash and cash equivalents at end of the financial year					
	9	120,375	106,201	108,480	95,009

# Notes to the Financial Statements

for the year ended 30 June 2017

## 1 Significant Accounting Policies

### 1.01 Basis of Preparation

These general purpose financial statements for the period 1 July 2016 to 30 June 2017 have been prepared in accordance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Council's operations and effective for the current reporting period. Because the Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS), to the extent these inconsistencies are applied, these financial Statements do not comply with IFRS.

The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

These financial Statements have been prepared under the historical cost convention, except for certain classes of property, plant and equipment and investment property which are measured at fair value and land held for sale which is measured at fair value less cost of disposal.

#### Recurrent/Capital Classification

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

The fair value of all Council infrastructure was determined by independent valuer, Assetic Pty Ltd with a desktop valuation effective 1 July 2015 as part of transitioning to a new asset register. Water and sewerage infrastructure assets was also comprehensively valued by APV Valuers and Asset Management effective 30 June 2016. Roads, drainage, and transport infrastructure were also fair valued comprehensively by Assetic Pty Ltd effective 30 June, 2016. All assets were valued using written down current replacement cost. This valuation comprises the asset's current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

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

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

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

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

### 1.02 Basis of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Gladstone Regional Council as at 30 June 2017 and the results of all controlled entities for the year then ended, where material. The Gladstone Regional Council and its controlled entity together form the economic entity which is referred to in these financial statements as the consolidated entity.

In the process of reporting the Gladstone Regional Council as a consolidated entity, all transactions with entities controlled by the Council have been eliminated. In addition, the accounting policies of all controlled entities have been adjusted, where necessary, on consolidation to ensure that the financial report of the consolidated entity is prepared using accounting policies that are consistent with those of the Gladstone Regional Council. Information on controlled entities is included in Note 12.

### 1.03 Constitution

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

### 1.04 Date of Authorisation

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



## 1 Significant Accounting Policies continued

### 1.05 Currency

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

### 1.06 Adoption of New and Revised Accounting Standards

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

This year Council has applied *AASB 124 Related Party Disclosures* for the first time. As a result Council has disclosed more information about related parties and transactions with those related parties. This information is presented in note 31.

At the date of authorisation of the financial report, some Australian Accounting Standards and Interpretations have been issued but are not yet effective. Those standards have not been applied in these financial statements. Council will implement them when they are effective. The standards that are expected to have a material impact upon council's future financial statements are:

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

#### AASB 9 Financial Instruments

This replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

01-Jul-18

The main impact of AASB 9, is to change the requirements for the classification, measurement and disclosures associated with financial assets.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met.

#### AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

AASB 15 will replace AASB 18 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations.

01-Jul-19

AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

Council is still reviewing the way that revenue is measured and recognised to identify whether AASB 15 will have a material impact. To date potential identifiable impacts as at reporting date are as follows:

- Grants received to construct non-financial assets controlled by Council will be recognised as a liability, and subsequently recognised progressively as revenue as the performance obligations under the grant are satisfied. At present, such grants are recognised as revenue upfront.
- Under the new standards, other grants presently recognised as revenue upfront may be eligible to be recognised as revenue progressively as the associated performance obligations are satisfied, but only if the associated performance obligations are enforceable & sufficiently specific. Council is yet to evaluate its existing grant arrangements as to whether revenue from those grants could be deferred under the new requirements.

## 1 Significant Accounting Policies continued

### 1.06 Adoption of New and Revised Accounting Standards (cont'd)

#### Standard and impact (cont'd)

Date Council will apply  
the standard

#### AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities (cont'd)

- Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants for which there are no sufficiently specific performance obligations - these grants are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.
- Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of services such that some revenue may need to be deferred to a later reporting period to the extent that the Council has received cash but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime). Council is yet to complete an analysis of our existing arrangements for sale of services and the impact, if any, on revenue recognition.
- Council currently recognises amounts received for pre-paid rates as revenue in the year in which it is received. Under AASB 1058, rates received in advance will be required to be recognised as a liability until the rates levy is calculated.

#### AASB 16 Leases

Council has some leases that are currently not recognised within our Statement of Financial Position and may need to be included when this standard comes into effect.

01-Jul-19

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

Based on Council's current leases, we do not anticipate any material changes arising from this standard.

At the date of authorisation of the financial report, the remaining new or amended Australian Accounting Standards with future commencement dates are not likely to have a material impact on the financial Statements.

### 1.07 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

- Investment property - Note 13
- Valuation and depreciation of property, plant and equipment - Note 14
- Impairment of non-current assets - Note 14
- Provisions - Note 19
- Contingent liabilities - Note 23

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 Significant Accounting Policies continued

### 1.08 Inventories

Stores and raw materials 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.

Council does not recognise treated water as inventory as raw and untreated water belongs to the Gladstone Area Water Board (Board). Council purchases treated water from the Board which is stored in a number of reservoirs prior to delivery to customers.

### 1.09 Financial Assets and Financial Liabilities

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

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

#### Financial Assets

- Cash and Cash Equivalents (Note 9)
- Receivables - Measured at amortised cost (Note 10)

#### Financial Liabilities

- Payables - Measured at amortised cost (Note 15)
- Borrowings - Measured at amortised cost (Note 17 and Note 18)

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

The fair value of financial instruments is determined as follows:

- The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximate their carrying amounts and are not disclosed separately.
- The fair value of borrowings, as disclosed in Note 17 to the accounts, is determined by reference to published price quotations in an active market and/or by reference to pricing models and valuation techniques. It reflects the value of the debt if the Council repaid it in full at balance date. As it is the intention of the Council to hold its borrowings for their full term, no adjustment provision is made in these accounts.
- The fair value of trade receivables approximates the amortised cost less any impairment.
- The fair value of payables approximates the amortised cost.
- Gladstone Regional Council does not recognise financial assets or financial liabilities at fair value in the Statements of Financial Position.
- All other disclosures relating to the measurement and financial risk management of financial instruments are included in Note 29.

## 1 Significant Accounting Policies continued

### 1.10 Intangible Assets

Intangible assets with a cost or other value exceeding \$10,000 are recognised as intangible assets in the financial statements; items with a lesser value being expensed.

Expenditure on research activities relating to internally-generated intangible assets is recognised as an expense in the period in which it is incurred.

Costs associated with the development of computer software are capitalised and are amortised on a straight-line basis over the period of expected benefit to Council.

Amortisation methods, estimated useful lives and residual values are reviewed at the end of each reporting period and adjusted where appropriate. Council has determined that software has a finite life estimated at 5 to 10 years. Straight line amortisation has been used with no residual value.

### 1.11 Rounding and Comparatives

Amounts included in the financial statements have been rounded to the nearest \$1,000 unless otherwise stated. Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

### 1.12 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 Australian Taxation Office ('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 2009*.

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 in relation to the following activities:

- cemeteries
- sewerage

## 2 Analysis of Results by Function

### 2(a) Component Functions of Council

The activities relating to Council's functions reported on in Note 2 (b) - Analysis of Results by Function are as follows:

#### Office of the CEO

This division provides for executive management of Gladstone Regional Council and includes the Mayor, Executive Services, Governance, People and Performance and Elected Members. The objective of this division is to provide high level executive support to the elected members, provide strategic direction for the organisation and support the personnel management functions of the various directorates of Council.

#### Finance

The objective of the Finance division is to provide efficient and effective accounting and financial support to the organisation in a manner which supports and enhances the business performance of Council.

Finance is responsible for all financial matters within Council including, Corporate Performance & Reporting, Employee Entitlement Recoveries, Finance & Risk, Procurement, and Rating & Revenue Management along with providing Disaster Coordination for the Gladstone region.

#### Corporate and Community Services

Corporate and Community Services comprises the corporate support functions of council. The corporate functions include Information Technology, Customer Service, Corporate Property and Fleet Management, Community Relations, and Community Services (Libraries, Sports and Recreation, Performing Arts, Arts and Heritage).

These functions provide timely and quality information and services to Council to ensure the effective delivery of cultural, health, welfare, recreational, and community services to the Region.

#### Engineering Services

The Engineering Services division includes Road Services, Technical Services, Waste Services, Water Services and the Call Centre. The objective of this division is to provide, manage and develop Roads, Water and Sewerage Infrastructure and Waste Management facilities that service the current and future demands of the Region.

#### Planning and Environment

The objective of the Planning and Environment division is to develop and administer local laws, monitor and enforce regulatory obligations under relevant legislation and local laws, enable sustainable development and economic growth, and manage land in the Gladstone Regional Council area.

This objective is achieved by managing the approval processes for development and building activities within the region, maintaining a safe and clean region by enforcement of local laws and pest management, active participation with peak bodies, and maintaining public amenities and Cemeteries.

## 2 Analysis of Results by Function continued

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

Year ended 30 June 2017

Function	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net result	Assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants								
	'000	'000	'000	'000							
	\$	\$	\$	\$							
Office of the CEO	81	160	30	271		(4,877)		(4,877)			2,952
	1,680	2,737	130	4,548		(20,119)	(1,873)	(21,992)	(15,701)	(17,444)	200,956
	11,196	82,912		94,108		(2,003)	(21)	(2,024)	92,106	92,085	243,076
Engineering	90	85,369	18,500	103,959		(117,295)	(17,147)	(134,443)	(31,837)	(30,484)	1,947,328
Planning and Environment	34	1,971	2,893	4,897		(30,688)	(601)	(31,289)	(28,684)	(26,392)	83,279
Total Council	13,081	173,148	21,553	207,783		(174,983)	(19,642)	(194,625)	11,247	13,158	2,477,591
Controlled entity net of eliminations	-	9,728	-	9,728		(10,172)	10	(10,162)	(444)	(433)	(3,268)
Total consolidated	13,081	182,876	21,553	217,511		(185,155)	(19,632)	(204,787)	10,803	12,725	2,474,323

Year ended 30 June 2016

Function	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net result	Assets
	Recurring		Capital								
	Grants	Other	Grants								
	'000	'000	'000	'000							
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Office of the CEO	121	98		219		(5,079)	(14)	(5,093)	(4,860)	(4,875)	2,640
Corporate and Community	2,584	2,528	-	5,112		(20,137)	(1,200)	(21,337)	(15,024)	(16,224)	201,053
Finance	7,533	82,759	3,551	93,843		(4,854)		(4,854)	85,437	88,989	236,034
Engineering	411	80,122	27,515	108,049		(119,231)	(6,548)	(125,779)	(38,698)	(17,730)	1,836,445
Planning and Environment	6	2,044	420	2,470		(26,796)	(239)	(27,035)	(24,746)	(24,566)	77,924
Total Council	10,655	167,551	31,487	209,693		(176,096)	(8,002)	(184,098)	2,110	25,595	2,354,096
Controlled entity net of eliminations	-	13,191	-	13,191		(12,239)	1	(12,238)	952	953	(2,704)
Total consolidated	10,655	180,742	31,487	222,884		(188,335)	(8,001)	(196,336)	3,062	26,548	2,351,392



### 3 Revenue Analysis

#### (a) Rate and utility charges

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

	Consolidated		Council	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000
<b>Rate and utility charges</b>				
General rates	83,023	82,670	83,103	82,753
Water	15,390	15,033	15,390	15,033
Water consumption, rental and sundries	14,436	15,865	14,436	15,865
Sewerage	29,685	28,895	29,685	28,895
Waste management	7,883	7,831	7,883	7,831
<b>Total rates and utility charge revenue</b>	<b>150,417</b>	<b>150,294</b>	<b>150,497</b>	<b>150,377</b>
Less: Discounts	(10,979)	(10,981)	(10,979)	(10,981)
Less: Concessions and pensioner remissions	(717)	(694)	(717)	(694)
Less: Concealed water concessions	(20)	-	(20)	-
	<b>138,701</b>	<b>138,619</b>	<b>138,781</b>	<b>138,702</b>

#### (b) Fees and charges

Fees and charges are recognised upon unconditional entitlement to the funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.

	Consolidated		Council	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000
<b>Fees and charges</b>				
Animal impounding fees	75	86	75	86
Building and development fees	1,934	2,394	1,934	2,394
Fees and charges	707	620	707	620
Licences and registration	613	615	613	615
Waste management fees - tipping fees	6,574	7,561	6,574	7,561
Other fees and charges	351	531	352	531
Airport fees and charges	9,084	11,823	-	-
	<b>19,338</b>	<b>23,630</b>	<b>10,255</b>	<b>11,807</b>

### 3 Revenue Analysis continued

#### (c) Interest received

##### Interest

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

	<b>Consolidated</b>		<b>Council</b>	
	<b>30 June 2017</b>	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b><u>Interest received</u></b>				
Interest received from investments	3,868	4,636	3,570	4,325
Interest from overdue rates and utility charges	854	786	854	786
	<b>4,722</b>	<b>5,422</b>	<b>4,424</b>	<b>5,111</b>

#### (d) Other recurrent income

##### Dividends

Dividends are recognised once they are formally declared by the directors of the controlled entity. A dividend was declared to be paid to Council to the value of at least 50% of the after tax net profit for the preceding year, in accordance with the Statement of Corporate Intent.

##### Rental Income

Rental revenue from investment and other property is recognised as income on a periodic straight line basis over the lease term.

##### Sales Revenue

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

The Council generates revenue from a number of services including management of gravel pits, contracts with the Queensland State Government for road and earthworks, and operation of Council owned facilities.

Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for the use of equipment and employees. Contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed.

### 3 Revenue Analysis continued

	Consolidated		Council	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000
<b><u>Other recurrent income</u></b>				
Aquatic Centre income	12	151	12	151
Entertainment Centre income	1,866	1,590	1,866	1,590
Fines and penalties	110	114	110	114
Commissions	187	180	187	180
Controlled entity dividend	-	-	716	-
Income tax equivalent - state government entity	6,337	-	6,337	-
Income tax equivalent - controlled entity	-	-	639	932
Rental income	645	701	645	701
Sales revenue	5,270	4,393	5,270	4,393
Other	5,689	5,942	3,907	3,870
	<b>20,116</b>	<b>13,071</b>	<b>19,689</b>	<b>11,931</b>

### 4 Grants, Subsidies, Contributions and Donations

#### Grants and Subsidies

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year which Council obtains control over them. An equivalent amount is placed in reserve until the funds are expended.

Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled. Council does not have any reciprocal grants.

#### Non-Cash Contributions

Non-cash contributions with a value in excess of the recognition thresholds, are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.

Physical assets contributed to Council by developers in the form of road works, stormwater, water and wastewater infrastructure and park equipment are recognised as revenue when the development becomes "on maintenance" (i.e. the Council obtains control of the assets and becomes liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets. All non-cash contributions are recognised at the fair value of the contribution received on the date of acquisition.

#### Cash Contributions

Council receives cash contributions from property developers to construct assets such as roads and footpaths and to connect new property developments to water and sewerage networks in the local government area. Where agreements between Council and the developers relating to these contributions are determined to fall within the scope of AASB Interpretation 18 *Transfers of Assets from Customers* these contributions are recognised as revenue when the related service obligations are fulfilled.

Developers also pay infrastructure charges for trunk infrastructure, such as pumping stations, treatment works, mains, sewers and water pollution control works. These infrastructure charges are not within the scope of AASB Interpretation 18 because there is no performance obligation associated with them. Consequently, the infrastructure charges are recognised as income when received.

#### 4 Grants, Subsidies, Contributions and Donations continued

		Consolidated		Council	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
	Note	\$'000	\$'000	\$'000	\$'000
<b>(a) Recurrent</b>					
General purpose grants		11,196	7,533	11,196	7,533
State Government subsidies and grants		1,169	1,179	1,169	1,179
Commonwealth subsidies and grants		684	1,804	684	1,804
Donations		-	6	-	6
Contributions		1	117	1	117
Non-government subsidies and grants		31	16	31	16
		<b>13,081</b>	<b>10,655</b>	<b>13,081</b>	<b>10,655</b>
<b>(b) Capital</b>					
<b>(i) Monetary revenue received:</b>					
State government grants and subsidies		5,995	2,002	5,995	2,002
Commonwealth subsidies and grants		9,821	19,334	9,821	19,334
Developer contributions		883	1,539	883	1,539
Other contributions		491	6,618	491	6,618
		<b>17,190</b>	<b>29,493</b>	<b>17,190</b>	<b>29,493</b>
<b>(ii) Non-monetary revenue received:</b>					
Donated assets contributed by developers at fair value	14	4,233	1,994	4,233	1,994
Other donated assets	14	130	-	130	-
		<b>21,553</b>	<b>31,487</b>	<b>21,553</b>	<b>31,487</b>
<b>Conditions over contributions</b>					
Contributions recognised as income during the current and prior reporting periods 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:					
Developer contributions for infrastructure		-	1,800	-	1,800
		<b>-</b>	<b>1,800</b>	<b>-</b>	<b>1,800</b>

## 5 Employee Benefits

### 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. This liability represents an accrued expense and is reported in Note 15 as a payable.

### Annual Leave

A liability for annual leave is recognised. Amounts expected to be settled within 12 months are calculated on current wage and salary levels and include related employee on-costs. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense and is reported in Note 15 as a payable.

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

### Sick Leave

Council has an obligation to pay 16% on sick leave balances accrued since the adoption of the Gladstone Regional Council Enterprise Bargaining Agreement on the 28th March 2013. Some former Calliope Shire Council employees are entitled to a 25% payout on sick leave accrued from 10 May 2006 to 8 September 2008. These liabilities represent an accrued expense and is reported in Note 15 as a payable. Apart from the payout options, Council is not required to payout the sick leave balances as these are not payable upon termination.

### Superannuation

The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 24.

### Long Service Leave

A liability for long service leave is measured at 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 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 19 as a provision.

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

### Service Entitlement

Certain former Gladstone City Council employees are entitled to a service entitlement payment upon departure from employment within Council. This liability is reported in Note 15 as a payable.

## 5 Employee Benefits continued

	<b>Consolidated</b>		<b>Council</b>	
	<b>30 June 2017</b>	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b><u>Employee Benefits</u></b>				
Total staff wages and salaries	46,292	46,746	43,056	43,714
Councillors' remuneration	917	909	917	909
Employee leave entitlements	7,373	6,731	7,406	6,610
Superannuation	5,916	6,164	5,630	5,840
	<b>60,498</b>	<b>60,550</b>	<b>57,009</b>	<b>57,073</b>
Other employee related expenses	666	915	506	574
	<b>61,164</b>	<b>61,465</b>	<b>57,515</b>	<b>57,647</b>
Less: Capitalised employee expenses	(4,832)	(6,451)	(4,832)	(6,451)
<b>Total employee benefits</b>	<b>56,332</b>	<b>55,014</b>	<b>52,683</b>	<b>51,196</b>

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

### Total Council employees and elected members at the reporting date:

	<b>30 June 2017</b>	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
Elected members	9	9	9	9
Office of the CEO	40	38	40	38
Finance	37	36	37	36
Corporate and Community Services	133	134	133	134
Engineering Services	251	248	251	248
Planning and Environment	149	149	149	149
Controlled Entity	36	36	-	-
Controlled Entity Board members	6	7	-	-
<b>Total full time equivalent employees</b>	<b>661</b>	<b>657</b>	<b>619</b>	<b>614</b>



## 6 Materials and Services

Note	Consolidated		Council	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000
Advertising and marketing	400	366	399	363
Artist fees and expenses	212	264	212	264
Audit by the Auditor-General of Queensland	177	192	153	151
Chemicals	205	190	205	190
Consultants	1,607	3,420	1,389	2,666
Contractors	20,853	20,264	20,753	20,264
Donations and sponsorships	2,583	1,715	2,578	1,708
Electricity and gas	4,235	4,213	3,884	3,859
Equipment and software expenses	7,440	5,572	7,382	5,368
Fuel	1,922	2,052	1,901	2,021
General administration	1,548	2,115	1,548	2,022
Insurance	2,151	2,473	1,983	2,315
Investment property expense (property generating income)	13	34	13	34
Investment property expenses (property not generating income)	2	3	2	3
Legal expenses	402	425	348	330
Motor vehicle expenses	1,879	1,296	1,854	1,272
Other material and services	3,724	3,493	3,217	3,578
Property expenses	2,570	2,205	2,404	2,205
Rentals - operating leases	53	21	53	21
Repairs and maintenance	1,050	3,798	1,050	2,176
Staff and Councillor associated expenses	1,419	1,490	1,411	1,460
Subscriptions and memberships	260	298	251	283
Sundry expenses	90	311	64	202
Telephone expenses	609	605	572	618
Tipping fees	3,206	2,955	3,206	2,956
Water purchases	15,674	15,702	15,667	15,702
Waste disposal expenses	113	29	52	29
	<b>74,397</b>	<b>75,501</b>	<b>72,551</b>	<b>72,060</b>

## 7 Finance Costs

Finance costs charged by the Queensland Treasury Corporation	8,236	9,357	6,154	7,278
Fair value adjustment	267	283	267	283
Market value realisation	-	1,907	-	1,907
Other	421	(50)	290	(175)
	<b>8,924</b>	<b>11,497</b>	<b>6,711</b>	<b>9,293</b>

## 8 Capital Expenses

		Consolidated		Council	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
Note		\$'000	\$'000	\$'000	\$'000
<b>Loss on disposal of non-current assets</b>					
Proceeds from sale of property, plant and equipment		(641)	(845)	(589)	(822)
Less Book value of property, plant and equipment disposed:					
Plant and equipment		677	1,111	634	1,089
Buildings		300	74	300	74
Parks furniture and other structures		224	16	225	16
Roads, drainage and transport infrastructure		16,623	2,031	16,623	2,031
Sewerage		16	1,615	16	1,615
Water		225	1,083	225	1,083
		<b>17,424</b>	<b>5,085</b>	<b>17,434</b>	<b>5,086</b>
<b>Loss on write-off of non-current assets</b>					
	14	<b>1,410</b>	<b>2,278</b>	<b>1,410</b>	<b>2,278</b>
Revaluation down of investment property	13	<b>798</b>	<b>638</b>	<b>798</b>	<b>638</b>
<b>Total capital expenses</b>		<b>19,632</b>	<b>8,001</b>	<b>19,642</b>	<b>8,002</b>

The loss on disposal of non-current assets is significantly higher than the previous year due to the disposal of road and stormwater flood damaged assets.

## 9 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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash, deposits at call, and term deposits are held at a variety of Australian Banks and Credit Unions and the Queensland Treasury Corporation with credit ratings ranging from AAA to BBB- or unrated. All Gladstone Airport Corporation investments are held in the Queensland Treasury Corporation cash management account bearing variable interest rates.

The Council may be exposed to credit risk through its investments in the Queensland Treasury Corporation Cash Fund. The Queensland Treasury Corporation Cash Fund is an asset management portfolio that invests with a wide range of high credit rated counterparties.

Deposits with the Queensland Treasury Corporation Cash Fund are capital guaranteed.

## 9 Cash and Cash Equivalents

	Consolidated		Council	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000
<b>Cash and cash equivalents</b>				
Cash at bank and on hand	856	1,888	710	950
Deposits at call	34,098	49,663	32,276	39,409
Term deposits	85,421	54,650	75,493	54,650
<b>Balance per Statements of Cash Flows</b>	<b>120,375</b>	<b>106,201</b>	<b>108,479</b>	<b>95,009</b>
<b>Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:</b>				
Unspent government grants and subsidies	5,612	1,211	5,612	1,211
<b>Total unspent restricted cash for capital projects</b>	<b>5,612</b>	<b>1,211</b>	<b>5,612</b>	<b>1,211</b>

## 10 Trade and Other Receivables

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

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

Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.

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

Because Council is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts, Council does not impair any rate receivables.

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.

	Consolidated		Council	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Rateable revenue and utility charges	7,930	6,180	7,930	6,180
Water charges not yet levied	7,388	7,891	7,388	7,891
Other debtors	6,602	5,161	5,037	2,862
Less: Impairment	(242)	(347)	(242)	(220)
GST recoverable	1,557	1,458	1,621	1,535
Interest receivable	507	457	507	457
Accrued revenue	546	5,237	546	5,164
Prepayments	1,775	1,509	1,654	1,409
Gladstone Airport Corporation	-	-	1,517	1,467
	<b>26,063</b>	<b>27,546</b>	<b>25,958</b>	<b>26,745</b>

## 10 Trade and Other Receivables continued

	Consolidated		Council	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000
<b>Non-current</b>				
Income tax equivalent - Gladstone Airport Corporation	-	-	-	851
Competitive neutrality margin - Gladstone Airport Corporation	-	-	-	829
Shareholder loan - Gladstone Airport Corporation	-	-	33,716	33,716
	<b>-</b>	<b>-</b>	<b>33,716</b>	<b>35,396</b>

On the 1 July 2012 Gladstone Airport Corporation came into existence under the Local Government (Beneficial Enterprises and Business Activities (Repealed)) Regulation 2010. The Statement of Corporate Intent outlines the acknowledgement of debt which Council currently holds as a QTC liability and controlled entity receivable.

### Shareholder loan

The loan is secured by a fixed and floating charge over the Gladstone Airport Corporation's assets and undertakings.

For the purposes of completing the maturity analysis, the principal component of these loans has been included in the more than five year time band.

A competitive neutrality margin of 1.5% on the outstanding loan balance is also payable by the Corporation to GRC, in accordance with the requirements of the Local Government (Beneficial Enterprises & Business Activities (Repealed)) Regulation 2010.

Loans to Gladstone Airport Corporation are at a fixed rate with an interest rate of 6.06%, together with an administration fee of 0.1% per annum. The facility is an amortising loan with principal repayments commencing from 30 June 2030.

## 11 Land Purchased for Development and Sale

Land held for development and sale is classified as inventory. This is valued at the lower of cost and net realisable value.

Land approved by Council for resale is classified and recognised as a current asset where steps have been taken to ready the property for market and it is expected that the property will be sold within a 12 month period. Land for resale is classified as a non-current asset where it is expected that the asset will not be sold within a 12 month period. Costs incurred in preparing land for sale are capitalised at cost and are included in the value of land held for resale.

Profit arising upon resale of land is recognised in the Statements of Comprehensive Income on the signing of a valid unconditional contract of sale.

	Consolidated		Council	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July	191	191	191	191
Additions at Cost	109	-	109	-
<b>Closing balance as at 30 June</b>	<b>300</b>	<b>191</b>	<b>300</b>	<b>191</b>
<b>Classified as :</b>				
Current	300	191	300	191
Non-current	-	-	-	-
	<b>300</b>	<b>191</b>	<b>300</b>	<b>191</b>

This land is freehold land Council has decided to sell to address the market demand for residential allotments. The land is expected to be developed and sold within the next twelve months. The land is valued at the lower of cost and selling price less cost to sell.

## 12 Investment in Controlled Entity - Gladstone Airport Corporation

These consolidated financial statements incorporate the assets, liabilities and result of the Gladstone Airport Corporation in accordance with AASB 10 and the accounting policy described in Note 1 (1.02).

Gladstone Airport Corporation is a Local Government owned Corporation wholly owned by Gladstone Regional Council.

Gladstone Airport Corporation became a corporatized entity on 1 July 2012 in the State of Queensland under *Local Government (Beneficial Enterprises and Business Activities(Repealed)) Regulation 2010* to administer the for-profit airport activities.

Gladstone Airport Corporation carries out its business at its registered address at Aerodrome Road, Gladstone.

Councils' investment in the controlled entity, Gladstone Airport Corporation, is accounted for at cost in Councils' separate financial statements.

This investment is eliminated in the financial Statements of the economic entity upon consolidation.

Gladstone Regional Council holds 100% of the investment in the controlled entity.

The investment is measured at cost as fair value cannot be reliably measured.

	Consolidated		Council	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July	-	-	71,854	71,854
<b>Closing balance as at 30 June</b>	<b>-</b>	<b>-</b>	<b>71,854</b>	<b>71,854</b>

## 13 Investment Property

Investment property is property held for the primary purpose of earning rental and/or capital appreciation. This includes property held by the Council without any specific purpose (such as land no longer required for its original purpose). At the balance date there was no property being constructed or developed for future use as investment property.

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. All investment property is subsequently revalued annually at the balance date. Gains or losses arising from changes in the fair value of investment property are included in the Statements of Comprehensive Income in the period in which they arise. Investment property is not depreciated and is not tested for impairment.

Note	Consolidated		Council	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000
Land - at independent valuation	1,679	1,721	1,679	1,721
Buildings - at independent valuation	3,033	3,789	3,033	3,789
	<b>4,712</b>	<b>5,510</b>	<b>4,712</b>	<b>5,510</b>
<b>Investment property reconciliation</b>				
Fair value at beginning of financial year	5,510	4,863	5,510	4,863
Transfer to buildings	14	(124)	-	(124)
Transfer from buildings	14	1,039	-	1,039
Transfer from land	14	370	-	370
Revaluation of investment property	8	(638)	(798)	(638)
Fair value at end of financial year	<b>4,712</b>	<b>5,510</b>	<b>4,712</b>	<b>5,510</b>

Income from investment property is shown in Note 3d. Expenses in respect of investment property are shown in Note 6.

Investment property comprises of commercial properties which are rented out. These properties were valued at fair value by APV Valuers and Asset Management, an independent professionally qualified valuation firm, as at 30 June 2017. Fair value was determined by reference to market based evidence including observable historical sales data in the relevant market for properties of similar nature and specification.

At reporting date there was no property being constructed or developed for future use as investment property.

No contingent rentals were recognised during the current or prior reporting periods.

## 14 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. Buildings, parks and office structures with a total value of less than \$10,000, plant and equipment with a total value of less than \$5,000 and land with a total value of less than \$1 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 and improvements
- Buildings
- Major plant and equipment
- Plant and equipment
- Cultural assets
- Park furniture and other structures
- Roads, drainage and transport infrastructure
- Water infrastructure
- Sewerage infrastructure
- Work in progress

### Acquisition of Assets

Acquisition 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, 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 where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

### 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 assets are expensed as incurred, while expenditure that relates to the replacement of a major component of an asset to maintain its service potential is capitalised.

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

### Valuation

Land and improvements, buildings, major plant and equipment and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*. All other non-current assets, principally plant and equipment are measured at cost.

Non-current physical assets measured at fair value are revalued where required so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by 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 appropriate class of the asset revaluation surplus, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus 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 life.

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



## 14 Property Plant and Equipment continued

### Major Plant and Equipment

The Council has determined that plant which has an individual cost in excess of \$350,000 is of high value to the Council. Plant which meets this criteria is major plant if it is prone to a high degree of price fluctuations or in danger of becoming obsolete. The asset class primarily includes specialised earthmoving equipment.

### 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.

Investment property under construction is classified as investment property. Refer to Note 13 for further information.

### Depreciation

Land is not depreciated as it has an unlimited useful life. Depreciation on other land improvements and 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. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

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

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

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

### Impairment of Non-Current Assets

Each non-current physical and intangible asset and group of assets are 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 recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

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

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

### Land Under Roads

The Gladstone 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.

14 Property Plant and Equipment continued

Consolidated - 30 June 2017

Basis of measurement

Asset Values

Opening gross value at 1 July 2016

Opening balance adjustment

Found assets first recognised

Additions during period

Contributed assets

Disposals\*

Write-offs

Revaluation adjustment to the asset revaluation surplus

Revaluation adjustment due to landfill provisions

Internal transfers between WIP and other classes

Closing gross value as at 30 June 2017

Note

Land and Improvements	Buildings	Plant and Equipment	Major Plant & Equipment	Cultural Assets	Park Furniture & Other Structures	Road, Drainage & Transport Infrastructure	Sewerage Infrastructure	Water Infrastructure	Work in Progress	Total
Fair Value \$'000	Fair Value \$'000	Cost \$'000	Fair Value \$'000	Fair Value \$'000	Fair Value \$'000	Fair Value \$'000	Fair Value \$'000	Fair Value \$'000	Cost \$'000	\$'000
2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
131,732	164,681	43,256	3,510	1,010	32,798	1,671,954	448,160	266,080	40,182	2,803,460
2	(1)	(1)	-	(1)	-	(1)	-	-	-	(2)
-	-	-	-	-	-	6,629	321	7	-	6,957
96	152	2,761	414	10	82	-	14	18	58,902	62,447
-	-	130	-	-	-	4,184	-	64	-	4,378
-	(384)	(1,675)	(290)	-	(266)	(24,333)	(38)	(486)	-	(33,063)
-	(685)	(124)	-	(20)	(82)	(747)	-	-	-	(1,658)
(852)	3,787	-	(69)	82	550	120,949	7,902	4,745	-	137,094
(1,735)	-	-	-	-	-	-	-	-	-	(1,735)
1,287	1,352	343	-	-	3,442	39,097	5,674	7,247	(58,442)	(0)
130,530	168,902	44,690	3,665	1,081	36,523	1,817,728	462,033	277,675	35,051	2,977,878

Accumulated Depreciation

Opening Balance as at 1 July 2016

Opening balance adjustment

Found assets first recognised

Contributed assets

Depreciation provided in period

Depreciation on disposals

Depreciation on write-offs

Revaluation adjustment to the asset revaluation surplus

Internal transfers between classes

Accumulated depreciation as at 30 June 2017

Consolidated book value at 30 June 2017

Range of estimated useful life in years

\* Expensed WIP included in Opening balance, included in disposals line

2,333	21,799	19,443	1,573	-	5,480	393,193	89,439	61,561	-	594,821
2	-	-	(1)	-	-	-	1	-	-	2
-	-	-	-	-	-	1,433	48	-	-	1,481
-	-	-	-	-	-	-	-	-	-	15
(760)	2,250	4,309	164	-	694	29,302	5,222	4,073	-	45,254
-	(84)	(1,048)	(240)	-	(41)	(7,710)	(22)	(261)	-	(9,407)
-	(5)	(96)	-	-	(4)	(143)	-	-	-	(248)
-	(1,411)	-	(227)	-	(579)	25,395	1,648	1,138	-	25,964
-	-	-	-	-	-	-	-	-	-	-
1,575	22,549	22,608	1,289	-	5,556	441,484	96,336	66,510	-	657,880
128,955	146,353	22,083	2,396	1,081	30,973	1,376,244	365,597	211,165	35,051	2,319,998
Land: Not depreciated	10-100	2-50	5-10	Not Depreciated	5-100	5-100	5-110	5-110	Not Depreciated	

Additions comprise:

Renewals

Other additions

Total additions

\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
-	21	1,835	414	-	32	-	-	-	38,076	20,378
96	131	926	-	10	50	-	14	18	40,826	42,069
96	152	2,761	414	10	82	-	14	18	58,902	62,447

# 14 Property Plant and Equipment continued

## Council - 30 June 2017

### Basis of measurement

#### Asset Values

Note

Opening gross value at 1 July 2016

Opening balance adjustment

Found assets first recognised

Additions during period

Contributed assets

Disposals\*

Write-offs

Revaluation adjustment to the asset revaluation surplus

Revaluation adjustment due to landfill provisions

Internal transfers between WIP and other classes

Closing gross value as at 30 June 2017

Land and Improvements	Buildings	Plant and Equipment	Major Plant & Equipment	Cultural Assets	Park Furniture & Other Structures	Road, Drainage & Transport Infrastructure	Sewerage Infrastructure	Water Infrastructure	Work in Progress	Total
Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
121,832	138,183	40,054	3,610	1,010	27,941	1,611,142	448,159	266,080	39,569	2,697,580
-	(1)	(1)	-	(1)	-	(1)	-	-	-	(2)
-	-	-	-	-	-	6,629	321	7	-	6,957
96	152	2,761	414	10	82	-	14	18	58,543	62,889
-	-	130	-	-	64	4,184	-	-	-	4,378
-	(384)	(1,599)	(290)	-	(266)	(24,333)	(38)	(486)	(5,487)	(32,883)
-	(685)	(124)	-	(20)	(82)	(747)	-	-	-	(1,658)
(852)	3,787	-	(69)	82	550	120,949	7,902	4,745	-	137,094
(1,235)	-	-	-	-	-	-	-	-	-	(1,735)
1,287	1,318	74	-	-	3,442	39,017	5,674	7,247	(58,059)	-
120,630	142,370	41,295	3,665	1,081	31,667	1,756,840	462,033	277,675	34,566	2,871,822

### Accumulated Depreciation

Opening Balance as at 1 July 2016

Opening balance adjustment

Found assets first recognised

Contributed assets

Depreciation provided in period

Depreciation on disposals

Depreciation on write-offs

Revaluation adjustment to the asset revaluation surplus

Internal transfers between classes

Accumulated depreciation as at 30 June 2017

Consolidated book value at 30 June 2017

Range of estimated useful life in years

\* Expensed WIP included in Opening balance, included in disposals line

Land: Not depreciated	Buildings	Plant and Equipment	Major Plant & Equipment	Cultural Assets	Park Furniture & Other Structures	Road, Drainage & Transport Infrastructure	Sewerage Infrastructure	Water Infrastructure	Work in Progress	Total
Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
2,334	15,310	17,661	1,574	-	4,873	388,744	89,439	61,561	-	581,496
2	-	-	(1)	-	-	-	1	-	-	2
-	-	-	-	-	-	1,433	48	-	-	1,481
-	-	-	-	-	-	15	-	-	-	15
(760)	1,561	4,018	164	-	540	27,971	5,222	4,073	-	42,789
-	(84)	(1,015)	(240)	-	(41)	(7,710)	(22)	(261)	-	(9,373)
-	(5)	(96)	-	-	(4)	(143)	-	-	-	(248)
-	(1,411)	-	(227)	-	(579)	25,395	1,648	1,138	-	25,964
-	-	-	-	-	-	-	-	-	-	-
1,576	15,370	20,568	1,270	-	4,789	435,705	96,336	66,511	-	642,125
119,054	126,999	20,727	2,395	1,081	26,878	1,321,135	365,697	211,165	34,566	2,229,697
Land: Not depreciated	7-200	2-50	9-12	Not Depreciated	5-210	15-100	10-200	5-200	Not Depreciated	

### Additions comprise:

Renewals

Other additions

Total additions

\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
-	21	1,835	414	-	32	-	-	-	17,968	20,271
96	131	928	-	10	50	-	14	18	40,574	41,818
96	152	2,761	414	10	82	-	14	18	58,543	62,889

# 14 Property Plant and Equipment continued

## Consolidated - 30 June 2016

Consolidated - 30 June 2016																						
	Land and Improvements		Buildings		Plant and Equipment		Major Plant & Equipment		Cultural Assets		Park Furniture & Other Structures		Road, Drainage & Transport Infrastructure		Sewerage Infrastructure		Water Infrastructure		Work in Progress		Total	
	Fair Value		Fair Value		Cost		Fair Value		Fair Value		Fair Value		Fair Value		Fair Value		Fair Value		Cost			
	\$'000		\$'000		\$'000		\$'000		\$'000		\$'000		\$'000		\$'000		\$'000		\$'000		\$'000	
	2016		2016		2016		2016		2016		2016		2016		2016		2016		2016		2016	
	132,808		160,819		43,206		3,682		966		28,873		1,477,756		418,178		246,704		39,379		2,552,371	
	1,531		-		25		-		7		234		7		3,214		1,074		-		6,085	
	-		325		2,139		-		7		128		50		20		109		53,065		55,842	
	-		-		-		-		-		-		238		359		1,397		-		1,994	
	-		(80)		(2,406)		-		(38)		(372)		(3,772)		(2,017)		(1,743)		(678)		(10,734)	
	(1,224)		(478)		(423)		-		-		(103)		(36)		(2,274)		(2,703)		-		(7,239)	
	(1,388)		1,669		-		(72)		37		613		168,112		18,997		17,768		-		205,735	
	671		-		-		-		-		-		-		-		-		-		671	
	(370)		(1,039)		-		-		-		-		-		-		-		-		(1,409)	
	-		140		-		-		-		-		-		-		-		-		140	
	(296)		3,326		715		-		-		3,089		29,594		11,682		3,474		-		(51,584)	
	131,732		164,681		43,256		3,610		1,010		32,798		1,671,950		448,159		266,080		40,182		2,803,458	
	Internal transfers between WIP and other classes																					
	Assets transferred from investment property																					
	Assets transferred from investment property																					
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Note

Asset Values

Opening gross value at 1 July 2015

Found assets first recognised

Additions during period

Contributed assets

4 (b)

Disposals\*

Revaluation adjustment to the asset revaluation surplus

Revaluation adjustment due to landfill provisions

Assets transferred to investment property

Assets transferred from investment property

Internal transfers between WIP and other classes

Closing gross value as at 30 June 2016

## Accumulated Depreciation

Opening Balance as at 1 July 2015

Found assets first recognised

Contributed assets

Depreciation provided in period

Depreciation on disposals

Depreciation on write-offs

Revaluation adjustment to the asset revaluation surplus

Impairment adjustment to asset revaluation surplus

Transferred to investment property

Transferred from investment property

Internal transfers between classes

Accumulated depreciation as at 30 June 2016

Consolidated book value at 30 June 2016

Range of estimated useful life in years

\* Expensed WIP included in Opening balance, included in disposals line

2,913	14,421	16,792	1,290	-	3,404	234,036	122,168	81,907	-	476,930
-	-	-	-	-	39	-	627	42	-	708
-	-	-	-	-	-	-	-	-	-	-
412	2,028	4,244	198	-	604	29,304	4,957	4,283	-	46,031
-	(7)	(1,230)	-	-	(21)	(1,742)	(402)	(660)	-	(4,061)
(992)	(91)	(363)	-	-	(12)	(13)	(1,328)	(2,162)	-	(4,960)
-	5,432	-	85	-	1,456	130,299	(36,583)	(21,849)	-	78,850
-	-	-	-	-	-	1,308	-	-	-	1,308
-	-	-	-	-	-	-	-	-	-	-
-	16	-	-	-	-	-	-	-	-	16
-	-	-	-	-	-	-	-	-	-	-
2,333	21,799	19,443	1,573	-	5,480	395,193	89,439	61,561	-	594,821
129,395	142,884	23,813	2,037	1,010	27,318	1,278,757	358,720	204,519	40,182	2,208,637
Land: Not depreciated	10-100	2-50	5-10	Not Depreciated	5-100	5-100	5-110	5-110	Not Depreciated	
Improvements: 7-40										

\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>
29	1,677	-	-	26	-	-	-	-	27,408	29,140
-	296	462	-	102	7	50	20	109	25,657	26,703
-	325	2,139	-	128	7	50	20	109	53,065	55,843

Additions comprise:

Renewals

Other additions

Total additions

# 14 Property Plant and Equipment continued

Council - 30 June 2016																					
Land and Improvements		Buildings		Plant and Equipment		Major Plant & Equipment		Cultural Assets		Park Furniture & Other Structures		Road, Drainage & Transport Infrastructure		Sewerage Infrastructure		Water Infrastructure		Work in Progress		Total	
Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	\$'000	\$'000
2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016
Note																					
Basis of measurement																					
Asset Values																					
Opening gross value at 1 July 2015																					
Found assets first recognised																					
Additions during period																					
Contributed assets																					
Disposals*																					
Write-offs																					
Revaluation adjustment to the asset revaluation surplus																					
Revaluation adjustment due to landfill provisions																					
Assets transferred to investment property																					
Assets transferred from investment property																					
Internal transfers between WIP and other classes																					
Closing gross value as at 30 June 2016																					
Accumulated Depreciation																					
Opening Balance as at 1 July 2015																					
Found assets first recognised																					
Contributed assets																					
Depreciation provided in period																					
Depreciation on disposals																					
Depreciation on write-offs																					
Revaluation adjustment to the asset revaluation surplus																					
Impairment adjustment to the asset revaluation surplus																					
Transferred to investment property																					
Transferred from investment property																					
Internal transfers between classes																					
Accumulated depreciation as at 30 June 2016																					
Consolidated book value at 30 June 2016																					
Range of estimated useful life in years																					
Expensed WIP included in Opening balance, included in disposals line																					
Additions comprise:																					
Renewals																					
Other additions																					
Total additions																					

## 14 Property Plant and Equipment continued

### Recognised fair value measurements

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

#### Investment Property

- Investment land
- Investment buildings

#### Property, Plant and Equipment

- Land and improvements
- Buildings
- Major plant and equipment
- Cultural assets
- Road, drainage and transport infrastructure
- Water infrastructure
- Sewerage infrastructure
- Parks, furniture, and other structures

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

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

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

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

Council also has assets measured at fair value on a non-recurring basis as a result of being reclassified as assets held for sale. A description of the valuation techniques and the inputs used to determine the fair value of this land is included below under the heading "Land (level 2)".

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

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

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

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



## 14 Property Plant and Equipment continued

### Recognised fair value measurements (cont'd)

The table presents the Council's assets and liabilities measured and recognised at fair value at 30 June 2017.

Consolidated		Level 2		Level 3		Total	
At 30 June 2017		(Significant other observable inputs)		(Significant unobservable inputs)			
		30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
		\$'000		\$'000		\$'000	
Recurring fair value measurements							
	Note						
<u>Investment property</u>							
Investment land	13	1,679	1,721	-	-	1,679	1,721
Investment buildings	13	3,033	3,789	-	-	3,033	3,789
<u>Property, plant and equipment</u>							
Land and improvements	14	128,956	129,399	-	-	128,956	129,399
Buildings	14	-	-	146,353	142,882	146,353	142,882
Major plant and equipment	14	2,396	2,037	-	-	2,396	2,037
Cultural assets	14	1,081	1,010	-	-	1,081	1,010
Road, drainage and transport infrastructure	14	-	-	1,376,244	1,278,757	1,376,244	1,278,757
Water infrastructure	14	-	-	211,165	204,519	211,165	204,519
Sewerage infrastructure	14	-	-	365,697	358,720	365,697	358,720
Parks, furniture, and other structures	14	-	-	30,973	27,318	30,973	27,318
		137,145	137,956	2,130,432	2,012,196	2,267,577	2,150,152

Council		Level 2		Level 3		Total	
At 30 June 2017		(Significant other observable inputs)		(Significant unobservable inputs)			
		30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
		\$'000		\$'000		\$'000	
Recurring fair value measurements							
	Note						
<u>Investment property</u>							
Investment land	13	1,679	1,721	-	-	1,679	1,721
Investment buildings	13	3,033	3,789	-	-	3,033	3,789
<u>Property, plant and equipment</u>							
Land and improvements	14	119,055	119,499	-	-	119,055	119,499
Buildings	14	-	-	126,998	122,872	126,998	122,872
Major plant and equipment	14	2,395	2,036	-	-	2,395	2,036
Cultural assets	14	1,081	1,010	-	-	1,081	1,010
Road, drainage and transport infrastructure	14	-	-	1,321,135	1,222,399	1,321,135	1,222,399
Water infrastructure	14	-	-	211,166	204,519	211,166	204,519
Sewerage infrastructure	14	-	-	365,697	358,720	365,697	358,720
Parks, furniture, and other structures	14	-	-	26,878	23,068	26,878	23,068
		127,243	128,055	2,051,874	1,931,578	2,179,117	2,059,633

## 14 Property Plant and Equipment continued

### Recognised fair value measurements (cont'd)

There were no transfers between levels 1 and 2 during the year, nor between levels 2 and 3.

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

### (ii) Valuation techniques used to derive fair values for level 2 and level 3 valuations

Specific valuation techniques used to value Council assets comprise:

#### Land and improvements (level 2)

Land fair values were determined by independent valuer, APV Valuers and Asset Management with a desktop valuation effective 30 June 2017. Level 2 valuation inputs were used to value land held in freehold title as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Land classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less cost to sell at the time of reclassification. The fair value of the land was determined using the sales comparison approach described in the preceding paragraph.

#### Buildings, parks and other structures (level 2 and 3)

The fair value of buildings is determined by independent valuer, APV Valuers and Asset Management with a desktop valuation effective 30 June 2017. Where there is a market for Council building assets, fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach were price per square metre.

Specialised buildings were valued using the cost approach using professionally qualified registered valuers. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence (level 2) other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component, residual value at the time the asset is considered to be no longer available for use and the condition of the asset. Condition was assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability, utilisation and obsolescence.

#### Major plant and equipment (Level 2)

The fair value of major plant is measured at current market value as at 30 June 2017. This was determined by management on a condition audit and market-based evidence using comparable replacement costs from the most recent price catalogues for specialised earth moving equipment. The key assumptions used in assessing the conditions included site condition, type of usage, major mechanical component condition, and machine hours. The fair value takes into account transport costs to transport the plant to market, but does not include transaction costs.

#### Infrastructure assets (level 3)

The fair Value of all Council infrastructure was determined by Council professional officers applying a desktop valuation. Water and sewerage infrastructure assets were comprehensively valued by APV Valuers and Asset Management effective 30 June 2016. Roads, drainage, and transport infrastructure were fair valued comprehensively by Assetic Pty Ltd effective 30 June 2016. The 2017 desktop revaluation took into account changes of condition as a result of capital expenditures and expected deterioration. Detailed reviews of unit rates associated with roads and pathway type assets were undertaken, for all other infrastructure assets indexation in line with the LGAQ Council Cost Index 2017.

## 14 Property Plant and Equipment continued

### Valuation techniques used to derive fair values for level 2 and level 3 valuations (cont'd)

#### Infrastructure assets (level 3) (cont'd)

All assets were valued using written down current replacement cost. This valuation comprises the asset's current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

CRC was measured by reference to the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. Where existing assets were over designed, had excess capacity, or were redundant an adjustment was made so that the resulting valuation reflected the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output within the council's planning horizon.

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on a mixture of "Greenfield" and "Brownfield" assumptions. The CRC was determined using methods relevant to the asset class as described under individual asset categories below.

#### **Road, drainage and transport infrastructure (RDTI) - calculation of current replacement cost**

##### Roads

###### *Current replacement cost*

As the majority of Council's works occurring on existing roads and renewals resulting in similar carriageway widths, Council has utilised a methodology based on the replacement of road pavement and surfaces to current pavement design standards with the same carriageway details. This financial year Council's stereotyping of road type assets has considered high order (Collector and above) and low order (Access Streets and Places) roads separately. Council considered that replacement pavements are constructed to a depth standard consistent with Council's Roads and Transport Standards 2005.

The reconstruction approach considers additional resources associated with constructing within constrained 'Brownfields' sites when compared to a 'Greenfield site'. These inputs include the need to dispose existing infrastructure, work in tight conditions, ensure access requirements are met and meet additional safety and traffic control requirements. The reconstruction approach produces a valuation that better represents the current replacement cost of the Council's Roads assets.

###### *Accumulated depreciation*

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

As part of the comprehensive revaluation undertaken for the 2015/16 financial year a condition assessment was undertaken on sealed road assets and a sample of unsealed road assets including a number of metrics. These metrics were utilised, along with other information, to determine the consumption of the component's service potential. For the desktop revaluation undertaken with an effective date 30 June 2017 the amount of service potential consumed was determined based on the useful lives of components and adjusted to take account for capital expenditure in the financial year.

##### Bridges

###### *Current replacement cost*

The fair value of bridge assets was determined by Council's professional officers applying a desktop valuation effective 30 June 2017. CRC was calculated as part of the comprehensive valuation undertaken for the 2015/16 financial year by reference to asset linear and area specifications, estimated labour and material inputs, service costs and overhead allocations. This included consideration of material type used for construction, the deck area and size. The values for the 2016/17 valuation were based on the comprehensive valuation indexed in accordance with the LGAQ Council Cost Index 2017.

###### *Accumulated depreciation*

The remaining useful lives of the bridge asset components were reviewed in 2015/16. These metrics were utilised, along with other information, to determine the accumulated consumption of the component's service potential. Through this assessment the remaining useful lives were determined and aligned with actual condition. For the desktop revaluation undertaken with an effective date 30 June 2017 the amount of service potential consumed was determined based on the useful lives of components and adjusted to take account for capital expenditure in the financial year.

## 14 Property Plant and Equipment continued

### Road, drainage and transport infrastructure - calculation of current replacement cost (cont'd)

#### Drainage infrastructure

##### *Current replacement cost*

The fair value of Drainage infrastructure was determined by Council's professional officers applying a desktop valuation effective 30 June 2017.

Consistent with roads, Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment and that a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials. Construction estimates were determined on a similar basis to sewerage. The values for the 2016/17 valuation were based on the comprehensive valuation undertaken for the 2015/16 financial year indexed in accordance with the LGAQ Council Cost Index 2017.

##### *Accumulated depreciation*

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

As part of the comprehensive revaluation undertaken for the 2015/16 financial year estimates of expired service potential and remaining useful lives were determined on a sample of assets which had condition assessments. The service potential and remaining useful life were assumed to be in proportion with the sampled assets for all other assets. For the desktop revaluation undertaken with an effective date 30 June 2017 the amount of service potential consumed was determined based on the useful lives of components and adjusted to take account for capital expenditure in the financial year.

### Water and Sewerage Infrastructure – calculation of written down current replacement cost

#### Water and Sewerage

##### *Current replacement cost*

The approach estimated the replacement cost of each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square meters or similar capacity could be supported from market evidence (level 2) other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs. The values for the 2016/17 valuation were based on the comprehensive valuation undertaken for the 2015/16 financial year indexed in accordance with the LGAQ Council Cost Index 2017.

##### *Accumulated depreciation*

As part of the comprehensive revaluation undertaken in the 2015/16 financial year, in determining accumulated depreciation, assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted, the assets were allocated a consumption score of between 0 and 5, which was used as an input in estimating the remaining service potential. The higher the condition rating, the lower the fair value. The estimate of the remaining service potential included asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as residual value, useful life and pattern of consumption of the future economic benefit. Where site inspections were not conducted (i.e. for passive assets and active assets for which no site inspections were undertaken), the consumption score was calculated on information contained within Council's asset management system and sampled assets.

For the desktop revaluation undertaken with an effective date 30 June 2017 the amount of service potential consumed during the financial year was determined based on the useful lives of components and adjusted to take account for capital expenditure in the financial year.

## 14 Property Plant and Equipment continued

### Changes in Fair Value Measurements using significant unobservable inputs (level 3)

The changes in level 3 assets with recurring fair value measurements are detailed in Note 13 (Investment Property) and Note 14 (property, plant and equipment). However, since the bu

	Consolidated \$'000	Council \$'000
<b>Changes in buildings (Level 3)</b>		
Opening gross value as at 1 July 2016	164,680	138,182
Additions	1,504	1,470
Disposals	(384)	(384)
Write-offs	(685)	(685)
Revaluation adjustment to asset revaluation surplus	3,787	3,787
	<b>168,902</b>	<b>142,370</b>
<b>Accumulated depreciation and impairment</b>		
Opening balance as at 1 July 2016	21,799	15,310
Depreciation provided for in period	2,250	1,561
Disposals	(84)	(84)
Write-offs	(5)	(5)
Revaluation adjustment to asset revaluation surplus	(1,411)	(1,411)
<b>Accumulated depreciation as at 30 June 2017</b>	<b>22,549</b>	<b>15,371</b>
<b>Book value as at 30 June 2017</b>	<b>146,353</b>	<b>126,998</b>

#### (iv) Valuation processes

Council's valuation policies and procedures are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information. Council's current policy for the valuation of property, plant and equipment and investment property (recurring fair value measurements) is set out in Notes 14 and 13 respectively. Non-recurring fair value measurements are made at the point of reclassification by a registered valuer.

#### (v) Found assets first recognised

As part of ongoing asset data improvements, additional assets not previously recognised were identified and brought to account.

This resulted in a net adjustment of \$5,475,604 (2016 - \$5,377,143) which is considered immaterial against Council capital and property, plant and equipment balances, hence no adjustment has been made against comparative figures or disclosed as a prior period error as required under AASB108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

## 15 Trade and Other 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.

	Consolidated		Council	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000
<b><u>Trade and other payables</u></b>				
<b>Current - Trade</b>				
Creditors and accruals	14,023	11,183	13,585	10,658
	<b>14,023</b>	<b>11,183</b>	<b>13,585</b>	<b>10,658</b>
<b>Current - Employee</b>				
Accrued RDO and leave in lieu	389	436	378	426
Annual leave	4,748	4,761	4,528	4,516
Service entitlement	475	517	475	517
Sick leave	341	357	317	335
Long service leave	1,399	1,366	1,160	1,142
Paid parental leave	5	4	5	4
	<b>7,357</b>	<b>7,441</b>	<b>6,863</b>	<b>6,940</b>
<b>Total current trade and other payables</b>	<b>21,380</b>	<b>18,624</b>	<b>20,448</b>	<b>17,598</b>

## 16 Borrowings

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

In accordance with the Local Government Regulation 2012 Council adopts an annual debt policy that sets out council's planned borrowings for the next nine years. Council's current policy is to only borrow for capital projects and for a term no longer than the expected life of the asset. Council also aims to comply with the Queensland Treasury Corporation's borrowing guidelines and ensure that sustainability indicators remain within acceptable levels at all times.

	Note	Consolidated		Council	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
		\$'000	\$'000	\$'000	\$'000
<b><u>Borrowings</u></b>					
<b>Current</b>					
Loans - Queensland Treasury Corporation	17	8,586	7,776	8,586	7,776
Loans - Interest Free - DIP	18	484	467	484	467
Loans - Other		1	10	-	-
		<b>9,071</b>	<b>8,253</b>	<b>9,070</b>	<b>8,243</b>
<b>Non-current</b>					
Loans - Queensland Treasury Corporation	17	123,350	131,979	123,350	131,979
Loans - Interest Free - DIP	18	5,027	5,511	5,027	5,511
		<b>128,377</b>	<b>137,490</b>	<b>128,377</b>	<b>137,490</b>
<b>Total borrowings</b>		<b>137,448</b>	<b>145,743</b>	<b>137,447</b>	<b>145,733</b>

No assets have been pledged as security by the Council for any liabilities, however all loans are guaranteed by the Queensland Government.

## 16 Borrowings continued

All borrowings are in \$AUD 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 15 September 2020 to 15 December, 2032. There have been no defaults or breaches of the loan agreement during the period.

Principal and interest repayments are made quarterly and in arrears.

## 17 Borrowings - interest bearing

	<b>Consolidated</b>		<b>Council</b>	
	<b>30 June 2017</b>	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Queensland Treasury Corporation</b>				
Opening balance as at 1 July	139,755	161,967	139,755	161,967
Principal repayments	(7,819)	(22,212)	(7,819)	(22,212)
<b>Closing balance as at 30 June</b>	<b>131,936</b>	<b>139,755</b>	<b>131,936</b>	<b>139,755</b>

The loan market value at the reporting date was \$154,845,359.68. 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 provision is required to be made in these accounts. Principal repayments represent the net payments before interest and administration costs.

## 18 Borrowings - interest free

	<b>Consolidated</b>		<b>Council</b>	
	<b>30 June 2017</b>	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Department of Infrastructure, Local Government and Planning</b>				
Opening balance as at 1 July	5,978	6,429	5,978	6,429
Fair value adjustment	267	283	267	283
Principal repayments	(734)	(734)	(734)	(734)
<b>Closing balance as at 30 June</b>	<b>5,511</b>	<b>5,978</b>	<b>5,511</b>	<b>5,978</b>

These loans are guaranteed by the Queensland State Government.

## 19 Provisions

	Consolidated		Council	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000
<b>Non-Current</b>				
Landfill remediation	2,885	3,828	2,885	3,828
Long service leave	7,062	6,979	7,056	6,946
	<b>9,947</b>	<b>10,807</b>	<b>9,941</b>	<b>10,774</b>

### Details of movements in provisions:

#### Long Service Leave (current and non-current)

<b>Opening balance as at 1 July</b>	8,346	8,441	8,088	8,293
Long service entitlement arising / (decreasing)	1,425	1,141	1,388	1,016
Long service entitlement extinguished	(2)	(12)	(1)	(5)
Long service entitlement paid	(1,308)	(1,224)	(1,260)	(1,216)
<b>Closing balance as at 30 June</b>	<b>8,461</b>	<b>8,346</b>	<b>8,215</b>	<b>8,088</b>

#### Landfill remediation

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

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

The provision recognised for dump sites is reviewed at least annually and updated based on the facts and circumstances available at the time.

As refuse dumps are on state reserves, the provision for restoration is treated as an expense in the year the provision is first recognised. Changes in the provision are treated as an expense or income.

	Consolidated		Council	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000
<b>Opening balance as at 1 July</b>	3,828	3,339	3,828	3,339
Increase in provision - finance cost	54	38	54	38
Increase in provision due to change in discount rate	-	451	-	451
Decrease in provision due to change in projected costs	(997)	-	(997)	-
	<b>2,885</b>	<b>3,828</b>	<b>2,885</b>	<b>3,828</b>

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 \$3,000,000 and this cost is expected to be incurred in 2024.



## 20 Asset Revaluation Surplus

The asset revaluation surplus 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 the asset revaluation surplus.

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

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

When an asset is disposed of, the amount reported in surplus in respect of that asset is retained in the asset revaluation surplus and not transferred to retained surplus.

	Consolidated		Council	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000
<b>Movements in the asset revaluation surplus were as follows:</b>				
Opening balance as at 1 July	683,688	558,110	697,640	572,062
<b>Net adjustment to non-current assets at end of period to reflect a change in fair value:</b>				
Land and improvements	(852)	(1,388)	(852)	(1,388)
Buildings	5,198	(3,763)	5,198	(3,763)
Major plant and equipment	158	(157)	158	(157)
Parks furniture and other structures	1,129	(853)	1,129	(853)
Cultural	82	37	82	37
Roads, drainage and transport infrastructure	95,554	37,813	95,554	37,813
Sewerage infrastructure	6,254	55,580	6,254	55,580
Water infrastructure	3,607	39,617	3,607	39,617
Impairment:				
Roads, drainage and transport infrastructure	-	(1,308)	-	(1,308)
<b>Total movement for period</b>	<b>111,130</b>	<b>125,578</b>	<b>111,130</b>	<b>125,578</b>
<b>Closing balance as at 30 June</b>	<b>794,818</b>	<b>683,688</b>	<b>808,771</b>	<b>697,640</b>
<b>Asset revaluation surplus analysis</b>				
	Consolidated		Council	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000
<b>The closing balance of the asset revaluation surplus is comprised of the following asset categories:</b>				
Land and improvements	47,985	48,837	67,574	68,426
Buildings	44,347	39,149	42,721	37,523
Major plant and equipment	307	149	307	149
Parks furniture and other structures	9,295	8,166	5,875	4,746
Cultural	235	153	235	153
Roads, drainage and transport infrastructure	513,594	418,040	512,967	417,413
Sewerage infrastructure	111,037	104,783	111,073	104,819
Water infrastructure	68,018	64,411	68,018	64,411
	<b>794,818</b>	<b>683,688</b>	<b>808,770</b>	<b>697,640</b>

## 21 Reserves

The following reserves 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.

### Emergency Services Reserve

Council resolved to establish an emergency services reserve at 15 March 2008. The amounts reported in this reserve at balance date correspond to the amount of cash (reported within cash and cash equivalents) set aside from surplus funding for emergency services activities to be used in the future for capital purposes. Surplus funds are transferred from retained surplus to the emergency services reserve at the end of the financial year. When the capital funds are expended on the respective projects, an equivalent amount is transferred out of the emergency services reserve to retained surplus. Council does not reallocate amounts in this reserve to any other reserve or for any other purpose.

### Future Capital Reserve

Council resolved to establish a future capital reserve at 15 March 2008. The amounts reported in this reserve at balance date correspond to the amount of cash (reported within cash and cash equivalents) set aside from operating funds for future capital acquisitions and infrastructure development. The amount transferred from retained surplus to the future capital reserve will be assessed at the end of the year depending on the operating surplus available and capital funding sources utilised. When the funds are expended on the respective projects, an equivalent amount is transferred out of the future capital reserve to retained surplus. Council does not reallocate amounts in this reserve to any other reserve for any other purpose.

### Plant Asset Replacement Reserve

Council resolved to establish a plant asset replacement reserve at 15 March 2008. The amounts reported in this reserve at balance date correspond to the amount of cash (reported within cash and cash equivalents) set aside from surplus funds generated by fleet operations to fund the replacement of Council's plant and fleet systems. Surplus funds are transferred from retained surplus to the plant asset replacement reserve at the end of the financial year. When the capital funds are expended on the respective projects, an equivalent amount is transferred out of the plant asset replacement-reserve to retained surplus. Council does not reallocate amounts in this reserve to any other reserve or for any other purpose.

### Regional Waste Management Reserve

Council resolved to establish a regional waste management reserve at 15 March 2008. The amounts reported in this reserve at balance date correspond to the amount of cash (reported within cash and cash equivalents) set aside to fund waste management infrastructure and remediation of existing infrastructure and sites.

It also provides a contingency amount to offset any major unforeseen waste management works which are required. Funds are transferred from retained surplus to the regional waste management reserve as determined by the budget. When the funds are expended on the respective projects, an equivalent amount is transferred out of the regional waste management reserve to retained surplus. Council does not reallocate amounts in this reserve to any other reserve or for any other purpose.

This reserve also represents any unspent monetary funds on behalf of waste operations.

### Parks Constrained Works Reserve

Council resolved to establish a parks constrained works reserve at 15 March 2008. The amounts reported in this reserve at balance date correspond to the amount of cash (reported within cash and cash equivalents) set aside for the purpose of funding specific park infrastructure. It also provides a contingency amount to offset any major unforeseen park works which are required. Funds are transferred from retained surplus to the parks constrained works reserve as determined by the budget. When the funds are expended on the respective projects, an equivalent amount is transferred out of the parks constrained works reserve to retained surplus. Council does not reallocate amounts in this reserve to any other reserve or for any other purpose.

## 21 Reserves continued

### Roads Constrained Works Reserve

Council resolved to establish a roads constrained works reserve at 15 March 2008. The amounts reported in this reserve at balance date correspond to the amount of cash (reported within cash and cash equivalents) set aside for the purpose of funding specific road infrastructure. It also provides a contingency amount to offset any major unforeseen road works which are required. Funds are transferred from retained surplus to the roads constrained works reserve as determined by the budget. When the funds are expended on the respective projects, an equivalent amount is transferred out of the roads constrained works reserve to retained surplus. Council does not reallocate amounts in this reserve to any other reserve or for any other purpose.

### Water Constrained Works Reserve

Council resolved to establish a water constrained works reserve at 15 March 2008. The amounts reported in this reserve at balance date correspond to the amount of cash (reported within cash and cash equivalents) set aside to provide funds for the future construction and replacement of Council's water and supply infrastructure. It also provides a contingency amount to offset any major unforeseen water supply works which are required. Funds are transferred from retained surplus to the water constrained works reserve as determined by the budget. When the funds are expended on the respective projects, an equivalent amount is transferred out of the water constrained works reserve to retained surplus. Council does not reallocate amounts in this reserve to any other reserve or for any other purpose.

### Sewerage Constrained Works Reserve

Council resolved to establish a sewerage constrained works reserve at 15 March 2008. The amounts reported in this reserve at balance date correspond to the amount of cash (reported within cash and cash equivalents) set aside to provide funds for the future construction and replacement of Council's sewerage infrastructure. It also provides a contingency amount to offset any major unforeseen sewerage works which are required. Funds are transferred from retained surplus to the sewerage constrained works reserve as determined by the budget. When the funds are expended on the respective projects, an equivalent amount is transferred out of the sewerage constrained works reserve to retained surplus. Council does not reallocate amounts in this reserve to any other reserve or for any other purpose.

### Recurrent Grant Funding Reserve

Council resolved to establish a recurrent grant funding reserve at 15 March 2008. This reserve represents unexpended non-capital operational grant and subsidy funding. When the funds are expended on the respective projects, an equivalent amount is transferred out of the recurrent grant funding reserve to retained surplus. Council does not reallocate amounts in this reserve to any other reserve or for any other purpose.

<b>Consolidated</b>		<b>Council</b>	
<b>30 June 2017</b>	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Summary of reserves held for funding future capital expenditure:</b>			
Emergency services reserve	461	388	461
Future capital works reserve	20,741	17,324	20,741
Plant asset replacement reserve	20,989	18,518	20,989
Regional waste management reserve	8,313	8,471	8,313
Parks constrained works reserve	968	1,960	968
Roads constrained works reserve	20,351	21,139	20,351
Water constrained works reserve	10,427	13,986	10,427
Sewerage constrained works reserve	8,333	11,441	8,333
<b>90,583</b>	<b>93,227</b>	<b>90,583</b>	<b>93,227</b>

## 21 Reserves continued

	Consolidated		Council	
	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
<b>Summary of reserves held for funding future recurrent expenditure:</b>				
Recurrent grant funding reserve	252	253	252	253
	<b>252</b>	<b>253</b>	<b>252</b>	<b>253</b>
<b>Total reserves</b>	<b>90,835</b>	<b>93,480</b>	<b>90,835</b>	<b>93,480</b>
<b>Movements in capital reserves:</b>				
<u>Emergency services reserve</u>				
Opening balance as at 1 July	388	334	388	334
Transfer from retained earnings for future expenditure	73	54	73	54
Transfer to capital for funds expended in the period	-	-	-	-
<b>Closing balance as at 30 June</b>	<b>461</b>	<b>388</b>	<b>461</b>	<b>388</b>
<u>Future capital works reserve</u>				
Opening balance as at 1 July	17,324	16,988	17,324	16,988
Transfer from retained earnings for future expenditure	5,390	4,390	5,390	4,390
Transfer to capital for funds expended in the period	(1,973)	(4,054)	(1,973)	(4,054)
<b>Closing balance as at 30 June</b>	<b>20,741</b>	<b>17,324</b>	<b>20,741</b>	<b>17,324</b>
<u>Plant asset replacement reserve</u>				
Opening balance as at 1 July	18,518	13,710	18,518	13,710
Transfer from retained earnings for future expenditure	11,471	6,808	11,471	6,808
Transfer to capital for funds expended in the period	(9,000)	(2,000)	(9,000)	(2,000)
<b>Closing balance as at 30 June</b>	<b>20,989</b>	<b>18,518</b>	<b>20,989</b>	<b>18,518</b>
<u>Regional waste management reserve</u>				
Opening balance as at 1 July	8,471	9,077	8,471	9,077
Transfer from retained earnings for future expenditure	-	-	-	-
Transfer to capital for funds expended in the period	(158)	(606)	(158)	(606)
<b>Closing balance as at 30 June</b>	<b>8,313</b>	<b>8,471</b>	<b>8,313</b>	<b>8,471</b>
<u>Parks constrained works reserve</u>				
Opening balance as at 1 July	1,960	6,354	1,960	6,354
Transfer from retained earnings for future expenditure	492	768	492	768
Transfer to capital for funds expended in the period	(1,484)	(5,162)	(1,484)	(5,162)
<b>Closing balance as at 30 June</b>	<b>968</b>	<b>1,960</b>	<b>968</b>	<b>1,960</b>

## 21 Reserves continued

	<b>Consolidated</b>		<b>Council</b>	
	<b>30 June 2017</b>	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b><u>Roads constrained works reserve</u></b>				
Opening balance as at 1 July	21,139	19,425	21,139	19,425
Transfer from retained earnings for future expenditure	766	2,407	766	2,407
Transfer to capital for funds expended in the period	(1,554)	(693)	(1,554)	(693)
<b>Closing balance as at 30 June</b>	<b>20,351</b>	<b>21,139</b>	<b>20,351</b>	<b>21,139</b>
<b><u>Water constrained works reserve</u></b>				
Opening balance as at 1 July	13,986	14,543	13,986	14,543
Transfer from retained earnings for future expenditure	368	1,969	368	1,969
Transfer to capital for funds expended in the period	(3,927)	(2,526)	(3,927)	(2,526)
<b>Closing balance as at 30 June</b>	<b>10,427</b>	<b>13,986</b>	<b>10,427</b>	<b>13,986</b>
<b><u>Sewerage constrained works reserve</u></b>				
Opening balance as at 1 July	11,441	11,355	11,441	11,355
Transfer from retained earnings for future expenditure	1,833	3,223	1,833	3,223
Transfer to capital for funds expended in the period	(4,941)	(3,137)	(4,941)	(3,137)
<b>Closing balance as at 30 June</b>	<b>8,333</b>	<b>11,441</b>	<b>8,333</b>	<b>11,441</b>
<b>Movements in recurrent reserves:</b>				
<b><u>Recurrent grant funding reserve</u></b>				
Opening balance as at 1 July	253	567	253	567
Transfer from retained earnings for future expenditure	252	253	252	253
Transfer to retained earnings for funds expended in the period	(253)	(567)	(253)	(567)
<b>Closing balance as at 30 June</b>	<b>252</b>	<b>253</b>	<b>252</b>	<b>253</b>

## 22 Commitments for Expenditure

	Consolidated		Council	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000
<b>Contractual commitments at balance date but not recognised in the financial report are as follows:</b>				
Airport - capital expenditure	3	186	-	-
Fleet purchases	3,006	820	3,006	820
Flood damage assessment	1,500	5,318	1,500	5,318
Parks & Regulatory Services Projects	5,120	2,357	5,120	2,357
Road, drainage and transport Infrastructure projects	1,796	2,100	1,796	2,100
Sport & Rec Projects	110	1,220	110	1,220
Water and sewerage projects	8,360	6,079	8,360	6,079
	<b>19,895</b>	<b>18,080</b>	<b>19,892</b>	<b>17,894</b>

### Operating contractual commitments

#### Comprises Waste Management Services Expiring 2021

• Not later than one year	3,651	3,145	3,512	3,145
• Later than one year and not later than five years	10,591	12,579	10,118	12,579
• Later than five years	-	-	-	-
	<b>14,242</b>	<b>15,724</b>	<b>13,630</b>	<b>15,724</b>

## 23 Contingent Liabilities

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

### Local Government Mutual

The Gladstone 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.

The latest audited financial statements for LGM Queensland are as at 30 June 2016 and report accumulated member funds (equity) of \$60,234,042 and it is not anticipated any liability will arise.

### Local Government Workcare

The Gladstone Regional Council is a member of the Queensland local government workers' 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 (indemnity amount) to the bank guarantee is \$1,647,365.19

The latest audited financial statements for Local Government Workcare are as at 30 June 2016 and report accumulated member funds (equity) of \$42,676,161, and it is not anticipated any liability will arise

## 23 Contingent Liabilities continued

### Bank Guarantees

The Gladstone Regional Council has provided a bank guarantee to QR Network Pty Ltd valued at \$15,000 as a bond over two blocks of land being utilised by Gladstone Regional Council. The guarantee expires in 2028.

The Gladstone Regional Council has provided a bank guarantee to Aurizon Network Pty Ltd valued at \$150,000 as an obligation under contract for the repairs to Vehicular Bridge across Rail Corridor at approximately 0.280 Kms on the Barney Point Branch, Barney Point .  
The guarantee expires on 30 September 2018.

The Gladstone Regional Council has provided a bank guarantee to Aurizon Network Pty Ltd valued at \$150,000 as an obligation under contract for the repairs to Vehicular Bridge across Rail Corridor at approximately 528.545 Kms on the North Coast Line, Barney Point .  
The guarantee expires on 30 September 2018.

The Gladstone Regional Council has provided a bank guarantee to Aurizon Network Pty Ltd valued at \$50,000 to ensure performance obligations under contract for for repairs to road-over-rail vehicular bridge at Glenlyon Road, Gladstone, at approximately 5.92 kilometres on the Moura Short Line. The guarantee expires 31 May 2019.

The Gladstone Regional Council has provided a bank guarantee to Aurizon Network Pty Ltd valued at \$50,000 to ensure performance obligations under contract for repairs to road-over-rail vehicular bridge at Red Rover Road, Gladstone at approximately 5.92 kilometres on the Our Short Line. The guarantee expires 31 August 2019.

The Gladstone Regional Council has provided a bank guarantee to Aurizon Network Pty Ltd valued at \$50,000 to ensure performance obligations under contract for renewal of road surface at Level Crossing LX5953 across rail corridor at approximately 7.116 kilometres on the Moura Short Line The guarantee expires 30 August 2019.

The Gladstone Regional Council has provided a bank guarantee to Aurizon Network Pty Ltd valued at \$50,000 to ensure performance obligations under contract for renewal of Road Surface at Level Crossing LX788 across rail corridor at approximately 532.3 kilometres on the North Coast Line. The guarantee expires 30 August 2019.

## 24 Superannuation

The Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB 119 *Employee Benefits*.

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

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

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

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

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

## 24 Superannuation continued

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

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

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

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

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

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

There are currently 65 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 65 entities. Gladstone Regional Council made less than 4% of the total contributions to the plan in the 2016-17 financial year.

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

	<b>Consolidated</b>		<b>Council</b>	
	<b>30 June 2017</b>	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
Note	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
The amount of superannuation contributions paid by Gladstone Regional Council to the superannuation scheme in this period for the benefit of employees was:				
5	<b>5,916</b>	<b>6,164</b>	<b>5,630</b>	<b>5,840</b>



## 25 Correction of Error

In the process of valuing Council's assets at 30 June 2017, it was discovered that certain road assets not owned by Council had been included as part of 30 June 2016 Road, Drainage and Transport Infrastructure (RDTI) class of non-current asset valuation

The gross value of the assets incorrectly recognised was \$72.156m with an associated accumulated depreciation amount of \$16.029m. The net amount of this transaction of \$56.127m was taken to the asset revaluation surplus as at 30 June 2016. These amounts are the same for both the Council and Consolidated entities. Because the transaction occurred as at 30 June 2016, there was no overstatement of depreciation expense for the year then ended.

As this error has occurred during the prior period, the comparative figures for these financial statements as at and for the year ended 30 June 2016 have been restated by \$56.127m as follows:

### Statements of Comprehensive Income

	Consolidated		Council	
	Original 2016	Restated 2016	Original 2016	Restated 2016
	\$'000	\$'000	\$'000	\$'000
Increase in asset revaluation surplus	181,705	125,578	181,705	125,578
Total comprehensive income for the year	208,253	152,127	207,300	151,173

### Statements of Financial Position

	Consolidated		Council	
	Original 2016	Restated 2016	Original 2016	Restated 2016
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	2,264,764	2,208,637	2,172,211	2,116,084
Total non-current assets	2,270,886	2,214,759	2,285,583	2,229,456
Total assets	2,407,519	2,351,392	2,410,223	2,354,096
Net community assets	2,232,345	2,176,218	2,236,118	2,179,991
Asset revaluation surplus	739,815	683,688	753,767	697,640
Total community equity	2,232,345	2,176,218	2,236,118	2,179,991

### Statements of Changes in Equity

	Consolidated		Council	
	Original 2016	Restated 2016	Original 2016	Restated 2016
	\$'000	\$'000	\$'000	\$'000
Increase in Asset revaluation surplus	181,705	125,578	181,705	125,578
Asset revaluation surplus balance as at 30 June 2016	739,815	683,688	753,767	697,640
Total equity balance as at 30 June 2016	2,232,345	2,176,218	2,236,118	2,179,991

## 26 Events After the Balance Date

During October 2017, the southern Gladstone region experienced a major flooding event which was subsequently declared a natural disaster under National Disaster Relief and Recovery Arrangements (NDRRA). Given the nature of the event it is too early to reliably estimate the total costs required to repair vital infrastructure damaged, however we expect to recover the majority of the expenditure through the NDRRA Fund.

## 27 Trust Funds

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 and unclaimed monies paid into the trust account by Council. 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 for information purposes only.

	Consolidated		Council	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000
<b>Trust funds held for outside parties</b>				
Monies collected or held on behalf of other entities	472	411	472	411
yet to be paid out to or on behalf of those entities				
Security deposits	3,864	3,496	3,864	3,496
	<b>4,336</b>	<b>3,907</b>	<b>4,336</b>	<b>3,907</b>

## 28 Reconciliation of Net Result for the Year to Net Cash Inflow from Operating Activities

	Note	Consolidated		Council	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
		\$'000	\$'000	\$'000	\$'000
<b>Net result</b>		<b>12,724</b>	<b>26,548</b>	<b>13,158</b>	<b>25,595</b>
<b>Non-cash operating items:</b>					
Non-cash contributions included in fixed assets	4(b)	(4,363)	(1,994)	(4,363)	(1,994)
Revaluation adjustments	8	798	638	798	638
Change in future rehabilitation costs		54	38	54	38
Finance costs		153	(517)	22	(415)
Fair value adjustment	7	267	283	267	283
Depreciation and amortisation		45,502	46,323	43,038	43,547
Landfill provision adjustment		738	(221)	738	(221)
		<b>43,149</b>	<b>44,550</b>	<b>40,554</b>	<b>41,876</b>
<b>Financing activities</b>					
Borrowing costs	7	<b>8,236</b>	<b>9,357</b>	<b>6,154</b>	<b>7,278</b>
<b>Investing and development activities:</b>					
Capital grants and contributions	4(b)	(17,190)	(25,941)	(17,190)	(25,941)
Net loss on disposal of non current assets	8	17,424	5,085	17,434	5,086
Net loss on write-off of non-current assets	8	1,410	2,278	1,410	2,278
Capital work in progress write off	14	5,591	678	5,487	625
		<b>7,235</b>	<b>(17,900)</b>	<b>7,141</b>	<b>(17,952)</b>
<b>Changes in operating assets and liabilities:</b>					
(Increase)/decrease in trade and other receivables		1,462	(5,255)	2,445	(3,226)
(Increase)/decrease in inventories		107	28	108	26
Increase/(decrease) in payables		2,722	(2,279)	2,832	(1,232)
Increase/(decrease) in provisions		(14)	3	128	(205)
		<b>4,277</b>	<b>(7,504)</b>	<b>5,513</b>	<b>(4,637)</b>
<b>Net cash inflow from operating activities</b>		<b>75,621</b>	<b>55,052</b>	<b>72,520</b>	<b>52,160</b>

## 29 Financial Instrument

Gladstone Regional Council activities expose it to a variety of financial risks including interest rate risk, credit risk, and liquidity risk.

This Note provides information (both qualitative and quantitative) to assist statement users evaluate the significance of financial instruments on the Council's financial position and financial performance, including the nature and extent of risks and how the Council manages these exposures.

### Financial risk management

Exposure to financial risk 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. 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 another financial institution in Australia. 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 regulated by the provisions of the *Statutory Bodies Financial Arrangements Act 1982*.

Gladstone Regional Council measures risk exposure using a variety of methods as follows:

### Credit risk

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

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

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

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

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

Financial assets	Note	Consolidated		Council	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
		\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	9	120,375	106,201	108,479	95,009
Receivables - rates	10	15,318	14,071	15,318	14,071
Receivables - other	10	10,745	13,475	10,640	12,673
<b>Other credit exposures</b>					
Guarantees	23	515	365	515	365
Local Government Workcare	23	1,647	1,896	1,647	1,896
<b>Total financial assets</b>		<b>148,600</b>	<b>136,008</b>	<b>136,599</b>	<b>124,014</b>

## 29 Financial Instruments continued

### Other financial assets

Other investments are held with financial institutions, which are rated from AAA to BBB- or unrated based on rating agency Standards and Poor ratings, and whilst not capital guaranteed, the likelihood of a credit failure is assessed as remote.

### Trade and other receivables

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 defaults.

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.

By the nature of Council's operations, there is a geographical concentration of risk in the Council's area. Because the area is largely commercial, there is also a concentration in the commercial sector.

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

	<b>Consolidated</b>		<b>Council</b>	
	<b>30 June 2017</b>	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Not past due	24,439	25,387	24,862	25,756
Past due 31-60 days	398	1,285	56	304
Past due 61-90 days	80	164	79	49
More than 90 days	1,388	1,057	1,203	856
Impaired	(242)	(347)	(242)	(220)
<b>Total</b>	<b>26,063</b>	<b>27,546</b>	<b>25,958</b>	<b>26,745</b>

### **Liquidity risk**

Liquidity risk refers to the situation where the Council may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Council is exposed to liquidity risk through its trading in the normal course of business and borrowings from the Queensland Treasury Corporation and the Queensland Government for capital works.

The Council manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in Borrowings Note 17 and Note 18.

## 29 Financial Instruments continued

### Liquidity risk (cont'd)

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

Consolidated		0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	Note	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2017						
Trade and other payables	15	21,380	-	-	21,380	21,380
Loans - QTC	17	16,063	63,810	107,268	187,141	131,936
Loans - other	18	734	2,424	3,939	7,097	5,511
		<u>38,177</u>	<u>66,234</u>	<u>111,207</u>	<u>215,618</u>	<u>158,827</u>
30 June 2016						
Total capital revenue	15	18,624	-	-	18,624	18,624
Loans - QTC	17	16,063	64,175	122,966	203,204	139,755
Loans - other	18	734	2,552	4,545	7,831	5,978
		<u>35,421</u>	<u>66,727</u>	<u>127,511</u>	<u>229,659</u>	<u>164,357</u>
Council						
		0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
		\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2017						
Trade and other payables	15	20,448	-	-	20,448	20,448
Loans - QTC	17	16,063	63,810	107,268	187,141	131,936
Loans - other	18	734	2,424	3,939	7,097	5,511
		<u>37,245</u>	<u>66,234</u>	<u>111,207</u>	<u>214,686</u>	<u>157,895</u>
30 June 2016						
Trade and other payables	15	17,598	-	-	17,598	17,598
Loans - QTC	17	16,063	64,175	122,966	203,204	139,755
Loans - other	18	734	2,552	4,545	7,831	5,978
		<u>34,395</u>	<u>66,727</u>	<u>127,511</u>	<u>228,633</u>	<u>163,331</u>

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

### Market risk

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

## 29 Financial Instruments continued

### Market risk (cont'd)

#### Interest rate risk

The Council is exposed to interest rate risk through its borrowings from the Queensland Treasury Corporation, Department of Infrastructure and Planning, and the Department of Housing and investments held with financial institutions.

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

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

#### Sensitivity

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

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

		Net carrying amount	Effect on Net Result		Effect on Equity	
			1% Increase	1% Decrease	1% Increase	1% Decrease
	Note	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>						
<b>30 June 2017</b>						
Cash assets	9	120,375	1,204	(1,204)	1,204	(1,204)
Interest-bearing loans	17	(131,936)	(1,319)	1,319	(1,319)	1,319
<b>Net total</b>		<b>(11,561)</b>	<b>(115)</b>	<b>115</b>	<b>(115)</b>	<b>115</b>
<b>30 June 2016</b>						
Cash assets	9	106,201	1,062	(1,062)	1,062	(1,062)
Interest-bearing loans	17	(139,755)	(1,398)	1,398	(1,398)	1,398
<b>Net total</b>		<b>(33,554)</b>	<b>(336)</b>	<b>336</b>	<b>(336)</b>	<b>336</b>
<b>Council</b>						
<b>30 June 2017</b>						
Cash assets	9	108,479	1,085	(1,085)	1,085	(1,085)
Interest-bearing loans	17	(131,936)	(1,319)	1,319	(1,319)	1,319
<b>Net total</b>		<b>(23,457)</b>	<b>(234)</b>	<b>234</b>	<b>(234)</b>	<b>234</b>
<b>30 June 2016</b>						
Cash assets	9	95,009	950	(950)	950	(950)
Interest-bearing loans	17	(139,755)	(1,398)	1,398	(1,398)	1,398
<b>Net total</b>		<b>(44,746)</b>	<b>(448)</b>	<b>448</b>	<b>(448)</b>	<b>448</b>

## 29 Financial Instruments continued

### Market risk (cont'd)

#### Sensitivity (cont'd)

In relation to the QTC loans held by the Council, the following has been applied:

- QTC Fixed Rate Loan - financial instruments with fixed interest rates which are carried at amortised cost are not subject to interest rate sensitivity.
- QTC Generic Debt Pool - the generic debt pool products approximate a fixed rate loan. There is negligible impact on interest sensitivity from changes in interest rates for generic debt pool borrowings.

#### Fair value

The fair value of trade and other receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is disclosed in Note 17.

QTC applies a book rate approach in the management of debt and interest rate risk, to limit the impact of the market value movements to clients' cost of funding. The book value represents the carrying value based on amortised cost using the effective interest method.

## 30 National Competition Policy

### a) Activities to which the code of competitive conduct is applied

A "business activity" of a local government is divided into two categories:

#### (a) Roads business activity

- The construction or maintenance of State controlled roads for which the local government submits an offer to carry out work in response to a tender invitation, other than through a sole supplier arrangement.
- Submission of a competitive tender for construction of road maintenance on the local government's roads which the local government has put out to tender, or called for by another local government.

#### (b) Other business activities

- Trading in goods and services to clients in competition with the private sector, or
- The submission of a competitive tender in the local government's own tendering process in competition with others for the provision of goods and services to itself.

Excluded activities are;

- (i) library services, and
- (ii) an activity or part thereof prescribed by legislation

## 29 Financial Instruments continued

### Market risk (cont'd)

#### Interest rate risk

The Council is exposed to interest rate risk through its borrowings from the Queensland Treasury Corporation, Department of Infrastructure and Planning, and the Department of Housing and investments held with financial institutions.

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

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

#### Sensitivity

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

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

		Net carrying amount	Effect on Net Result		Effect on Equity	
			1% Increase	1% Decrease	1% Increase	1% Decrease
	Note	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>						
<b>30 June 2017</b>						
Cash assets	9	120,375	1,204	(1,204)	1,204	(1,204)
Interest-bearing loans	17	(131,936)	(1,319)	1,319	(1,319)	1,319
<b>Net total</b>		<b>(11,561)</b>	<b>(115)</b>	<b>115</b>	<b>(115)</b>	<b>115</b>
<b>30 June 2016</b>						
Cash assets	9	106,201	1,062	(1,062)	1,062	(1,062)
Interest-bearing loans	17	(139,755)	(1,398)	1,398	(1,398)	1,398
<b>Net total</b>		<b>(33,554)</b>	<b>(336)</b>	<b>336</b>	<b>(336)</b>	<b>336</b>
<b>Council</b>						
<b>30 June 2017</b>						
Cash assets	9	108,479	1,085	(1,085)	1,085	(1,085)
Interest-bearing loans	17	(131,936)	(1,319)	1,319	(1,319)	1,319
<b>Net total</b>		<b>(23,457)</b>	<b>(234)</b>	<b>234</b>	<b>(234)</b>	<b>234</b>
<b>30 June 2016</b>						
Cash assets	9	95,009	950	(950)	950	(950)
Interest-bearing loans	17	(139,755)	(1,398)	1,398	(1,398)	1,398
<b>Net total</b>		<b>(44,746)</b>	<b>(448)</b>	<b>448</b>	<b>(448)</b>	<b>448</b>



## 29 Financial Instruments continued

### Market risk (cont'd)

#### Sensitivity (cont'd)

In relation to the QTC loans held by the Council, the following has been applied:

- QTC Fixed Rate Loan - financial instruments with fixed interest rates which are carried at amortised cost are not subject to interest rate sensitivity.
- QTC Generic Debt Pool - the generic debt pool products approximate a fixed rate loan. There is negligible impact on interest sensitivity from changes in interest rates for generic debt pool borrowings.

#### Fair value

The fair value of trade and other receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is disclosed in Note 17.

QTC applies a book rate approach in the management of debt and interest rate risk, to limit the impact of the market value movements to clients' cost of funding. The book value represents the carrying value based on amortised cost using the effective interest method.

## 30 National Competition Policy

### a) Activities to which the code of competitive conduct is applied

A "business activity" of a local government is divided into two categories:

#### (a) Roads business activity

- The construction or maintenance of State controlled roads for which the local government submits an offer to carry out work in response to a tender invitation, other than through a sole supplier arrangement.
- Submission of a competitive tender for construction of road maintenance on the local government's roads which the local government has put out to tender, or called for by another local government.

#### (b) Other business activities

- Trading in goods and services to clients in competition with the private sector, or
- The submission of a competitive tender in the local government's own tendering process in competition with others for the provision of goods and services to itself.

Excluded activities are;

- (i) library services, and
- (ii) an activity or part thereof prescribed by legislation

### 30 National Competition Policy continued

#### a) Activities to which the code of competitive conduct is applied (cont'd)

Local government may elect to apply a Code of Competitive Conduct (CCC) to their identified business activities. This requires the application of full cost pricing, identifying the cost of community service obligations (CSO) and eliminating the advantages and disadvantages of public ownership within that activity. The application of the CCC to the roads business activity is compulsory.

The CSO value is determined by Council, and represents any activities cost(s) which would not be incurred if the activities' primary objective was to make a profit. The Council provides funding from general revenue to the business activity to cover the cost of providing non-commercial services of costs deemed to be CSO's by the Council.

Council applies full cost pricing to its business activities which involves the recognition of both Community Service Obligations and Competitive Neutrality Adjustments.

Gladstone Regional Council has identified business activities in the following areas:

- Gladstone Entertainment Centre
- Roads
- Aquatic Centre
- Water
- Waste Management
- Plant Operations
- Building Certification
- Sewerage

Details of Council's performance for these business activities are summarised in Note 30 (b).

#### (b) The following activity statements are for activities subject to the competitive code of conduct

	Gladstone Entertainment & Convention Centre	Gladstone Aquatic Centre	Building Certification
	30 June 2017	30 June 2017	30 June 2017
	\$'000	\$'000	\$'000
<b>Revenue</b>			
Revenue for services provided to Council	1,877	12	950
Revenue for services provided to external clients	-	-	-
	<b>1,877</b>	<b>12</b>	<b>950</b>
<b>Expenditure</b>			
Operating expenditure	4,665	669	2,374
Competitive neutrality adjustments applied	24	-	24
	<b>4,689</b>	<b>669</b>	<b>2,398</b>
<b>Return/(deficit) for the financial year</b>	<b>(2,812)</b>	<b>(657)</b>	<b>(1,448)</b>
Target - return for the period	1,998	570	58
Return basis for business activity	<b>Asset</b>	<b>Asset</b>	<b>Asset</b>

**(b) The following activity statements are for activities subject to the competitive code of conduct (cont'd)**

	<b>Roads</b>	<b>Water</b>	<b>Sewerage</b>
	<b>30 June 2017</b>	<b>30 June 2017</b>	<b>30 June 2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>			
Revenue for services provided to Council	43,865	40,674	28,952
Revenue for services provided to external clients	4,846	-	-
	<b>48,711</b>	<b>40,674</b>	<b>28,952</b>
<b>Expenditure</b>			
Operating expenditure	46,854	34,048	20,277
Competitive neutrality adjustments applied	116	74	54
	<b>46,970</b>	<b>34,122</b>	<b>20,331</b>
<b>Total capital revenue</b>			
<b>Return/(deficit) for the financial year</b>	<b>1,741</b>	<b>6,552</b>	<b>8,621</b>
Target - return for the period	937	3,848	6,569
Return basis for business activity	<b>Turnover</b>	<b>Asset</b>	<b>Asset</b>

	<b>Waste Management</b>	<b>Plant Operations</b>
	<b>30 June 2017</b>	<b>30 June 2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>		
Revenue for services provided to Council	-	11,082
Revenue for services provided to external clients	15,542	-
	<b>15,542</b>	<b>11,082</b>
<b>Expenditure</b>		
Operating expenditure	16,216	8,993
Competitive neutrality adjustments applied	161	21
	<b>16,377</b>	<b>9,014</b>
<b>Return/(deficit) for the financial year</b>	<b>(835)</b>	<b>2,068</b>
Target - return for the period	1,977	1,504
Return basis for business activity	<b>Turnover</b>	<b>Asset</b>

**a) Activities to which the code of competitive conduct is applied (cont'd)**

Local government may elect to apply a Code of Competitive Conduct (CCC) to their identified business activities. This requires the application of full cost pricing, identifying the cost of community service obligations (CSO) and eliminating the advantages and disadvantages of public ownership within that activity. The application of the CCC to the roads business activity is compulsory.

The CSO value is determined by Council, and represents any activities cost(s) which would not be incurred if the activities' primary objective was to make a profit. The Council provides funding from general revenue to the business activity to cover the cost of providing non-commercial services of costs deemed to be CSO's by the Council.

Council applies full cost pricing to its business activities which involves the recognition of both Community Service Obligations and Competitive Neutrality Adjustments.

Gladstone Regional Council has identified business activities in the following areas:

- Gladstone Entertainment Centre
- Roads
- Aquatic Centre
- Water
- Waste Management
- Plant Operations
- Building Certification
- Sewerage

Details of Council's performance for these business activities are summarised in Note 30 (b).

**(b) The following activity statements are for activities subject to the competitive code of conduct**

	<b>Gladstone Entertainment &amp; Convention Centre</b>	<b>Gladstone Aquatic Centre</b>	<b>Building Certification</b>
	<b>30 June 2017</b>	<b>30 June 2017</b>	<b>30 June 2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>			
Revenue for services provided to Council	1,877	12	950
Revenue for services provided to external clients	-	-	-
	<b>1,877</b>	<b>12</b>	<b>950</b>
<b>Expenditure</b>			
Operating expenditure	4,665	669	2,374
Competitive neutrality adjustments applied	24	-	24
	<b>4,689</b>	<b>669</b>	<b>2,398</b>
<b>Return/(deficit) for the financial year</b>	<b>(2,812)</b>	<b>(657)</b>	<b>(1,448)</b>
Target - return for the period	1,998	570	58
Return basis for business activity	<b>Asset</b>	<b>Asset</b>	<b>Asset</b>

**(b) The following activity statements are for activities subject to the competitive code of conduct (cont'd)**

	<b>Roads</b>	<b>Water</b>	<b>Sewerage</b>
	<b>30 June 2017</b>	<b>30 June 2017</b>	<b>30 June 2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>			
Revenue for services provided to Council	43,865	40,674	28,952
Revenue for services provided to external clients	4,846	-	-
	<b>48,711</b>	<b>40,674</b>	<b>28,952</b>
<b>Expenditure</b>			
Operating expenditure	46,854	34,048	20,277
Competitive neutrality adjustments applied	116	74	54
	<b>46,970</b>	<b>34,122</b>	<b>20,331</b>
<b>Total capital revenue</b>			
<b>Return/(deficit) for the financial year</b>	<b>1,741</b>	<b>6,552</b>	<b>8,621</b>
Target - return for the period	937	3,848	6,569
Return basis for business activity	<b>Turnover</b>	<b>Asset</b>	<b>Asset</b>
	<b>Waste Management</b>	<b>Plant Operations</b>	
	<b>30 June 2017</b>	<b>30 June 2017</b>	
	<b>\$'000</b>	<b>\$'000</b>	
<b>Revenue</b>			
Revenue for services provided to Council	-	11,082	
Revenue for services provided to external clients	15,542	-	
	<b>15,542</b>	<b>11,082</b>	
<b>Expenditure</b>			
Operating expenditure	16,216	8,993	
Competitive neutrality adjustments applied	161	21	
	<b>16,377</b>	<b>9,014</b>	
<b>Return/(deficit) for the financial year</b>	<b>(835)</b>	<b>2,068</b>	
Target - return for the period	1,977	1,504	
Return basis for business activity	<b>Turnover</b>	<b>Asset</b>	

## 31 Transactions with Related Parties

### (a) Subsidiaries

The group consists of Gladstone Regional Council and one subsidiary. The subsidiary, Gladstone Airport Corporation, is consolidated (Note 12).

The following transactions occurred with subsidiaries:

Subsidiary	Controlled Entity Receipts			Goods and services supplied by council, on normal terms and conditions	
	Dividends	Income Tax Equivalent / Competitive Neutrality Margin	Interest Received	IT and Phone Charges	Rates and Water
	\$'000	\$'000	\$'000	\$'000	\$'000
Gladstone Airport Corporation	716	639	2,043	110	81

In accordance with the Statement of Corporate Intent, a dividend was deemed to be payable to Council to the value of up to 50% of the net after tax profit for the financial year ended 30 June 2016.

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

KMP include the Mayor, councillors, council's Chief Executive Officer and some executive management.

The compensation paid to KMP for 2016/17 comprises:

	30 June 2017
	\$'000
Short-term employee benefits	2,384
Post-employment benefits	257
Long-term benefits	129
Termination benefits	357
<b>Total</b>	<b>3,127</b>

### (c) Transactions with other related parties

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

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

Details of Transaction	Additional information	2017
		\$
Fees and charges charged to entities controlled by key management personnel	31(c)(i)	69
Purchase of materials and services from entities controlled by key management personnel	31(c)(iii)	197

(i) The fees and charges charged to entities controlled by key management personnel were an arm's length basis in accordance with the schedule of fees and charges adopted by council. The total disclosed includes the following:

Fees and charges charged to entities controlled by key management personnel	Details of related party transactions	\$
Search fees	Fees relating to enquiries for outstanding rates & water charges	53
Application fees & charges	Building, development, infrastructure fees	15
Other fees and charges	Various other related parties	1
<b>Total</b>		<b>69</b>

### 31 Transactions with Related Parties continued

#### (c) Transactions with other related parties (cont'd)

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

The council employs 619 staff of which only 1 are close family members of key management personnel.

(iii) The consolidated entity purchased the following material and services from entities that are controlled by members of key management personnel. All purchases were at arm's length and were in the normal course of council operations:

	30 June 2017 \$'000
Construction of Buildings	189
Consultancy services	1
Donations to Sporting & Community Groups	1
Provision of services	1
Provision of staff amenities & catering	5
<b>Total</b>	<b>197</b>

#### (d) Outstanding balances

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

	Receivables		Payables	
	Amounts owed by Controlled Entities	Amounts owed by entities controlled by key management personnel	Amounts owed to Controlled Entities	Amounts owed to entities controlled by key management personnel
	\$'000	\$'000	\$'000	\$'000
Past due 31-60 days	\$12	-	-	-
Past due 61-90 days	-	-	-	-
More than 90 days overdue	-	-	-	-
<b>Total Owning</b>	<b>\$12</b>	<b>-</b>	<b>-</b>	<b>-</b>

No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

(i) The following balances are outstanding at the end of the reporting period in relation to transactions with Controlled Entities:

		30 June 2017 \$'000
	Note	
Trade receivables - current	10	1,517
Trade receivables - non- current	10	33,716

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

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

#### (f) Transactions with related parties that have not been disclosed

Most of the entities and people that are related parties of council live and operate within the Gladstone region. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include:

- Payment of rates
- Use of the swimming pool
- Dog registration
- Borrowing books from a council library

Council has not included these types of transaction in its disclosure, where they are made on the same terms and conditions available to the general public.

# Management Certificate

for the year ended 30 June 2017

## Management Certificate for the year ended 30 June 2017

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

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 1 to 61, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's and the consolidated entity's transactions for the financial year and financial position at the end of the year.

\_\_\_\_\_  
Mayor  
Matt Burnett

Date: 24 / 10 / 17

\_\_\_\_\_  
Chief Executive Officer  
Roslyn Baker

Date: 25 / 10 / 17



# Independent Auditor's Report

for the year ended 30 June 2017

## INDEPENDENT AUDITOR'S REPORT

To the Councillors of Gladstone Regional Council

### Report on the audit of the financial report

#### Opinion

I have audited the accompanying financial report of Gladstone Regional Council (the council) and its controlled entities (the group).

In my opinion, the financial report:

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

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

#### Basis for opinion

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

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

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

#### Other information

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

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

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

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

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

#### **Responsibilities of the council for the financial report**

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

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

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

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

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

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

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

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

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

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

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

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

*D. A. STO*

D A STO  
as delegate of the Auditor-General

QUEENSLAND

30 OCT 2017

AUDIT OFFICE

Queensland Audit Office  
Brisbane

# Financial Sustainability Statement

for the year ended 30 June 2017

## Measures of Financial Sustainability

Council's performance at 30 June 2017 against key financial ratios and targets:

Measures of Financial Sustainability	How the Measure is calculated	Actual - Consolidated	Actual - Council	Target
Operating Surplus Ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	6%	6%	
Asset Sustainability Ratio	Capital expenditure on the replacement of assets divided by depreciation expense.	44%	46%	Greater than 90%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	10%	16%	Not greater than 60%

### Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the Local Government Regulation 2012 and the Financial Management (Sustainability) Guideline 2013. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2017.

# Certificate of Accuracy


## Current Year Financial Sustainability Statement

for the year ended 30 June 2017

Certificate of Accuracy  
for the current year financial sustainability statement prepared as at 30 June 2017

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

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

  
\_\_\_\_\_  
Mayor  
Matt Burnett

Date: 24, 10, 17

  
\_\_\_\_\_  
Chief Executive Officer  
Roslyn Baker

Date: 25, 10, 17

# Independent Auditor's Report: Financial Sustainability

for the year ended 30 June 2017

## INDEPENDENT AUDITOR'S REPORT

To the Councillors of Gladstone Regional Council

### Report on the Current Year Financial Sustainability Statement

#### Opinion

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

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Gladstone Regional Council and the consolidated entity for the year ended 30 June 2017 has been accurately calculated.

#### Basis of opinion

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

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

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

#### Emphasis of matter – basis of accounting

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

#### Other information

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

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

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

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

#### Responsibilities of the council for the current-year financial sustainability statement

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

preparation and fair presentation of the statement that is accurately calculated and is free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

*D. Stol*

D A STOL  
as delegate of the Auditor-General



Queensland Audit Office  
Brisbane



# Long Term Financial Sustainability Statement

for the year ended 30 June 2017

Measures of Financial Sustainability		Target	Actuals for the years ended									
			Actuals at 30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026
Consolidated												
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	6%	0.95%	1.65%	1.39%	1.25%	1.58%	2.48%	3.10%	3.92%	4.30%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expenses	Greater than 90%	44%	102%	90%	96%	94%	84%	54%	47%	44%	44%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	Not greater than 50%	10%	50%	43%	45%	34%	39%	25%	24%	8%	8%
Council												
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	6%	0.99%	1.65%	1.27%	1.26%	1.37%	2.47%	2.94%	3.92%	4.07%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expenses	Greater than 90%	46%	106%	90%	69%	64%	80%	54%	47%	45%	45%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	Not greater than 50%	10%	41%	43%	37%	34%	32%	25%	17%	2%	2%

## Gladstone Regional Council's Financial Management Strategy

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

## Certificate of Accuracy

For the long-term financial sustainability statement prepared as at 30 June 2017

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

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

  
Mayor  
Matt Burnett

Clerk of Council  
Roslyn Baker

Date: 24/10/17