



# Community Financial Report



# community financial report

Our Community Financial Report provides a plain English interpretation of our financial performance for the period 15 March 2008 to 30 June 2009. It has been prepared in accordance with relevant accounting standards and legislation and in line with timelines prescribed by the Queensland State Government.

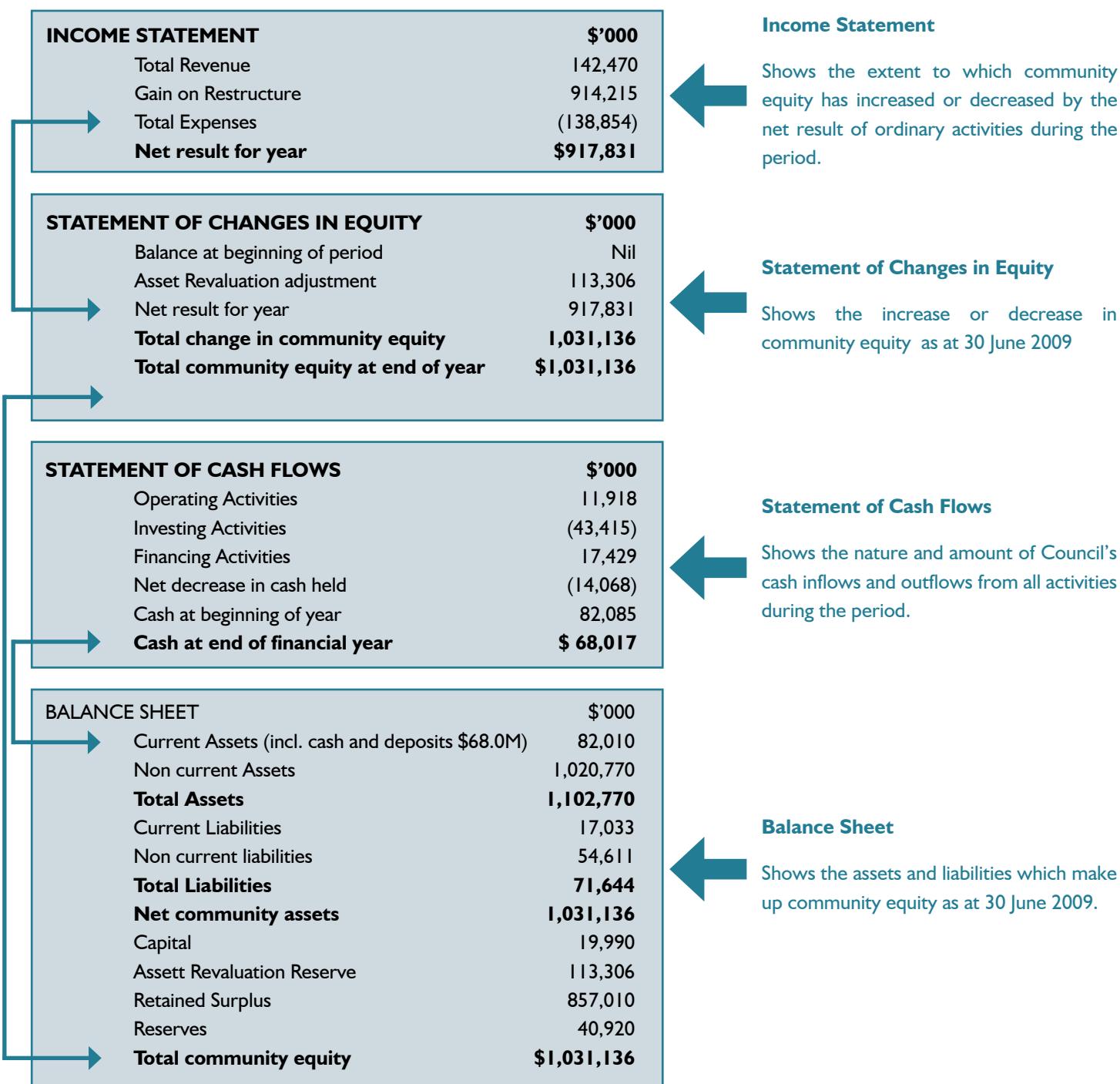
The following report provides a comparison of results from 15 March 2008 to 30 June 2009 (shown as 2009) with the combined position of the four former entities (Calliope Shire, Gladstone City and Miriam Vale Shire Councils and Gladstone Calliope

Aerodrome Board) over the past six years. Please note that the 2008 data is for the period 1 July 2007 to 15 March 2008.

The purpose and interrelation of our four key financial statements (Income Statement, Statement of Changes in Equity, Statement of Cash Flow and Balance Sheet) is set out in the diagram below, with the full statements and accompanying notes included in Our Financial Report from page 68.

## OUR INCOME STATEMENT

Our Income Statement identifies the source of Council's income



# community financial report

(revenue) and how those funds were spent throughout the reporting period (expenditure).

Given that this is the inaugural financial reporting period, an amount of \$914.2 million is included as a "Gain on Restructure of Local Government". This amount is comprised of the net assets (including cash, plant and equipment and loans) of the four former entities. It must be noted that this amount does not represent a trading result for the period.

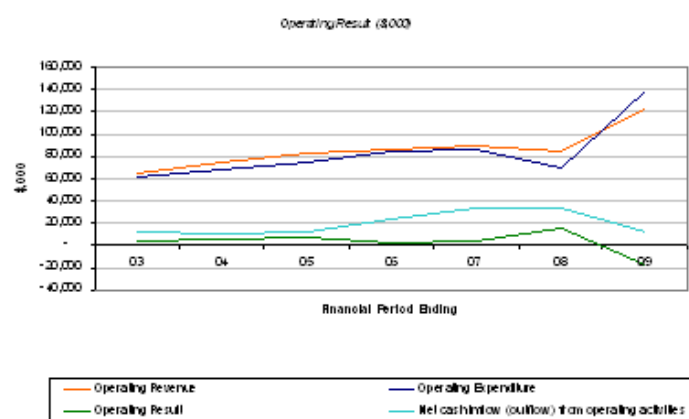
The total result for the period from the Income Statement can be calculated by subtracting the Total Expenditure (\$138.9m) from Total Income less Gain on restructure (\$142.3m) which shows a profit of \$3.6m.

This does not compare well to a combined profit from the former entities in the 8 ½ months to March 2008 of \$69.3m which is a decrease of \$65.7m.

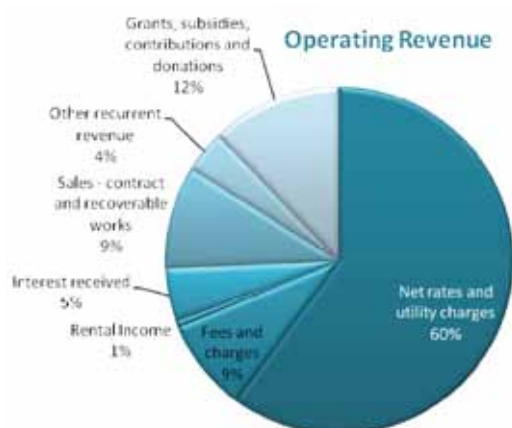
The large decrease in the result from the prior consolidated period is due to a significant amount of Council's rating income being recognised as revenue in the former 8 ½ month reporting periods as a result of the local government amalgamations. This 2008/2009 financial period therefore represents one and a quarter of the usual twelve month reporting period.

In addition, Gladstone Regional Council has recognised a portion of expenditure incurred by the former entities, but due to timing issues were unable to be accounted for by those entities.

The graph below illustrates a steady increase in our operating revenue and expenditure over the last seven years, with a consistent positive operating position throughout.



## OUR REVENUE: Where did our funds come from?



The above graph shows that 60 percent of Council's revenue of \$121.2 million from ordinary activities was derived from

rates and utility charges (that is, water, sewerage and cleansing charges). This demonstrates an unmistakable reliance on general rates and service charges as Council's predominant income stream. This percentage is in line with expectations for a Council encompassing a large urban centre.

Council's long term average revenue derived from rates and utility charges is 64.9 percent.

Fees for user pays services such as the Airport, Waste Disposal Operations and Development Assessment Fees form part of Council's Fees and Charges and account for 9 percent of total operating revenue. As these various services grow into the future, there will be an increasing percentage of Council income received from fee for service activities.

## OUR EXPENDITURE: How did we distribute the funds?



The graph above clearly illustrates the effect of the varying length of reporting periods in 2008 (8 1/2 months) and 2009 (15 1/2 months) when comparing with expenses from previous years.

The largest distribution of operating funds for 2009 was for Materials and services account for 39 percent (\$55 million) of expenditure, which was spent on everything from bitumen materials to electricity and other various operational costs.

Employee benefits, which total 39 percent (\$54 million) of total operating expenses. This amount includes employee salaries and wages, superannuation, leave entitlements and councillor remuneration.

Council's depreciation expense is over \$25 million. Whilst this does not represent a physical outflow of cash, it does recognise the value of an asset "consumed" during the period. Given that Council's asset base is in excess of \$1 billion, this charge shows that approximately 2.5 percent of Council's asset base was consumed throughout the reporting period.

Finance costs were quite low at just under \$3 million. However, this figure is expected to increase significantly in the coming years as Council borrows funds to finance major infrastructure projects such as the Gladstone Airport Reconstruction and Agnes Water / Seventeen Seventy Desalination and Sewerage Projects. The interest costs of these borrowings will be spread



# community financial report

across a 20-year time frame.

## OUR BALANCE SHEET

### OUR ASSETS: What does our community own?

Council controlled assets with a total value of \$1,102.8 million as at 30 June 2009.

The major components of Council's asset base are property, plant and equipment (land, buildings, road network and water and sewerage infrastructure), which accounted for \$953.6 million. Cash and deposits totalled \$68 million. A large proportion (\$40.9 million) of the cash held as at 30 June 2009 is earmarked as reserves for future capital expenditure.

The \$953.6 million of property plant and equipment controlled by Council can be broken down into the following asset classes:

Asset Class	Value ('000,000)
Roads, Drainage & Transport	\$522.1
Sewerage	\$120.7
Water	\$81.8
Plant & Equipment	\$23.0
Land	\$112.7
Buildings	\$81.6
Park Furniture & Other Structures	\$11.7
<b>Total</b>	<b>\$953.6</b>

Council invested approximately \$26.6 million on asset additions and improvements works in the 2009 period with the predominant expenditures being \$10.6 million on roads and drainage and \$7.4 million on plant and equipment.

### OUR LIABILITIES: What do we owe?

Council's liabilities of \$71.64 million are comprised of employee leave entitlements, trade creditors and most significantly, Council's external borrowings of \$49.67 million.

The graph below demonstrates the growth in Council's loan portfolio, tracked against our cash holdings.



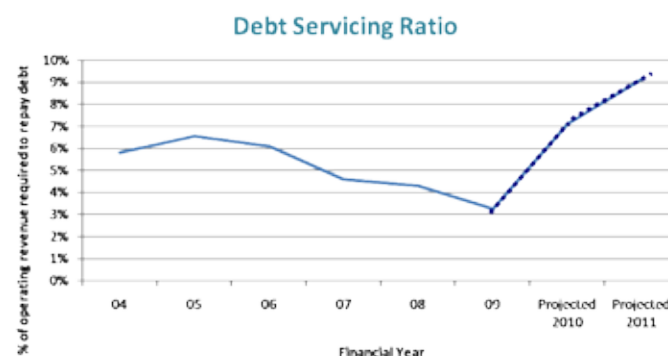
In some circumstances, Council's significant capital works expenditure requires financing through external borrowings.

Borrowings are only undertaken in those cases where substantial financial modelling has been undertaken to demonstrate Council's long term ability to service the debt.

An indication of Council's ability to meet its debt commitment is via its liquidity ratio (calculated by dividing current assets by current liabilities). A result greater than one indicates that an entity has the ability to its debts as they fall due and Queensland Treasury Corporation recommends a result of 3 or higher. Council's average seven-year liquidity ratio is a healthy 5.1, with a 4.3 result for the 2009 period.



A further indication of the ongoing impacts of borrowing decisions is Council's debt servicing ratio. That is, Council's loan repayments divided by its operating revenue. The graph below indicates that whilst through to the end of 30 June 2009 this ratio has been decreasing, the borrowings committed over the next several years will see this ratio increase from 3.22 percent of operating revenue to 9.15 percent by 30 June 2011.

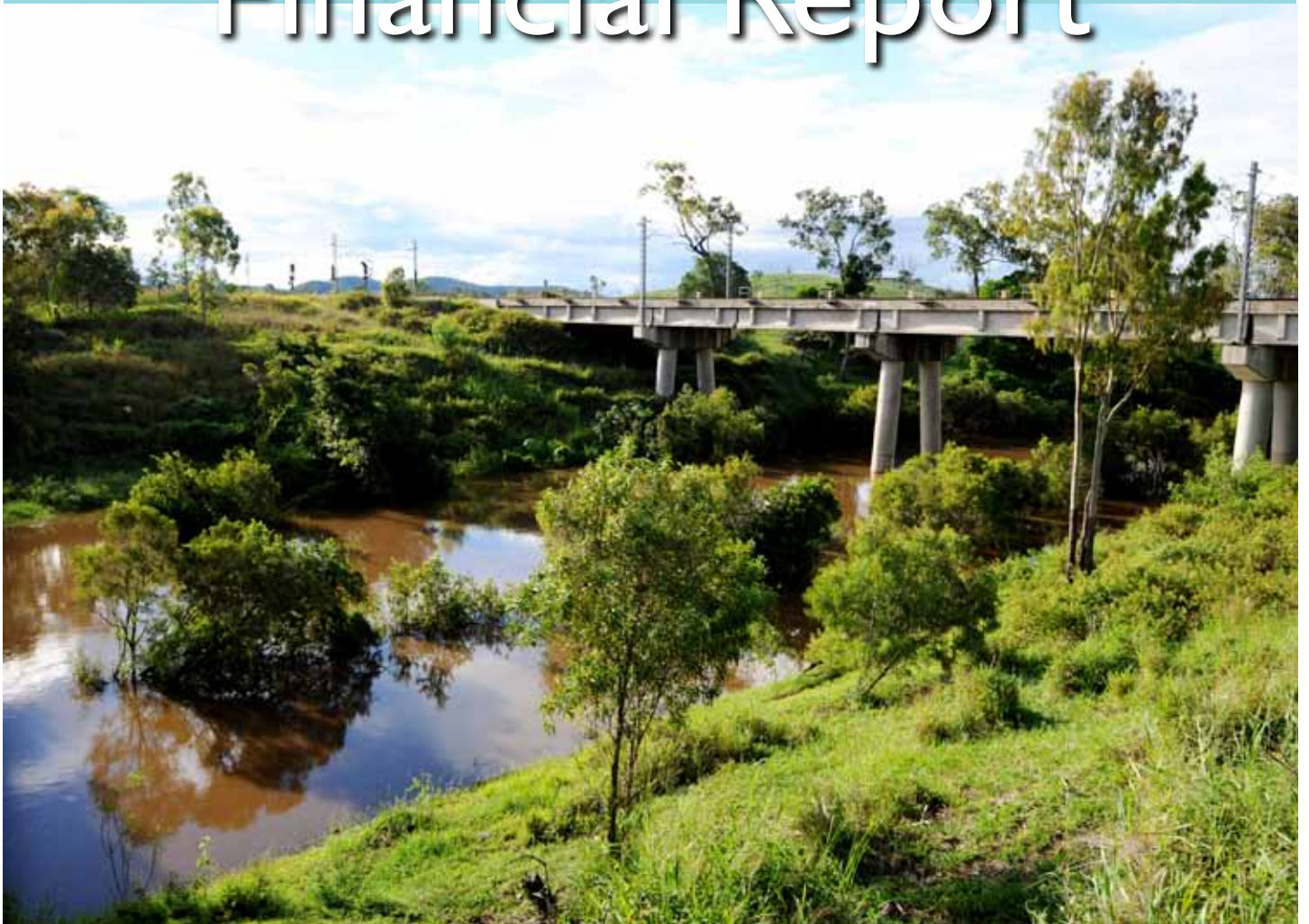


Council's overall financial position could be described as starting from a moderate base but with a focus on developing and improving current financial reporting with a dedication towards achieving value for money and gaining efficiencies for our community.

The next twelve months will be focused on our major capital projects, delivering quality services and facilities to our communities and setting the basis for a solid and sustainable region.



# Financial Report



## GLADSTONE REGIONAL COUNCIL

### FINANCIAL REPORT

For the period 15 March 2008 to 30 June 2009

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#### Table of Contents

	Page
<b>Income Statement</b>	69
<b>Balance Sheet</b>	70
<b>Statement of Changes in Equity</b>	71
<b>Statement of Cash Flows</b>	72
<b>Statement of Appropriations</b>	73
<b>Capital Funding Statement</b>	74
 <b>Notes to the Financial Statements</b>	
1. Summary of significant accounting policies	75
2. Analysis of results by function	86
3. Revenue analysis	87
4. Grants, subsidies, contributions and donations	88
5. Capital Income	88
6. Employee and other benefits	89
7. Materials and services	89
8. Finance costs	89
9. Depreciation and amortisation	90
10. Loss on disposal of non-current assets	91
11. Cash and cash equivalents	91
12. Trade and other receivables	92
13. Inventories	92
14. Non-current assets held for sale	93
15. Investment property	93
16. Gain on Restructure of Local Government	94
17. Property, plant and equipment	95
18. Capital works in progress	96
19. Intangible assets	97
20. Trade and other payables	98
21. Borrowings	98
22. Loans - Interest Bearing	99
23. Loans - Interest Free	99
24. Finance lease	100
25. Provisions	100
26. Asset revaluation reserve	101
27. Capital and retained surplus	101
28. Capital and other reserves	102
29. Commitments for expenditure	103
30. Contingent liabilities	104
31. Related party disclosure	104
32. Events after balance date	104
33. Superannuation	104
34. Trust funds	105
35. Reconciliation of result from ordinary activities to net cash inflow (outflow)	106
36. Financial Instruments	107
37. National Competition Policy	110
 <b>Management Certificate</b>	112
<b>Independent Audit Report</b>	113

## GLADSTONE REGIONAL COUNCIL

### INCOME STATEMENT

For the period 15 March 2008 to 30 June 2009

		2009
	Note	\$,000
<b>Income</b>		
<b>Revenue</b>		
<b>Recurrent Revenue</b>		
Net rate and utility charges	3(a)	73,923
Fees and charges	3(b)	10,398
Rental Income	3(c)	738
Interest received	3(d)	5,944
Sales - contract and recoverable works	3(e)	10,881
Other recurrent income	3(f)	4,735
Grants, subsidies, contributions and donations	4(a)	14,630
Total recurrent revenue		<u>121,249</u>
<b>Capital Revenue</b>		
Grants, subsidies, contributions and donations	4(b)	<u>20,786</u>
<b>Total revenue</b>		<u>142,035</u>
<b>Capital Income</b>	5	435
<b>Gain on restructure of local government</b>		
Assets and liabilities transferred from abolished Councils	16	948,391
Adjustments due to accounting policy alignments	16	<u>(34,176)</u>
		<u>914,215</u>
<b>Total income</b>		<u><b>1,056,685</b></u>
<b>Expenses</b>		
<b>Recurrent Expenses</b>		
Employee benefits	6	(54,098)
Materials and services	7	(55,158)
Finance costs	8	(2,996)
Depreciation and amortisation	9	<u>(25,969)</u>
Total recurrent expenses		<u>(138,221)</u>
<b>Capital Expenses</b>		
Provision for restoration of land	25	(239)
Loss on disposal of non-current assets	10	<u>(394)</u>
		<u>(633)</u>
<b>Total expenses</b>		<u><b>(138,854)</b></u>
<b>Net result attributable to Council</b>		<u><b>917,831</b></u>

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



## GLADSTONE REGIONAL COUNCIL

### BALANCE SHEET

as at 30 June 2009

	Note	Year 30 June 2009 \$,000
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	11	68,017
Trade and other receivables	12	11,582
Inventories	13	1,369
		<u>80,968</u>
Non-current assets classified as held for sale	14	1,042
<b>Total current assets</b>		<u>82,010</u>
<b>Non-Current Assets</b>		
Non-current assets classified as held for sale	14	2,575
Investment property	15	1,535
Property, plant and equipment	17 (a)	953,558
Capital works in progress	18	62,575
Intangible assets	19	527
<b>Total non-current assets</b>		<u>1,020,770</u>
<b>TOTAL ASSETS</b>		<u><b>1,102,780</b></u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	20	13,811
Borrowings - interest bearing	22	3,052
Borrowings - interest free	23	170
Finance Leases	24	-
<b>Total current liabilities</b>		<u>17,033</u>
<b>Non-Current Liabilities</b>		
Trade and other payables	20	4,957
Borrowings - interest bearing	22	45,401
Borrowings - interest free	23	1,048
Provisions	25	3,205
<b>Total non-current liabilities</b>		<u>54,611</u>
<b>TOTAL LIABILITIES</b>		<u><b>71,644</b></u>
<b>NET COMMUNITY ASSETS</b>		<u><b>1,031,136</b></u>
<b>Community Equity</b>		
Capital	27	19,900
Asset revaluation reserve	26	113,306
Retained surplus/(deficiency)	27	857,010
Other reserves	28	40,920
<b>TOTAL COMMUNITY EQUITY</b>		<u><b>1,031,136</b></u>

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



## GLADSTONE REGIONAL COUNCIL

### Statement of Changes in Equity

For the period 15 March 2008 to 30 June 2009

	Notes	Capital 27 \$,000	Asset Revaluation Reserve 26 \$,000	Retained Surplus 27 \$,000	Capital and Other Reserves 28 \$,000	Total \$,000
<b>Period 15 March 2008 to 30 June 2009</b>						
<b>Opening Balance</b>		-	-	-	-	-
Alignment of Accounting Policy		-	-	-	-	-
Revaluations of Property, Plant and Equipment		-	113,306	-	-	113,306
Impairment losses		-	-	-	-	-
Net income recognised directly in equity		-	113,306	-	-	113,306
Surplus for the period		-	-	917,831	-	917,831
<b>Total recognised income and expense</b>		-	113,306	917,831	-	1,031,137
<b>Transfers to and from reserves</b>						
Transfers (to)/from capital		19,900	-	(19,900)	-	-
Transfers (to)/from capital and other reserves		-	-	(40,920)	40,920	-
Transfer from general funds		-	-	-	-	-
<b>Total transfers to and from reserves</b>		19,900	-	(60,820)	40,920	-
<b>Balance as at 30 June 2009</b>		<b>19,900</b>	<b>113,306</b>	<b>857,011</b>	<b>40,920</b>	<b>1,031,136</b>

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

## GLADSTONE REGIONAL COUNCIL

### STATEMENT OF CASH FLOWS

For the period 15 March 2008 to 30 June 2009

	Note	Year 30 June 2009 \$,000
<b>Cash Flows from Operating Activities :</b>		
Receipts from customers		118,905
Payments to suppliers and employees		<u>(125,556)</u>
		(6,651)
Interest received		5,944
Interest paid		(6)
Rental income		738
Non capital grants and contributions		14,630
Borrowing costs		<u>(2,737)</u>
<b>Net Cash Inflow (Outflow) from Operating Activities</b>	35	<u>11,918</u>
<b>Cash Flow from Investing Activities :</b>		
Payments for property, plant and equipment		(60,756)
Grants, subsidies, contributions and donations		16,016
Proceeds from sale of developed land		427
Proceeds from sale of property, plant and equipment		<u>898</u>
<b>Net Cash Inflow (Outflow) from Investing Activities</b>		<u>(43,415)</u>
<b>Cash Flow from Financing Activities :</b>		
Proceeds from borrowings		20,170
Repayment of borrowings		(2,732)
Repayment of finance lease		<u>(9)</u>
<b>Net Cash Inflow (Outflow) from Financing Activities</b>		<u>17,429</u>
<b>Net Increase/(decrease) in Cash Held</b>		<u>(14,068)</u>
Cash at beginning of reporting period		-
Cash flow arising from restructure of local government	16	<u>82,085</u>
<b>Cash at end of Reporting Period</b>	11	<u><b>68,017</b></u>

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

## GLADSTONE REGIONAL COUNCIL

### STATEMENT OF APPROPRIATIONS

For the period 15 March 2008 to 30 June 2009

	Note	Year 30 June 2009 \$,000
Retained surplus (deficiency) from prior years		-
Net result for the period from the income statement		917,831
		<u>917,831</u>
<b>Transfers (to) from capital account</b>		
Contributed assets	4	(4,770)
Cash contributions	4	(6,817)
Capital grants and subsidies	4	(9,199)
Gain on revaluation of investment property	5	435
(Profit)/loss on sale of capital assets	10	394
Adjustment for unfunded depreciation	9	57
General revenue used for capital purposes	CFS*	-
<b>Net capital account transfers</b>		<u>(19,900)</u>
 <b>Retained surplus (deficiency) available for transfer to reserves</b>		 897,931
 <b>Transfers (to) from reserves for future capital purposes</b>		
Capital Grants Reserve		(114)
Future Capital Works Reserve		(8,947)
Plant Asset Replacement Reserve		(9,718)
Regional Waste Management Reserve		(1,565)
Parks Constrained Works Reserve		(1,095)
Roads Constrained Works Reserve		(5,223)
Water Constrained Works Reserve		(8,067)
Sewerage Constrained Works Reserve		(5,984)
		<u>(40,713)</u>
 <b>Transfers (to) from reserves for recurrent expenditure purposes</b>		
Recurrent Grants Reserve		(207)
		<u>(207)</u>
 <b>RETAINED SURPLUS/(DEFICIENCY) AVAILABLE FOR GENERAL FUNDING</b>		 <u><u>857,011</u></u>

\*CFS - Denotes Capital Funding Statement

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



## GLADSTONE REGIONAL COUNCIL

### CAPITAL FUNDING STATEMENT

For the period 15 March 2008 to 30 June 2009

	Year 30 June 2009 \$,000
<b>Sources of capital funding</b>	
General Revenue used for capital purposes	-
Depreciation charges funded	3,085
Developer's contribution	4,770
Loan proceeds	19,517
Proceeds from sale of assets	1,325
Other reserves	35,292
<b>Total sources of capital funding</b>	<b>63,989</b>
<b>Application of capital funding</b>	
Loan redemption	2,754
Acquisition of non current assets	61,235
	<b>63,989</b>

2008/2009 Capital Funding Analysis	Brought Forward \$'000	Becoming Available in Year \$'000	Expected to be Utilised in Year \$'000	Carried Forward \$'000
Depreciation charges funded	-	23,327	3,085	20,242
Developer's contribution	-	4,770	4,770	
Loan proceeds	-	20,170	19,517	653
Proceeds from sale of assets	-	1,325	1,325	-
Capital grants reserve	-	8,696	8,582	114
Future Capital Works Reserve	-	22,913	13,966	8,947
Plant Asset Replacement Reserve	-	15,034	5,316	9,718
Regional Waste Management Reserve	-	2,877	1,312	1,565
Parks Constrained Works Reserve	-	2,430	1,335	1,095
Roads Constrained Works Reserve	-	5,742	519	5,223
Water Constrained Works Reserve	-	10,863	2,796	8,067
Sewerage Constrained Works Reserve	-	7,449	1,465	5,983
	-	125,595	63,989	61,607

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

## GLADSTONE REGIONAL COUNCIL

### Notes to and forming part of the Financial Statements For the period 15 March 2008 to 30 June 2009

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#### 1 Summary of Significant Accounting Policies

##### 1.01 Basis of Preparation

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

The Local Government Reform Commission report to the Minister for Local Government, Planning and Sport on 27 July 2007 recommended that the former Calliope Shire Council, Gladstone City Council, Miriam Vale Shire Council and the Gladstone-Calliope Aerodrome Board be amalgamated to form Gladstone Regional Council. Pursuant to Part 1B of the *Local Government Act 1993* and in accordance with the *Local Government Reform Implementation Regulation 2008*, the Gladstone Regional Council was formed on 15 March 2008.

The *Local Government Reform Implementation Regulation 2008* and the *Local Government Reform Implementation (Transferring Areas) Amendment Regulation (No. 1) 2008* transferred the assets and liabilities of the former Calliope Shire Council, Gladstone City Council, Miriam Vale Shire Council and the Gladstone-Calliope Aerodrome Board to the Gladstone Regional Council as at changeover date (15 March 2008).

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

Assets and liabilities of the former councils and board have been recognised by Gladstone Regional Council on 15 March 2008 at the previous books values of the transferor local governments. This is shown in the Income Statement and details are disclosed in Note 16.

Gladstone Regional Council adopted consistent accounting policies from its commencement date of 15 March 2008. In some cases, this resulted in adjustments to the measurement of assets and liabilities transferred from former councils as at 15 March 2008. These accounting policy alignment adjustments are shown in the Income Statement and details are disclosed in Note 16.

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

##### 1.02 Statement of Compliance

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

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

## GLADSTONE REGIONAL COUNCIL

### Notes to and forming part of the Financial Statements For the period 15 March 2008 to 30 June 2009

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#### 1 Summary of Significant Accounting Policies (Cont'd)

##### 1.03 Adoption of New and Revised Accounting Standards

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

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

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

- AASB3 Business Combinations (March 2008)
- AASB8 Operating Segments (Feb 2007)
- AASB101 Presentation of Financial Statements (September 2007)
- AASB123 Borrowing Costs (June 2007)
- AASB127 Consolidated and Separate Financial Statements (March 2008)
- AASB 1039 Concise Financial Reports (August 2008)
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB8 (February 2007)
- AASB2007-6 Amendments to Australian Accounting Standards arising from AASB123 (June 2007)
- AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB101 (September 2007)
- AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101
- AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations (February 2008)
- AASB2008-2 Amendments to Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation (March 2008)
- AASB2008-3 Amendments to Accounting Standards arising from AASB3 and AASB127 (March 2008)
- AASB2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008)
- AASB2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (July 2008)
- AASB2008-8 Amendments to Australian Accounting Standards - Eligible Hedged Items [AASB 139] (August 2008)
- AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101 (September 2008)
- AASB 2008-11 Amendments to Australian Accounting Standard – Business Combinations Among Not-for-Profit Entities [AASB 3] (November 2008)
- AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners (December 2008) [AASB 5 & AASB 110]
- Interpretation 15 - Agreements for the Construction of Real Estate (August 2008)
- Interpretation 16 - Hedges of a Net Investment in a Foreign Operation (August 2008)
- Interpretation 17 – Distributions of Non-cash Assets to Owners (December 2008)

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



## GLADSTONE REGIONAL COUNCIL

### Notes to and forming part of the Financial Statements For the period 15 March 2008 to 30 June 2009

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#### 1 Summary of Significant Accounting Policies (Cont'd)

##### 1.04 Critical Accounting Estimates

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

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

##### 1.05 Currency

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

##### 1.06 Constitution

Gladstone Regional Council is constituted under the Queensland Local Government Act 1993 and is domiciled in Australia.

##### 1.07 Date of Authorisation

The financial report was authorised for issue on the date it was submitted to the Auditors for final signature. This is the date the management certificate is signed.

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

##### 1.08 Changes to Accounting Policies

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

##### 1.09 Rates, Grants and Other Revenue

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

###### (i) Rates

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

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

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

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

Non-cash contributions in excess of the recognition thresholds set out in Note 1.18 in value, are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.

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

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

##### 1.10 Cash and Cash Equivalents

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

## GLADSTONE REGIONAL COUNCIL

### Notes to and forming part of the Financial Statements For the period 15 March 2008 to 30 June 2009

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#### **1 Summary of Significant Accounting Policies (Cont'd)**

##### **1.11 Receivables**

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

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

All known bad debts were written-off against the provision for bad and doubtful debts at 30 June. Subsequent recoveries of amounts previously written off are credited against other expense in the income statement.

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

##### **1.12 Other Financial Assets**

Other Financial Assets are recognised at cost.

##### **1.13 Financial Assets and Financial Liabilities**

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

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.

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

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

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

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

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

##### **1.14 Inventories**

Stores and raw materials 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, charges.

These goods are valued at cost, adjusted, when applicable, for any loss of service potential.

Council does not recognise treated water as inventory because the value is considered immaterial. Raw and untreated water belongs to the Gladstone Area Water Board. Council purchases treated water from the Board and which is stored in a number of reservoirs prior to delivery to customers.

## GLADSTONE REGIONAL COUNCIL

### Notes to and forming part of the Financial Statements For the period 15 March 2008 to 30 June 2009

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#### 1 Summary of Significant Accounting Policies (Cont'd)

##### 1.15 Land Held for Resale

Land held for resale is valued on the basis of current market prices of undeveloped land in the vicinity, or in a similar area, having similar characteristics of the land held at the time the land development is proposed and approved by Council. Any change in the carrying value is reflected in the asset revaluation reserve.

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.

Revenue arising upon resale of land is recognised in the Income Statement on the signing of a valid unconditional contract of sale.

##### 1.16 Investments

Financial institution deposits at call and term deposits are treated as cash equivalents.

Interest and dividend revenues are recognised on an accrual basis.

##### 1.17 Investment Property

Investment property is property held for the primary purpose of earning rentals 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).

Investment property is measured using the fair value model. This means it is initially recognised at cost including transaction costs. Where investment property is acquired at no or nominal cost it is recognised at fair value. Investment property transferred from the former councils was initially recognised at the amount at which it was recognised by the former council's as disclosed in Note 1.01 and Note 16. All Investment property is subsequently revalued annually at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in the income statement for the period in which they arise. Investment property is not depreciated and is not tested for impairment.

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

##### 1.18 Property, Plant and Equipment

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. Items of property, plant and equipment with a total value below \$1 for Land, \$5,000 for plant and equipment and \$10,000 for Buildings, Roads, Bridges Footpaths, Water and Sewerage, except for network assets, are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

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

- Land
- Buildings
- Plant and Equipment
- Park Furniture and Other Structures
- Roads, Drainage and Transport Infrastructure
- Water Infrastructure
- Sewerage Infrastructure



## GLADSTONE REGIONAL COUNCIL

### Notes to and forming part of the Financial Statements For the period 15 March 2008 to 30 June 2009

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#### 1 Summary of Significant Accounting Policies (Cont'd)

##### 1.18 Property, Plant and Equipment (con't)

###### (i) 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 valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Assets transferred from the former councils and board, as a result of a Government restructure, were initially recognised at the amount at which they were recognised by the former councils and board as at the changeover day as disclosed in Note 1.01 and Note 16.

###### (ii) Capital and Operating Expenditure

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

###### (iii) Valuation

Land, buildings and infrastructure are measured on the revaluation basis, at fair value, in accordance with AASB116 *Property, Plant and Equipment* and the *Local Government Finance Standard 2005*. 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 asset revaluation reserve of appropriate class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation reserve relating to that asset class.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of 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.

Details of valuers and methods of valuations are disclosed in Note 17 (b).

###### (iv) Major Plant

The Council has determined that plant which has an individual cost in excess of \$1,000,000 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.

## GLADSTONE REGIONAL COUNCIL

### Notes to and forming part of the Financial Statements For the period 15 March 2008 to 30 June 2009

#### 1 Summary of Significant Accounting Policies (Cont'd)

##### 1.18 Property, Plant and Equipment (con't)

###### (v) Depreciation

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

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

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

The estimated useful lives of property, plant and equipment are reviewed annually. Details of the range of useful lives for each class of asset are shown in Note 17(a).

###### (vi) Unfunded Depreciation

Gladstone Regional Council intends to manage its functions through detailed management plans which address all financial and non-financial issues in relation to each function. Council will seek to transition to the full funding of depreciation to the extent that the funding of that depreciation is required for Council to effectively deliver each function and provides appropriately for its replacement or otherwise in accordance with adopted management plans for its asset base. In essence this means that Council will not fund depreciation expenses for assets that will not be replaced or external funding sources other than loans will be obtained to fund their replacement. Depreciation is funded to the extent necessary to meet future replacement capital works.

###### (vii) Transfer of Bulk Water Assets

The Gladstone Regional Council transferred all of its water infrastructure assets pertaining to the Builyan Water Supply Scheme to the Builyan Water Supply Association on the 30th April 2009 for nil consideration. Council resolved at its General Meeting of the 25 November 2008 to relinquish the water supply assets to the Builyan Water Supply Association Inc to run as a community operated water supply. This was executed under Section 472 of the *Local Government Act 1993*.

Transfer details

30/04/2008

Assets

Water Infrastructure Assets (at fair value)	405,093
	405,093
Book Value of net assets transferred	405,093
Compensation received	-
Net loss on transfer	( 405,093 )

###### (viii) 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.

## GLADSTONE REGIONAL COUNCIL

### Notes to and forming part of the Financial Statements For the period 15 March 2008 to 30 June 2009

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#### 1 Summary of Significant Accounting Policies (Cont'd)

##### 1.19 Intangible Assets

Only intangible assets which have Council approval as capital expenditure projects are recognised as intangible assets. The threshold for recognition of intangible assets is \$5,000.

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

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

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

##### 1.20 Capital Work in Progress

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

##### 1.21 Impairment of Non Current Assets

Each non-current physical and intangible asset and groups of assets is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

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

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

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

##### 1.22 Leases

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

###### (i) Finance Leases

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

###### (ii) Operating Leases

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

##### 1.23 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.



## GLADSTONE REGIONAL COUNCIL

### Notes to and forming part of the Financial Statements

For the period 15 March 2008 to 30 June 2009

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#### 1 Summary of Significant Accounting Policies (Cont'd)

##### 1.24 Liabilities - Employee Benefits

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

##### (i) Salaries and Wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. The liability is treated as a creditor of the Council and not as an employee entitlement. This liability represents an accrued expense and is reported in Note 20 as a payable.

##### (ii) Annual Leave

A liability for annual leave is recognised. The entire liability is calculated on current wage and salary levels and includes related employee on-costs. This liability represents an accrued expense and is reported in Note 20 as a payable.

##### (iii) Superannuation

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

Details of those arrangements are set out in Note 33.

##### (iv) 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 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 20 as a payable and is treated as a payable and not as a provision.

##### (v) 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 8th September 2008. Some former Callopie Shire Council employees are entitled to 35% payout on sick leave accrued from 10th May 2006 to 8th September 2008. Apart from the payout options, Council is not required to payout the sick leave balances as these are not payable upon termination.

##### (v) Service Entitlement

Certain former Gladstone City Council employees are entitled to a service entitlement payment upon departure from employment within Council.

##### 1.25 Borrowings

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

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

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

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

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

## GLADSTONE REGIONAL COUNCIL

### Notes to and forming part of the Financial Statements For the period 15 March 2008 to 30 June 2009

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#### 1 Summary of Significant Accounting Policies (Cont'd)

##### 1.26 Restoration Provision

A provision is made for the cost of restoration of assets and other future restoration costs where it is probable the Council will be liable, or required, to incur such a cost on the cessation of use of the facility. This liability is provided in respect of the Benaraby Regional Landfill.

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

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

##### 1.27 Asset Revaluation Reserve

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

Increases and decreases 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 reserve in respect of that class. Any excess is treated as an expense.

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

##### 1.28 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.

###### (i) Recurrent Grant Funding Reserve

This reserve represents unexpended non-capital operational grant and subsidy funding.

###### (ii) Capital Grats Reserve

This reserve represents unexpended capital grant funding.

###### (iii) Future Capital Works Reserve

This reserve represents funds set aside for future capital acquisitions and infrastructure development.

###### (iv) Plant Asset Replacement Reserve

This reserve represents the replacement funds for Council's plant and fleet system.

###### (v) Regional Waste Management Reserve

This reserve represents any unspent monetary funds on behalf of waste operations. This reserve also represents contributions for the future funding for 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.

###### (vi) Parks Constrained Works Reserve

This reserve represents any contributions of monetary value received during the reporting period which are constrained for the purpose of funding specific park infrastructure. It also provides a contingency amount to offset any major unforeseen waste parks works which are required.

###### (vii) Roads Constrained Works Reserve

This reserve represents any contributions of monetary value received during the reporting period which are constrained for the purpose of funding specific road infrastructure. It also provides a contingency amount to offset any major unforeseen road works which are required.

###### (viii) Water Constrained Works Reserve

This reserve represents any contributions of monetary value received during the reporting period which are constrained for the purpose of funding specific water supply infrastructure. It also provides a contingency amount to offset any major unforeseen water supply works which are required.

###### (ix) Sewerage Constrained Works Reserve

This reserve represents any contributions of monetary value received during the reporting period which are constrained for the purpose of funding specific sewerage infrastructure. It also provides a contingency amount to offset any major unforeseen sewerage works which are required.

## GLADSTONE REGIONAL COUNCIL

### Notes to and forming part of the Financial Statements For the period 15 March 2008 to 30 June 2009

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#### 1 Summary of Significant Accounting Policies (Cont'd)

##### 1.29 Retained Surplus

This represents the amount of Council's net funds not set aside in reserves to meet specific future needs. The main part of this amount is not available for Council to spend as it has already been invested in assets to provide services.

##### 1.30 National Competition Policy

The Council has reviewed its activities and has identified nine (9) activities that are business activities. Details of these activities can be found in Note 37.

##### 1.31 Rounding and Comparatives

Amounts included in the financial statements have been rounded to the nearest \$1,000 unless otherwise stated.

Comparative information has not been provided as Gladstone Regional Council commenced operation on 15 March 2008 and the financial statements cover the period 15 March 2008 to 30 June 2009.

##### 1.32 Financial Risk Management

Council minimises its exposure to financial risk in the following ways:

Investments in financial assets are only made where those assets are with a bank or other financial institution in Australia and are for a period of less than one year.

The Council does not invest in derivatives or other high risk investments.

When Council borrows, it borrows from the Queensland Treasury Corporation unless another financial institution can offer a more beneficial rate, taking into account any risk. Borrowing by the Council is constrained by the provisions of the *Statutory Bodies Financial Arrangements Act 1982*.

Details of financial instruments and the associated risk are shown in Note 36.

##### 1.33 Judgements and Assumptions

The Council has made no judgements or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

##### 1.34 Trust Funds Held for Outside Parties

Funds held in the Trust Account on behalf of outside parties include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) 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 in the notes to the financial statements for information purposes only.

For details see Note 34.

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

## GLADSTONE REGIONAL COUNCIL

### Notes to the Financial Statements

For the period 15 March 2008 to 30 June 2009

#### 2 Analysis of Results by Function

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

Functions	Recurring Income \$ ,000	Capital Income \$ ,000	Total Income \$ ,000	Recurring Expenses \$ ,000	Capital Expenses \$ ,000	Total Expenses \$ ,000	Net result from recurring operations \$ ,000	Net result attributable to Council \$ ,000	Assets \$ ,000
Corporate and Business	30,694	1,461	32,155	(16,282)	(105)	(16,387)	14,412	15,768	247,204
Finance	34,700	-	34,700	(3,457)	-	(3,457)	31,243	31,243	82,181
Community Services	4,071	5	4,076	(16,759)	-	(16,759)	(12,688)	(12,683)	4,407
Infrastructure	37,509	18,690	56,199	(62,414)	(391)	(62,805)	(24,905)	(6,606)	724,504
Parks and Recreation	2,068	1,065	3,133	(17,566)	-	(17,566)	(15,498)	(14,433)	32,490
Environment and Regulation	8,150	-	8,150	(15,062)	(137)	(15,199)	(6,912)	(7,049)	11,994
Development Services	4,057	-	4,057	(6,681)	-	(6,681)	(2,624)	(2,624)	-
<b>Total Council</b>	<b>121,249</b>	<b>21,221</b>	<b>142,470</b>	<b>(138,221)</b>	<b>(633)</b>	<b>(138,854)</b>	<b>(16,972)</b>	<b>3,616</b>	<b>1,102,780</b>

#### 2 (b) Component Functions of Council

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

##### Corporate and Business

This comprises the corporate support functions of Council and the operations of the Gladstone Airport. The corporate functions include Information Technology, Human Resources, Corporate Property Management, Fleet Management, Asset Management & GIS, Workplace Health and Safety and Governance.

##### Finance

The operation of Council's Corporate Finance and Procurement activities and the coordination of Disaster Management activities

##### Community Services

Coordination of various community services activities, programs and initiatives including libraries, performing arts and, arts and heritage. These functions also include community relations, executive services and elected members.

##### Infrastructure

The provision of roads, water and sewerage infrastructure that services the demands of the existing and future region.

##### Parks and Recreation

Parks and Recreation function covers recreational and open space facilities and venues, public amenities, cemeteries and conservation activities of Council.

##### Environment and Regulation

Provision of a safe and clean region by enforcement of local laws, pest management, provision of waste management facilities and active participation on peak bodies.

##### Development Services

Management of the development of the Region and approval processes for development and building activities.

## GLADSTONE REGIONAL COUNCIL

### Notes to the Financial Statements

For the period 15 March 2008 to 30 June 2009

	Note	Year 30 June 2009 \$,000
<b>3 Revenue analysis</b>		
<b>(a) Rates and charges</b>		
General rates		47,411
Water		7,034
Water consumption, rental and sundries		10,064
Sewerage		9,950
Waste management		6,314
Special charge		3
Total rates and utility charge revenue		80,776
Less: Discounts		(6,135)
Less: Pensioner remissions		(718)
Net rates and utility charges		73,923
<b>(b) Fees and charges</b>		
Fees and charges		10,398
		10,398
<b>(c) Rental Income</b>		
Investment property rentals		102
Other property rentals		636
		738
<b>(d) Interest received</b>		
Interest received from investments		5,805
Interest from overdue rates and utility charges		139
		5,944
<b>(e) Sales - Contract and Recoverable Works</b>		
Sales - Contract and recoverable works		10,881
		10,881
The amount recognised as revenue for contract revenue during the period is the amount receivable in respect of invoices issued during the period. The contract work carried out is not subject to rententions.		
<b>(f) Other Recurrent Income</b>		
Fire levy commission		43
Entertainment centre income		775
Aquatic centre income		539
Fines and penalties		144
Other recurrent income		3,234
		4,735



## GLADSTONE REGIONAL COUNCIL

### Notes to the Financial Statements

For the period 15 March 2008 to 30 June 2009

	Note	Year 30 June 2009 \$,000
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#### 4 Grants, subsidies, contributions and donations

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

General purpose grants	8,843
State Government subsidies and grants	4,736
Commonwealth subsidies and grants	961
Other subsidies and grants	40
Donations	4
Contributions	46
Total recurrent revenue	<u>14,630</u>

- (b) Capital - Government grants and subsidies, other contributions and donations are analysed as follows:

(i) Monetary revenue received:	
State Government subsidies and grants	8,624
Commonwealth subsidies and grants	575
Contributions	6,817
(ii) Non-monetary revenue received:	
Donated assets contributed by developers at fair value	<u>4,770</u>
Total capital revenue	<u>20,786</u>

Both cash and non cash contributions will vary from year to year based on development activity within the region.

#### 5 Capital Income

Revaluation up of investment property	15	435
Total Capital Income		<u>435</u>

## GLADSTONE REGIONAL COUNCIL

### Notes to the Financial Statements

For the period 15 March 2008 to 30 June 2009

	Note	Year 30 June 2009 \$,000
<b>6 Employee and other benefits</b>		
Total staff wages and salaries		46,301
Councillors' remuneration		1,142
Employee leave entitlements		4,890
Superannuation		4,902
		<u>57,235</u>
Fringe benefits tax		347
Payroll tax		330
		<u>57,912</u>
Less: Capitalised employee expenses		<u>(3,814)</u>
		<u>54,098</u>

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

Total Council employees at the reporting date:

Elected members	7
Corporate and Business	103
Finance Services	40
Community Services	73
Infrastructure Services	233
Parks and Recreation Services	92
Environment and Regulation	50
Development Services	44
Total full time equivalent employees	<u>642</u>

### 7 Materials and services

Audit services	216
Investment property expenses (property generating income)	11
Other material and services	54,931
	<u>55,158</u>

### 8 Finance costs

Finance costs charged by the Queensland Treasury Corporation	2,550
Bank charges	187
Interest paid on rates in advance	6
Bad and doubtful debts	14
Refuse restoration	25
	<u>239</u>
	<u>2,996</u>

Note: Because the period for construction of new assets rarely exceeds twelve (12) months, borrowing costs on the construction of assets are not capitalised.

## GLADSTONE REGIONAL COUNCIL

### Notes to the Financial Statements

For the period 15 March 2008 to 30 June 2009

	Note	Year 30 June 2009 \$,000
<b>9 Depreciation and Amortisation</b>		
<b>(a) Depreciation of non-current assets</b>		
Land improvements		183
Buildings		632
Plant and equipment		5,160
Parks and other structures		533
Roads, drainage and transport infrastructure		11,807
Water		2,648
Sewerage		4,659
		<u>25,622</u>
<b>(b) Amortisation of intangible assets</b>		
Software		347
Total depreciation and amortisation of non current assets		<u><u>25,969</u></u>

#### Unfunded depreciation

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

It is anticipated that these assets will not be replaced as they are no longer required for the intended purpose. Recognition of un-funded depreciation represents a decline in the capital value of the Council.

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

Plant and equipment, road, bridges, footpaths etc, water and sewerage assets:

Balance at beginning of period	-
Net adjusted un-funded depreciation in the period	(57)
Accumulated un-funded depreciation at period end	<u><u>(57)</u></u>

## GLADSTONE REGIONAL COUNCIL

### Notes to the Financial Statements

For the period 15 March 2008 to 30 June 2009

	Note	Year 30 June 2009 \$,000
<b>10 Loss on disposal of non-current assets</b>		
Gain (loss) on the disposal of non-current assets		
Proceeds from the sale of property, plant & equipment		898
Less: Book value of property, plant & equipment disposed		(1,561)
		<u>(663)</u>
 Proceeds from the sale of developed land		 427
Less: Book value of developed land		(158)
		<u>269</u>
 Total gain (loss) on the disposal of non-current assets		 <u><u>(394)</u></u>

### 11 Cash and cash equivalents

Cash at bank and on hand	2,874
Deposits at call	61,862
Term Deposits	<u>3,281</u>
<b>Balance per cash flow statement</b>	<u><u>68,017</u></u>

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

Unspent government grants	322
Unspent developer contributions	20,369
Unspent loan monies	<u>653</u>
Total unspent restricted cash for capital projects	<u><u>21,343</u></u>

Cash at Bank of the former Calliope Shire Council and the former Gladstone Calliope Aerodrome Board is held by National Australia Bank in normal business banking accounts. The bank currently has a short term credit rating of A-1+ and long term rating of AA.

Cash at Bank of the former Miriam Vale Shire Council is held by Capricornia Credit Union in normal business banking accounts. The credit union is unrated, however the Queensland Treasury Corporation deems this class of financial institutions to hold an equivalent rating of BBB-.

Cash at Bank of the former Gladstone City Council is held by Westpac Banking Corporation in normal business banking accounts. The bank current has a short term credit rating of A-1+ and long term rating of AA.

The deposits at call are held with Queensland Treasury Corporation with a credit rating of AA+.

## GLADSTONE REGIONAL COUNCIL

### Notes to the Financial Statements

For the period 15 March 2008 to 30 June 2009

	Note	Year 30 June 2009 \$,000
<b>12 Trade and other receivables</b>		
<b>Current</b>		
Rateable revenue and utility charges		3,057
Water charges not yet levied		3,236
Other debtors		2,812
Less: Allowance for doubtful debts		(193)
GST recoverable		552
Interest receivable		42
Accrued revenue		1,651
Prepayments		425
		<u>11,582</u>

Interest is charged on outstanding rates 365 days after the date of issue 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.

### 13 Inventories

#### Current

Inventories for consumption:

Miscellaneous saleable items	9
Cemetery crypts	301
Total inventories for consumption	<u>310</u>

Valued at the lower of cost and selling price less cost to sell.

Inventories held for distribution:

Stores	945
Raw materials	114
Total inventories for distribution	<u>1,059</u>

Valued at the lower of cost and replacement value.

Total inventories	<u>1,369</u>
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## GLADSTONE REGIONAL COUNCIL

### Notes to the Financial Statements

For the period 15 March 2008 to 30 June 2009

	Note	Year 30 June 2009 \$,000
<b>14 Non-current assets classified as held for sale</b>		
Property transferred from former councils on restructure of local government		2,481
Additions at cost		568
Disposals during period		(158)
Transfer from Land		726
		<u>3,617</u>
Classified as :		
Current		1,042
Non-current		<u>2,575</u>
		<u>3,617</u>

This land is freehold land Council has decided to sell to address the market demand for residential allotments in the Tannum Sands Civic Precinct. The current portion of the land is expected to be developed and sold within the next twelve months. The non-current asset portion reflects land intended to be sold, but will not be developed in the next twelve months.

The land is valued at the lower of cost and selling price less cost to sell.

### 15 Investment Property

Property transferred from former councils on restructure of local government	
Land - at independent valuation	610
Buildings - at independent valuation	925
	<u>1,535</u>

Investment property comprises of a commercial property which is rented out. The commercial property was valued at fair value by Australian Pacific Valuers at 30 June, 2009.

The property is located at Shop 1/56 Goondoon Street, Gladstone and is leased based on a 3 year term with option to extend for a further 3 years. No contingent rentals were recognised during the current or prior reporting periods.

The future minimum lease payments receivable under non-cancellable leases are:

- Not later than one year	58
- Later than one year and not later than five years	174
- Later than five years	116
	<u>348</u>

### Investment Property Reconciliation

Property transferred from former councils on restructure of local government	1,100
Revaluation up of investment property	435
Carrying amount at 30 June 2009	<u>1,535</u>

## GLADSTONE REGIONAL COUNCIL

Notes to the Financial Statements  
For the period 15 March 2008 to 30 June 2009

### 16 Gain on restructure of local government

The Local Government Reform Commission report to the Minister for Local Government, Planning and Sport on 27 July 2007 recommended that the former Calloope Shire Council, Gladstone City Council, Miriam Vale Shire Council and the Gladstone-Calloope Aerodrome Board be amalgamated to form the Gladstone Regional Council. Pursuant to Part 1B of the Local Government Act 1993 and in accordance with the Local Government Reform Implementation Regulation 2008, the amalgamation was effective from the changeover date of 15 March 2008.

The Local Government Reform Implementation Regulation 2008 and the Local Government Reform Implementation Regulation (Transferring Areas) Amendment Regulation (No.1) 2008 transferred the assets and liabilities of the former Calloope Shire Council, Gladstone City Council, Miriam Vale Shire Council and the Gladstone-Calloope Aerodrome Board to the Gladstone Regional Council as at changeover date.

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

Gladstone Regional Council adopted consistent accounting policies from its commencement date of 15 March 2008. In some cases, this resulted in adjustments to the measurement of assets and liabilities transferred from former councils as at 15 March 2008. Details are as follows:

	Calloope Shire Council	Gladstone City Council	Miriam Vale Shire Council	Gladstone-Calloope Aerodrome Board	Total assets and liabilities recognised by Gladstone Regional Council	Adjustments due to accounting policy alignment	Gain on restructure of local government
	14 March 2008 \$'000	14 March 2008 \$'000	14 March 2008 \$'000	14 March 2008 \$'000	15 March 2008 \$'000	2009 \$'000	2009 \$'000
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	12,433	50,548	17,699	1,405	82,085	-	82,085
Trade and other receivables	2,495	4,000	2,428	315	9,238	-	9,238
Inventories	766	411	151	-	1,328	-	1,328
Other financial assets	74	604	20	37	735	-	735
	15,768	55,563	20,298	1,757	93,386	-	93,386
Non-current assets classified as held for sale	2,481	-	-	-	2,481	-	2,481
<b>Total current assets</b>	18,249	55,563	20,298	1,757	95,867	-	95,867
<b>Non-current Assets</b>							
Investment property	-	1,100	-	-	1,100	-	1,100
Property, plant and equipment	223,828	435,946	180,615	32,186	872,575	(34,771)	837,804
Capital works in progress	20,225	3,063	4,957	286	28,531	-	28,531
Intangible assets	-	864	-	-	864	10	874
<b>Total non-current assets</b>	244,053	440,973	185,572	32,472	903,070	(34,761)	868,309
<b>TOTAL ASSETS</b>	262,302	496,536	205,870	34,229	998,937	(34,761)	964,176
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Trade and other payables	2,510	6,468	1,335	274	10,587	306	10,893
Borrowings - interest bearing	155	1,619	337	217	2,328	-	2,328
Borrowings - interest free	-	150	24	-	174	-	174
Other	73	83	4	-	160	-	160
<b>Total current liabilities</b>	2,738	8,320	1,700	491	13,249	306	13,555
<b>Non-current Liabilities</b>							
Trade and other payables	1,571	1,376	577	181	3,705	-	3,705
Borrowings - interest bearing	9,551	16,234	2,578	141	28,504	-	28,504
Borrowings - interest free	-	300	927	-	1,227	-	1,227
Provisions	3,856	-	-	-	3,856	(891)	2,965
Other	-	-	5	-	5	-	5
<b>Total non-current liabilities</b>	14,978	17,910	4,087	322	37,297	(891)	36,406
<b>TOTAL LIABILITIES</b>	17,716	26,230	5,787	813	50,546	(891)	49,655
<b>NET ASSETS TRANSFERRED FROM ABOLISHED COUNCILS</b>	244,586	470,306	200,083	33,416	948,391	(34,176)	914,215

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

Property, Plant and Equipment - Gladstone Regional Council adopted an asset recognition threshold for assets, other than land and plant and equipment, of \$5,000. This resulted in the derecognition of assets transferred from the former Councils where the gross value fell below the asset recognition threshold. In addition any correction and/or adjustments required for prior period errors were also treated as adjustments of accounting policy.

Intangible asset not previously recognised as an intangible asset (Mt Larcom Post Office licence)

The former Miriam Vale Shire Council had adopted consumption based depreciation methodology, this reflects a write-back of accumulated depreciation as determined under a straight line methodology consistent with the other amalgamated entities.

Reporting provision in nominal value (ie discounted)

Recognition of prepaid rates not previously recognised as a liability

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

Net result attributable to Council

Gain on restructure of local government

Net result attributable to Council before Gain on restructure of local government

## GLADSTONE REGIONAL COUNCIL

### Notes to and forming part of the Financial Statements For the Year Ended 30 June 2009

#### 17 (a) Property, plant and equipment

	Land \$,000	Buildings \$,000	Plant and equipment \$,000	Park Furniture & Other Structures \$,000	Road, Drainage & Transport Infrastructure \$,000	Sewerage Infrastructure \$,000	Water Infrastructure \$,000	Total \$,000
	Revaluation	Revaluation	Cost	Revaluation	Revaluation	Revaluation	Revaluation	
	2009	2009	2009	2009	2009	2009	2009	2009
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Asset Values</b>								
Net value of assets transferred from abolished Council	64,769	58,362	21,776	16,430	514,207	117,318	79,741	872,603
Additions during period	2,720	1,648	7,392	2,939	10,605	441	878	26,623
Contributed Assets	-	-	-	-	1,671	2,333	766	4,770
Disposals	-	-	(1,169)	-	-	-	(392)	(1,561)
Derecognition of land under roads	(1,065)	-	-	-	-	-	-	(1,065)
Revaluation adjustment to the ARR	53,254	15,899	-	616	38,090	12,127	10,083	130,069
Alignment of Accounting Policy	(6,045)	(367)	(128)	(214)	(24,678)	(1,470)	(1,869)	(34,771)
Assets classified as held for sale	(725)	-	-	-	-	-	-	(725)
Internal Transfers	-	6,699	275	(6,974)	-	-	-	-
Closing gross value	<b>112,908</b>	<b>82,241</b>	<b>28,146</b>	<b>12,797</b>	<b>539,895</b>	<b>130,749</b>	<b>89,207</b>	<b>995,943</b>

#### Accumulated Depreciation

Opening Balance	-	-	-	-	-	-	-	-
Depreciation provided in period	183	632	5,160	533	11,807	4,659	2,648	25,622
Revaluation adjustment to the ARR	-	-	-	530	6,036	5,392	4,805	16,763
Accumulated depreciation at period end	<b>183</b>	<b>632</b>	<b>5,160</b>	<b>1,063</b>	<b>17,843</b>	<b>10,051</b>	<b>7,453</b>	<b>42,385</b>
<b>Consolidated book value at period end</b>	<b>112,725</b>	<b>81,609</b>	<b>22,986</b>	<b>11,734</b>	<b>522,052</b>	<b>120,698</b>	<b>81,754</b>	<b>953,558</b>
Residual Value	-	<b>42,692</b>	-	<b>166</b>	<b>191,036</b>	<b>7,628</b>	<b>2,704</b>	<b>244,226</b>
Range of estimated useful life in years	Not depreciated	10-110	2-35	25-35	7-150	7-80	10-110	

## GLADSTONE REGIONAL COUNCIL

### FINANCIAL REPORT

For the period 15 March 2008 to 30 June 2009

Year  
30 June 2009  
\$,000

#### 17 (b) Property, plant and equipment valuations were determined by reference to the following

##### (i) Land

Freehold land (excluding dedicated parklands) are valued at market cost, established by an independent valuation as determined by Australia Pacific Valuers as at 30 June 2009.

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

##### (ii) Buildings

Buildings were independently valued as at 30 June 2009 at their written down current replacement cost by Australian Pacific Valuers.

##### (iii) Plant and equipment

All plant and equipment is measured at cost.

##### (iv) Parks and Other Structure

Park and other structures on hand at 15 March 2008 were valued on the fair value basis as at 30th June 2009. The revaluation was performed in-house using the General Construction Index (December Quarter) of 6.2% sourced from the LGAQ using information from the Australian Bureau of Statistics.

##### (iv) Roads, Drainage and Transport Infrastructure

Infrastructure assets on hand at 15 March 2008 were valued on the fair value basis as at 30 June 2009. The revaluation was performed in-house using the General Construction Index (December Quarter) of 6.2% sourced from the LGAQ using information from the Australian Bureau of Statistics.

##### (v) Water and Sewerage Infrastructure

Infrastructure assets on hand at 15 March 2008 were valued on the fair value basis as at 30 June 2009. The revaluation was performed in-house using the General Construction Index (December Quarter) of 6.2% sourced from the LGAQ using information from the Australian Bureau of Statistics.

#### 18 Capital work in progress

Intangible Assets	635
Buildings	4,622
Plant and Equipment	51
Parks and Other Structures	529
Road, Drainage & Transport Infrastructure	25,886
Sewerage Infrastructure	22,255
Water Infrastructure	8,597
	<u>62,575</u>

## GLADSTONE REGIONAL COUNCIL

Notes to and forming part of the Financial Statements  
For the period 15 March 2008 to 30 June 2009

	Note	Year 30 June 2009 \$,000
<b>19 Intangible Assets</b>		
<b>Mt Larcom Post Office Licence</b>		
Transferred from former Calliope Shire Council as part of Government restructure		-
Alignment of Accounting Policy		10
Closing gross carrying value		10
<b>Accumulated Amortisation</b>		
Transferred from former Councils as part of Government restructure		-
Amortisation in the period		-
Closing balance		-
Net carrying value at the period end		10
<b>Software</b>		
Transferred from former Councils as part of Government restructure		863
Closing gross carrying value		863
<b>Accumulated Amortisation</b>		
Transferred from former Councils as part of Government restructure		-
Amortisation in the period		346
Closing balance		346
Net carrying value at the period end		517
The software has a finite life estimated at between 2-10 years. Straight line amortisation has been used with no residual value		
Total intangible assets		527



## GLADSTONE REGIONAL COUNCIL

### Notes to and forming part of the Financial Statements For the period 15 March 2008 to 30 June 2009

	Note	Year 30 June 2009
<b>20 Trade and other payables</b>		
<b>Current</b>		
Creditors and accruals		6,580
Accrued RDO and leave in lieu		447
Annual leave		5,072
Service entitlement		370
Long service leave		1,191
Sick leave		151
		<u>13,811</u>
<b>Non Current</b>		
Service entitlement		192
Long service leave		4,765
		<u>4,957</u>
Employee benefit entitlements are calculated at current pay levels as adjusted for inflation and likely future changes in salary level.		
These estimates are then adjusted for the probability of the employee remaining in the council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value.		
Annual leave entitlements are recognised as current liabilities in strict compliance with the Australian Accounting Standards. Of the \$5,072,196 annual leave liability, \$1,918,167 is not expected to be taken within the next twelve months.		
<b>21 Borrowings</b>		
<b>Current</b>		
Loans - Queensland Treasury Corporation	22	3,052
Loans - Interest Free - DIP	23	20
Loans - Interest Free - QDH	23	150
Finance Leases	24	-
		<u>3,222</u>
<b>Non-current</b>		
Loans - Queensland Treasury Corporation	22	45,401
Loans - Interest Free - DIP	23	898
Loans - Interest Free - QDH	23	150
Finance Leases	24	-
		<u>46,449</u>
<b>Total Borrowings</b>		<u>49,671</u>

Financing facilities are limited by the requirement to obtain State Government approval for all loan applications. All loans are unsecured.

## GLADSTONE REGIONAL COUNCIL

Notes to and forming part of the Financial Statements  
For the period 15 March 2008 to 30 June 2009

	Note	Year 30 June 2009
<b>22 Loans - Interest Bearing</b>		
<b>Queensland Treasury Corporation</b>		
Transferred from former Councils as part of Government restructure		30,854
Loans raised		20,170
Principal repayments		(2,571)
Book value at period end		<u>48,453</u>
Classified as :		
Current	21	3,052
Non-current	21	<u>45,401</u>
		<u>48,453</u>

The loan market value at the reporting date was \$48,969,466.13. 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.

## 23 Loans - Interest Free

### (i) Department of Infrastructure and Planning

Transferred from former Councils as part of Government restructure		951
Loans raised		-
Principal repayments		(33)
Book value at period end		<u>918</u>
Classified as :		
Current	21	20
Non-current	21	<u>898</u>
		<u>918</u>

This loan is guaranteed by the Queensland State Government

### (ii) Queensland Department of Housing

Transferred from former Councils as part of Government restructure		450
Loans raised		-
Principal repayments		(150)
Book value at period end		<u>300</u>
Classified as :		
Current	21	150
Non-current	21	<u>150</u>
		<u>300</u>

This represents a loan by the Queensland Department of Housing for the purchase of State land by instalments over 5 years (1.33 years remaining at 30 June 2009). The Department holds a mortgage over the property until such time as the loan is repaid in full.

## GLADSTONE REGIONAL COUNCIL

### Notes to and forming part of the Financial Statements For the period 15 March 2008 to 30 June 2009

	Note	Year 30 June 2009
<b>24 Finance Lease</b>		
Movements in finance leases during the reporting period were as follows:		
Transferred from former Council as part of Government restructure		9
New finance leases in period		-
Payments made in the period		(9)
Minimum lease payments		-
The above minimum lease payments are payable as follows:		
Not later than one year		-
Later than 1 year but not later than 5 years		-
Later than 5 years		-
Less: Future finance charges		-
Lease liability recognised in financial statements		-
Classified as:		
Current	21	-
Non-current	21	-
		-
The lease contract expired in October 2008, Council acquired the asset for \$220.00.		
The commercial value of the leased asset is as follows:		
Health Services Building		30,255

## 25 Provisions

### Non-Current

Landfill Remediation	3,205
	3,205

### Details of movements in provisions:

#### (a) Landfill Remediation

Transferred from former councils as part of Government restructure		3,857
Alignment of Accounting Policy		(891)
Increase in provision - finance cost	9	178
Increase in provision due to change in discount rate	9	61
Balance at the end of period		3,205

This provision pertains to Council's regional landfill at Benaraby. The provision is in current dollar terms and provides for cell rehabilitation and post closure costs from 2020, to meet environmental standards imposed by the Environmental Protection Agency

## GLADSTONE REGIONAL COUNCIL

Notes to and forming part of the Financial Statements  
For the period 15 March 2008 to 30 June 2009

	Note	Year 30 June 2009
<b>26 (i) Asset revaluation reserve</b>		
Movements in the asset revaluation reserve were as follows:		
Balance at beginning of period		-
Net adjustment to non-current assets at end of period to reflect a change in fair value:		
Land		53,254
Buildings		15,899
Parks and other structures		86
Roads, drainage and transport infrastructure		32,054
Sewerage		6,735
Water		5,278
Balance at end of the year		<u>113,306</u>
<b>(ii) Asset revaluation reserve analysis</b>		
The closing balance of the asset revaluation reserve is comprised of the following asset categories:		
Land		53,254
Buildings		15,899
Parks and other structures		86
Roads, drainage and transport infrastructure		32,054
Sewerage		6,735
Water		5,278
		<u>113,306</u>
<b>27 Capital and Retained Surplus</b>		
Movements in the retained surplus were as follows:		
Retained Surplus/(Deficit) at the beginning of financial year		-
Change in Net Assets resulting from operations after gain on restructuring		917,831
Transfers (to) from capital account		<u>(19,900)</u>
Retained surplus available for transfer to reserve		897,931
Transfers (to) from reserves for future capital funding purposes		(40,713)
Transfers (to) from reserves for recurrent expenditure purposes		<u>(207)</u>
<b>Retained Surplus available for distribution</b>		857,011
<b>Capital</b>		<u>19,900</u>
Total Capital and retained surplus at end of period		<u>876,911</u>
<b>Movement in Capital</b>		
Balance at beginning of period		-
Appropriated from accumulated surplus for capital funding purposes		19,900
Balance at end of period		<u>19,900</u>

## GLADSTONE REGIONAL COUNCIL

Notes to and forming part of the Financial Statements  
For the period 15 March 2008 to 30 June 2009

	Note	Year 30 June 2009
<b>28 Capital and Other reserves</b>		
<b>(a) Summary of reserves held for funding future capital expenditure:</b>		
(i) Capital Grants Reserve		114
(ii) Future Capital Works Reserve		8,947
(iii) Plant Asset Replacement Reserve		9,718
(iv) Regional Waste Management Reserve		1,565
(v) Parks Constrained Works Reserve		1,095
(vi) Roads Constrained Works Reserve		5,223
(vii) Water Constrained Works Reserve		8,067
(viii) Sewerage Constrained Works Reserve		5,984
		<u>40,713</u>
<b>(b) Summary of reserves held for funding future recurrent expenditure:</b>		
(i) Recurrent Grant Funding Reserve		207
		<u>207</u>
<b>Total Reserves</b>		<u><u>40,920</u></u>
<b>(c) Movements in capital reserves are analysed as follows:</b>		
(i) Capital Grants Reserve		
Balance at beginning of period		-
Transfer from retained earnings for future expenditure		8,696
Transfer to capital for funds expended in the period		(8,582)
Balance at the end of period		<u>114</u>
(ii) Future Capital Works Reserve		
Balance at beginning of period		-
Transfer to the retained earnings funds expended in the period		22,913
Transfer to capital for funds expended in the period		(13,966)
Balance at the end of period		<u>8,947</u>
(iii) Plant Asset Replacement Reserve		
Balance at beginning of period		-
Transfer from retained earnings for future expenditure		15,034
Transfer to capital for funds expended in the period		(5,316)
Balance at the end of period		<u>9,718</u>
(iv) Regional Waste Management Reserve		
Balance at beginning of period		-
Transfer from retained earnings for future expenditure		2,877
Transfer to capital for funds expended in the period		(1,312)
Balance at the end of period		<u>1,565</u>



## GLADSTONE REGIONAL COUNCIL

### Notes to and forming part of the Financial Statements For the period 15 March 2008 to 30 June 2009

	Note	Year 30 June 2009
<b>28 Capital and Other reserves (con't)</b>		
<b>(c) Movements in capital reserves are analysed as follows: (con't)</b>		
(v) Parks Constrained Works Reserve		
Balance at beginning of period		-
Transfer from retained earnings for future expenditure		2,430
Transfer to capital for funds expended in the period		(1,335)
Balance at the end of period		<u>1,095</u>
(vi) Roads Constrained Works Reserve		
Balance at beginning of period		-
Transfer from retained earnings for future expenditure		5,742
Transfer to capital for funds expended in the period		(519)
Balance at the end of period		<u>5,223</u>
(vii) Water Constrained Works Reserve		
Balance at beginning of period		-
Transfer from retained earnings for future expenditure		10,863
Transfer to capital for funds expended in the period		(2,796)
Balance at the end of period		<u>8,067</u>
(viii) Sewerage Constrained Works Reserve		
Balance at beginning of period		-
Transfer from retained earnings for future expenditure		7,449
Transfer to capital for funds expended in the period		(1,465)
Balance at the end of period		<u>5,984</u>
<b>(d) Movements in recurrent reserves are analysed as follows:</b>		
(i) Recurrent Grant Funding Reserve		
Balance at beginning of period		-
Transfer from retained earnings for future expenditure		3,755
Transfer to retained earnings for funds expended in the period		(3,548)
Balance at the end of period		<u>207</u>
<b>29 Commitments for expenditure</b>		
<b>Capital Contractual Commitments</b>		
Contractual commitments at balance date but not recognised in the financial report are as follows:		
Airport Reconstruction Project		50,149
Agnes Water Integrated Water Strategy		<u>39,982</u>
		<u>90,131</u>

## GLADSTONE REGIONAL COUNCIL

### Notes to and forming part of the Financial Statements For the period 15 March 2008 to 30 June 2009

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	Year
Note	30 June 2009

#### 30 Contingent liabilities

##### 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 2008 and report an accumulated member funds (equity) of \$10,053,438 and it is not anticipated any liability will arise.

##### Local Government Workcare

The Gladstone Regional Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure (indemnity amount) to the bank guarantee is \$1,090,372.10.

#### 31 Related Party Disclosure

Council acquired a vehicle from Councillor Col Chapman for the purpose of providing the same vehicle to Councillor Chapman to assist with carrying out his duties as part of elected member responsibilities. Council provides vehicles for all elected members, in this instance Councillor Chapman had recently purchased a private vehicle and preferred to retain this vehicle. The Chief Executive Officer negotiated the purchase price of \$34,506.96 which was in accordance with the purchase of new vehicles purchased for other Councillors.

#### 32 Events after balance date

There were no material adjusting events after the balance date.

On 1 July 2009 Council no longer retained the operation and maintenance contract for the Gladstone Water Treatment Plant. As a result three (3) employees ceased to be employed by the Council and became employees of the Gladstone Area Water Board as a result of the arrangement.

#### 33 Superannuation

The Gladstone Regional Council contributes to the Local Government Superannuation Scheme (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standards AASB119 *Employee Benefits*. The scheme has two elements referred to as the Defined Benefits Fund (DBF) and the Accumulation Benefits Funds (ABF).

The ABF is a defined contribution scheme as defined in AASB119. Council has no liability to or interest in the ABF other than the payment of statutory contributions as required by the Local Government Act.

The DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the 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.

## GLADSTONE REGIONAL COUNCIL

### Notes to and forming part of the Financial Statements For the period 15 March 2008 to 30 June 2009

Year  
Note      30 June 2009

#### 33 Superannuation (con't)

Under the amendments to the *Local Government Act 1993* passed in June 2009, the trustee of the scheme has the power to levy additional contributions on councils which have employees in the DBF when the actuary advises such additional contributions are payable, normally when the assets of the DBF are insufficient to meet members' benefits. Clause 56(e) of the scheme's Trust Deed indicates that any increase in the contributions is limited to 6% of the relevant employee's salary.

In its letter to Council dated 5 June 2009 the trustee advised that "at this stage, there is no requirement for Councils to contribute any additional contributions." The letter further stated that "any additional contributions above 12% (standard rate of contribution) that may be required would be on a temporary basis only, and would be requested based on independent actuarial advice. When possible, the contribution rate would reduce at a later date to offset additional costs - for example, council's may be asked to pay 18% contributions instead of 12% for a period, then contributions may reduce to 6% for a compensatory period before returning to the regular 12% contribution rate."

Any amount by which either fund is over or under funded would only affect future benefits and contributions to the 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.

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

The general purpose financial report discloses that the most recent actuarial assessment of the scheme was undertaken as at 1 July 2006. The actuary indicated that without improvements to benefit conditions, or other unanticipated events, current contribution rates would be sufficient to meet members benefits as they accrue. The next actuarial investigation will be made as at 1 July 2009.

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

The amount of superannuation contributions paid by Gladstone Regional Council to the superannuation scheme in this period for the benefit of employees was:

2,612

#### 34 Trust funds

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	1,850
Securities/Deposits	<u>605</u>
	<u>2,455</u>

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

## GLADSTONE REGIONAL COUNCIL

Notes to and forming part of the Financial Statements  
For the period 15 March 2008 to 30 June 2009

	Note	Year 30 June 2009
<b>35 Reconciliation of result from ordinary activities to net cash inflow from operating activities</b>		
Result from ordinary activities		917,831
Non-cash operating items:		
Gain on restructure		(914,215)
Depreciation and amortisation		25,969
Net revaluation up of investment property		(435)
Non-cash contributions included in fixed assets		(4,770)
Change in future rehabilitation costs		239
Finance Costs		327
		(892,885)
Investing and development activities:		
Capital grants and contributions		(16,016)
Net loss on disposal on non current assets		663
Net (profit) on disposal on developed land		(270)
		(15,623)
Changes in operating assets and liabilities:		
(Increase)/Decrease in receivables		(2,344)
(Increase)/Decrease in inventories		(41)
(Increase)/Decrease in other operating assets		735
Increase/(Decrease) in payables		4,170
Increase/(Decrease) in provisions		240
Increase/(Decrease) in other liabilities		(165)
		2,595
<b>Net cash inflow from operating activities</b>		<b>11,918</b>

## GLADSTONE REGIONAL COUNCIL

### Notes to and forming part of the Financial Statements For the period 15 March 2008 to 30 June 2009

#### 36 Financial Instruments

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

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

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

Risk Exposure	Measurement Method
Credit Risk	Ageing analysis
Liquidity risk	Maturity analysis
Interest rate risk	Sensitivity analysis

#### (a) Credit Risk Exposure

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

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

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

The Council is exposed to credit risk through its investments with the Queensland Treasury Corporation (QTC) and deposits held with other financial institutions. The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rating counterparties. Deposits are capital guaranteed. Other investments are held with regulated financial institutions and whilst not capital guaranteed, the likelihood of a credit failure is remote.

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

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

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

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

Financial Assets	2009 \$,000
Cash and cash equivalents - QTC	2,874
Cash and cash equivalents - bank	61,861
Cash and cash equivalents - other ADI	3,281
Receivables - rates	6,718
Receivables - other	6,234
<b>Total</b>	<b>80,968</b>

## GLADSTONE REGIONAL COUNCIL

Notes to and forming part of the Financial Statements  
For the period 15 March 2008 to 30 June 2009

### 36 Financial Instruments (con't)

#### (a) Credit Risk Exposure (con't)

##### Past due or impaired

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

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

	Fully Performing		Past Due		Impaired	Total
		Less than 30 days	30 - 60 days	61-90 days		
Receivables	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000
Other	-	4,121	70	113	560	4,864
Rates	6,718	-	-	-	-	6,718

#### (b) Liquidity Risk

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

The Queensland Treasury Corporation manages its exposure to liquidity risk by maintaining sufficient undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in the Borrowings note 21.

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

	0 to 1 year	1 to 5 years	Over 5 years	Total
	\$,000	\$,000	\$,000	\$,000
2009	5,951	16,493	49,200	71,644

## GLADSTONE REGIONAL COUNCIL

### Notes to and forming part of the Financial Statements For the period 15 March 2008 to 30 June 2009

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- PAGE 41 -

#### 36 Financial Instruments (con't)

##### (c) Interest Rate Risk

The Council is exposed to interest rate risk through its finance lease borrowings, 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 such that the desired interest rate risk exposure can be constructed. Interest rate risk in other areas is minimal.

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

##### ***Interest Rate Sensitivity Analysis***

The following sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss should there be a 1% increase in market interest rates. The calculations assumed that the rate would be held constant over the next financial year, with the change occurring at the beginning of that year. It is assumed that interest rates on overdue rates would not change. If the rates decreased by 1% the impact would be equal in amount in the reverse direction.

	Net Carrying Amount	Profit	Equity
	2009	2009	2009
	\$	\$	\$
Financial Assets	20,215	20,215	20,215
Financial Liabilities	7,691	(7,691)	(7,691)
<b>Net</b>	<b>12,524</b>	<b>12,524</b>	<b>12,524</b>



## GLADSTONE REGIONAL COUNCIL

### Notes to and forming part of the Financial Statements For the period 15 March 2008 to 30 June 2009

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#### 37 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:

(i) 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.

(ii) 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 activity, referred as type three activities, means the following:

(i) trading in goods and services to clients in competition with the private sector, or

(ii) 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 (a) library services, and (b) an activity or part thereof prescribed by legislation.

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.

Gladstone Regional Council has identified Type 3 business activities in the following areas: Roads, Water, Sewerage, Waste Management and Plant Operations. Council applies full cost pricing to its business activities which involves the recognition of both Community Service obligations and Competitive Neutrality Adjustments. Details of Council's performance for these Type 3 business activities are summarised at Note 37 (b).

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

##### (b) Financial performance of activities subject to competitive reforms:

	Roads 2009 \$,000	Water 2009 \$,000	Sewerage 2009 \$,000	Waste Management 2009 \$,000	Plant Operations 2009 \$,000
<b>Revenue</b>					
Revenue for services provided to the Council	25,679	-	-	-	11,751
Revenue for services provided to external clients	9,428	19,593	10,628	7,077	-
Community Service Obligations	-	-	-	2,134	-
	35,107	19,593	10,628	9,211	11,751
<b>Expenditure</b>					
Operating Expenditure	32,845	19,361	14,723	8,491	8,779
Competitive neutrality adjustments applied	600	138	73	373	332
	33,445	19,499	14,796	8,864	9,111
<b>Return/(Deficit) for the financial year</b>	<b>1,662</b>	<b>94</b>	<b>(4,168)</b>	<b>347</b>	<b>2,640</b>
Target - Return for the period	821	1,998	2,702	1,049	1,555
Return Basis for business activity	Turnover	Asset	Asset	Turnover	Asset

## GLADSTONE REGIONAL COUNCIL

### Notes to and forming part of the Financial Statements For the period 15 March 2008 to 30 June 2009

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#### 37 National Competition Policy (con't)

##### (b) Financial performance of activities subject to competitive reforms: (con't)

	Gladstone Airport 2009 \$,000	Gladstone Entertainment Centre 2009 \$,000	Aquatic Centre 2009 \$,000	Building Certification 2009 \$,000
<b>Revenue</b>				
Revenue for services provided to the Council	0	0	0	0
Revenue for services provided to external clients	2,346	1,023	489	1,304
Community Service Obligations	0	0	0	0
	2346	1023	489	1304
<b>Expenditure</b>				
Operating Expenditure	2,448	1,003	1,107	1,409
Competitive neutrality adjustments applied	92	85	35	203
	2540	1088	1142	1612
<b>Return/(Deficit) for the financial year</b>	<b>(194)</b>	<b>(65)</b>	<b>(653)</b>	<b>(308)</b>
Target - Return for the period	2,767	53	253	106
Return Basis for business activity	Asset	Asset	Asset	Turnover

##### (c) Description of CSO's provided to business activities

Activities	CSO Description	Actual \$,000
Transfer Station Operation	Net costs of running Remote Rural Transfer Station Network	2,134

## GLADSTONE REGIONAL COUNCIL

### MANAGEMENT CERTIFICATE

For the period 15 March 2008 to 30 June 2009

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### MANAGEMENT CERTIFICATE

For the period 15 March 2008 to 30 June 2009

This general purpose financial report has been prepared pursuant to Section 532 of the Local Government Act 1993, Section 35 of the Local Government Reform Implementation Regulation 2008, the Local Government Finance Standard 2005 (the standard) and other prescribed requirements.

In accordance with Section 48 of the Standard we certify that:-

- (i) the relevant recording and reporting procedures have been complied with in the preparation of the financial statements; and
- (i) the financial statements for the period ended 30 June 2009 and supporting notes as set out on pages 2 to 44 present the Council's income, equity, balances and cash flows as required by the *Local Government Act 1993*.



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Mayor

Date: 15 December 2009



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Acting Chief Executive Officer

Date: 15 December 2009

## INDEPENDENT AUDITOR'S REPORT

**To the Mayor of Gladstone Regional Council**

### **Matters Relating to the Electronic Presentation of the Audited Financial Report**

The audit report relates to the financial report of Gladstone Regional Council for the period 15<sup>th</sup> March 2008 to 30 June 2009 included on Gladstone Regional Council's web site. The Council is responsible for the integrity of the Gladstone Regional Council web site. We have not been engaged to report on the integrity of the web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from Gladstone Regional Council, to confirm the information included in the audited financial report presented on this web site.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

### **Report on the Financial Report**

I have audited the accompanying financial report of Gladstone Regional Council, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity, appropriation statement and cash flow statement for the period ended on that date, a summary of significant accounting policies other explanatory notes and certificates given by the Mayor and Chief Executive Officer.

#### *The Council's Responsibility for the Financial Report*

The Council is responsible for the preparation and fair presentation of the financial report in accordance with the *Local Government Act 1993*, *Local Government Finance Standard 2005* and the *Local Government Reform Implementation Regulation 2008* including compliance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

My responsibility to express an opinion on the financial report based on the audit is prescribed in the *Auditor-General Act 2009*. This Act, including transitional provisions, came into operation on 1 July 2009 and replaces the previous requirements contained in the *Financial Administration and Audit Act 1977*.

The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free of material misstatement.

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

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

### *Independence*

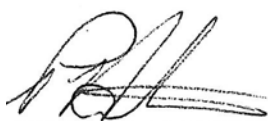
The *Auditor-General Act 2009* promotes the independence of the Auditor-General and QAO authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

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

### *Auditor's Opinion*

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

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
  - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of the Gladstone Regional Council for the financial period 15 March 2008 to 30 June 2009 and of the financial position as at the end of that period.



P F Hinton CA  
(as Delegate of the Auditor-General of Queensland)

Mackay  
13<sup>th</sup> January 2010