
LOCAL GOVERNMENT ASSOCIATION OF QUEENSLAND LTD

ABN 11 010 883 293

**ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2016**

Table of Contents

| | Page |
|--|------|
| Directors' Report | 2 |
| Auditor's Independence Declaration | 6 |
| Financial Statements | |
| Statements of Comprehensive Income | 7 |
| Statements of Financial Position | 8 |
| Statements of Cash Flows | 9 |
| Statements of Changes in Equity | 10 |
| Notes to and forming part of the Financial Statements | |
| Note 1 Summary of Significant Accounting Policies | 11 |
| Note 2 Statement of Comprehensive Income - Disclosures | 19 |
| Note 3 Cash and Cash Equivalents | 21 |
| Note 4 Trade and Other Receivables | 21 |
| Note 5 Other Assets | 21 |
| Note 6 Intangibles | 22 |
| Note 7 Property, Plant and Equipment | 22 |
| Note 8 Interest in LGIS | 25 |
| Note 9 Interest in Shared Services Ventures | 26 |
| Note 10 Trade and Other Payables | 30 |
| Note 11 Borrowings | 30 |
| Note 12 Employee Benefits | 30 |
| Note 13 Equity | 31 |
| Note 14 Statement of Cash Flows - Disclosures | 32 |
| Note 15 Financial Instruments | 33 |
| Note 16 Unexpended Grant Funds Held by Association | 37 |
| Note 17 Remuneration of Directors and Policy Executive Members | 37 |
| Note 18 Related Entities | 38 |
| Note 19 Non-Controlling Interests | 38 |
| Note 20 Payroll Tax | 39 |
| Note 21 Events Occurring After Balance Date | 39 |
| Note 22 Commitments | 39 |
| Note 23 Contingent Liabilities | 39 |
| Note 24 Fred Rogers Memorial Trust | 40 |
| Note 25 Mt Emerald Trust | 41 |
| Directors' Declaration | 42 |
| Independent Auditor's Report | 43 |

Directors' Report

The directors submit the following report for the year ended 30 June 2016 made in accordance with a resolution of the Board of directors.

Company Details

The Local Government Association of Queensland Ltd has its Principal Place of Business and Registered Office at Level 2, 25 Evelyn St Newstead Queensland.

Directors

The names of the directors of Local Government Association of Queensland Ltd ("LGAQ" or the "Association") in office during or since the period 1 July 2015 to 30 June 2016 were:

| <u>Director</u> | <u>Appointed</u> | <u>Resigned</u> |
|-----------------|------------------|-----------------|
| Cr M de Wit | 1 July 2010 | 20 June 2016 |
| Cr A Sutherland | 28 July 2012 | 20 June 2016 |
| Cr F Pascoe | 6 December 2012 | 20 June 2016 |
| Cr R Brown | 28 July 2012 | - |
| Cr J Hill | 30 June 2016 | - |
| Cr M Jamieson | 30 June 2016 | - |

Directors' Meetings

A total of ten directors' meetings were held during the year. The number of meetings attended by each director was as follows:

| <u>Director</u> | <u>Attended / Eligible</u> | <u>Director</u> | <u>Attended / Eligible</u> |
|-----------------|----------------------------|-----------------|----------------------------|
| Cr M de Wit | 10 / 10 | Cr R Brown | 10 / 10 |
| Cr A Sutherland | 10 / 10 | Cr J Hill | 0 / 0 |
| Cr F Pascoe | 9 / 10 | Cr M Jamieson | 0 / 0 |

Information on Directors

Applicable Qualifications, Experience & Special Responsibilities

Cr M de Wit

Graduate of Aust. Institute of Company Directors; Graduate Diploma of Business Administration (QUT); Diploma of Financial Planning (Deakin University); Councillor Brisbane City Council 19 yrs; Chairman Role Brisbane City Council 8 yrs; Member Regional Development Australia 4 yrs; Chamber of Commerce & Industry Queensland (CCIQ) Brisbane West 9 yrs; ALGA Director 3 yrs; LG Super Director 3 yrs

Cr A Sutherland

Diploma of Business; Mayor Moreton Bay Regional Council 8 yrs; Mayor Redcliffe City Council 4 yrs; Deputy Mayor Redcliffe City Council 7 yrs; Councillor Redcliffe City Council 3 yrs

Cr F Pascoe

Mayor Carpentaria Shire Council 18 yrs; CEO Bynoe CACS Ltd 11 yrs; Morr Pastoral Company Pty Ltd Director 19 yrs; Aboriginal Development Benefits Trust Director 11 yrs; Gulf Savannah Development Director 8 yrs; Normanton Traders Pty Ltd Director 8 yrs; North West Regional Organisation of Councils Chairman 3 yrs

Cr R Brown

Councillor Western Downs Regional Council; Mayor Western Downs Regional Council 8 yrs; Deputy Mayor and Councillor Tara Shire Council 17 yrs; Commissioner Gasfields Commission 4 yrs; Former Chairman Surat Basin Leadership Group; Chairman Western Downs Housing Trust; Queensland Agricultural Land Audit Committee

Information on Directors - Continued

Cr J Hill

Mayor Townsville City Council 4 yrs; Councillor Townsville City Council 5 yrs; ALGA Director; Chairman Townsville Entertainment Centre Joint Venture; Deputy Chair Townsville Enterprise Board; North Queensland Regional Organisation of Councils Member

Cr M Jamieson

Mayor Sunshine Coast Council 4 yrs; Director Commercial and Rural Property and Investment Entities 15 yrs; Chief Operating Officer and Chief Executive Officer APN Australian Publishing 5 yrs; Executive and Senior Management Roles in Regional Queensland Media 25 yrs; Former Director Sunshine Coast Helicopter Rescue Service

Principal Activities

The Association's principal activity is to represent Queensland Local Governments in their dealings with other governments, unions, business and the community.

The Association is incorporated also for pursuing whichever of the following objects it considers appropriate:

- (1) facilitating consultation by and between Members as to their common interests;
- (2) acting as:
 - (a) a body representing the interests of the local government industry generally;
 - (b) an employer organisation under the *Industrial Relations Act 1999*; and
 - (c) a representative body for Members and/or groups of Members, for the purpose of providing effective and professional representation in dealings between local government and other levels of government, industry, the media and the public generally;
- (3) providing professional advice to assist Members in matters of doubt and difficulty;
- (4) providing and facilitating the provision of goods and services to Members;
- (5) promoting the efficient carrying out of local government throughout Queensland;
- (6) generally, undertaking and promoting any activity which the Board determines to be for the benefit and/or interest of local government in Queensland.

Throughout the year the Association continued to provide strong representation and a diverse range of services to its membership. These activities were consistent with the principle activities and objects of the Association and assisted the Association in achieving its key corporate objectives.

Key Objectives

The Association's six key corporate objectives are as follows:

- (1) Establish a leadership reputation for:
 - (a) Advocacy and Representation
 - (b) Customer Service and Support
 - (c) Innovation (Opportunity Realisation)
 - (d) Integrity (Trusted and Authoritative)
- (2) Grow the scope and depth of its relationship with members
- (3) LGAQ Financial Sustainability.

Key Objectives - Continued

The Association has implemented an internal operating process and corporate structure to assist the LGAQ to meeting the corporate objects as outlined above. The ongoing development and delivery of a new products and services based on the highest value need of the membership will also assist the Association in achieving these objectives.

Performance Measurement

The Association's primary performance measure will be changes in member loyalty. A benchmark member loyalty has been established and annual surveying of members and stakeholders will result in a comprehensive assessment of member and stakeholder perception of loyalty every year.

The financial sustainability of the Association will be based on achieving balanced or surplus budgets that allow the Association to continue to invest strongly in new products and services for its membership.

Membership

The Association's membership consists of the Brisbane City Council and any Local Government constituted under the Local Government Act 2009. The Association keeps a register of its members which records who was a member of the Association for the period the register is kept.

If the Association goes into liquidation each member must contribute to the Association's assets (while either currently a member or within 12 months of ceasing to be a member) a contribution not exceeding \$20. The Association currently has 77 members limiting total member liability to \$1,540.

Events Occurring After Balance Date

There are no matters or circumstances which have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Association, the results of those operations or the state of affairs of the Association in future years.

Basis of Financial Report Preparation

The consolidated financial statements of the Local Government Association of Queensland Ltd for the year ended 30 June 2016 are comprised of the Association, its subsidiaries and the Association's interest in its jointly controlled entities. The Association is considered a not-for-profit entity for the purposes of preparing these statements. The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB). The financial statements have also been prepared on an accrual and going concern basis.

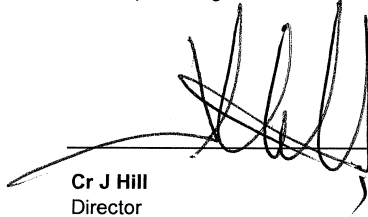
Insurance

The physical assets and risks held by the Association are insured via a variety of specific insurance policies for which premiums are generally levied on a risk assessment basis. In addition, the Association pays premiums to Work Cover Qld in respect of its obligations for employee protection.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2016 has been received and is attached.

This report is signed in accordance with a resolution of the board of directors:

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned above the printed name and title.

Cr J Hill
Director

Dated: 30 September 2016

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Local Government Association of Queensland Ltd

This auditor's independence declaration has been provided pursuant to s.307C of the *Corporations Act 2001*.

Independence declaration

As lead auditor for the audit of Local Government Association of Queensland Ltd for the financial year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



J MACGREGOR CPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

Statements of Comprehensive Income for the year ended 30 June 2016

| | | Consolidated | Consolidated | Chief Entity | Chief Entity |
|--|-------------|-------------------|--------------------|-------------------|-------------------|
| | Notes | 2016 | 2015 | 2016 | 2015 |
| | | \$ | \$ | \$ | \$ |
| Income | | | | | |
| Fees and Service Charges | 2(a) | 30,344,893 | 25,989,444 | 22,282,667 | 18,956,221 |
| Shared Services Fees | 9(a) | 35,357,961 | 16,589,729 | - | - |
| Contributions and Grants | 2(b) | 6,808,169 | 2,424,469 | 6,808,169 | 2,424,469 |
| Dividends and Distributions | 2(c) | - | - | 1,784,383 | 1,968,427 |
| Interest | 2(d) | 330,698 | 365,308 | 259,044 | 254,613 |
| Gain from Disposal of Non-Current Assets | | 2,729 | 3,978 | 3,535 | 1,746 |
| Gain on Acquisition of Remaining Share in LGIS | 8 | - | 1,006,128 | - | - |
| Total Income | | 72,844,450 | 46,379,056 | 31,137,798 | 23,605,476 |
| Expenses | | | | | |
| Depreciation and Amortisation | 2(e) | 1,032,851 | 1,004,225 | 878,382 | 867,953 |
| Employee Benefit Expenses | 2(f) | 13,461,327 | 12,768,360 | 8,351,048 | 7,241,714 |
| Administration and Management Expenses | 2(g) | 2,839,118 | 2,765,435 | 1,764,741 | 1,653,463 |
| Property Repairs and Maintenance Expense | | 596,130 | 544,842 | 596,130 | 544,842 |
| Grant Expenditure | 2(h) | 2,424,071 | 3,005,981 | 2,501,790 | 3,313,871 |
| LGAQ Annual Conference | | 686,981 | 713,917 | 686,981 | 722,584 |
| LGOnline and Member Services Centre | | 97,030 | 22,408 | 904,345 | 1,213,695 |
| ALGA Annual Subscription | | 459,125 | 449,865 | 459,125 | 449,865 |
| Share of Loss in Shared Services Ventures | 9(a) - 9(d) | 466,221 | 76,609 | - | - |
| Other Expenses | 2(i) | 8,483,445 | 6,723,451 | 8,617,181 | 7,191,710 |
| Shared Services Related Expenses | 9(a) | 35,399,708 | 18,877,382 | - | - |
| Borrowing Costs | 2(j) | 493,052 | 508,405 | 493,052 | 508,405 |
| Total Expenses | | 66,439,060 | 47,460,878 | 25,252,775 | 23,708,101 |
| Surplus (Deficit) for the year before Tax | | 6,405,389 | (1,081,821) | 5,885,024 | (102,625) |
| Income Tax Expense | | - | - | - | - |
| Surplus (Deficit) for the year | | 6,405,389 | (1,081,821) | 5,885,024 | (102,625) |
| Attributable to: | | | | | |
| Members of the Association | | 6,316,671 | (465,849) | 5,885,024 | (102,625) |
| Non-Controlling Interest | 19 | 88,718 | (615,973) | - | - |
| Surplus (Deficit) for the year | | 6,405,389 | (1,081,821) | 5,885,024 | (102,625) |
| Other Comprehensive Income for the year | | | | | |
| Increase (Decrease) in Asset Revaluation Surplus | | 4,720,800 | - | 4,720,800 | - |
| Total Comprehensive Income for the year | | 11,126,189 | (1,081,821) | 10,605,824 | (102,625) |
| Attributable to: | | | | | |
| Members of the Association | | 11,037,471 | (465,849) | 10,605,824 | (102,625) |
| Non-Controlling Interest | | 88,718 | (615,973) | - | - |

Statements of Financial Position as at 30 June 2016

| | | Consolidated | Consolidated | Chief Entity | Chief Entity |
|--|-------------|-------------------|-------------------|-------------------|-------------------|
| | Notes | 2016 | 2015 | 2016 | 2015 |
| | | \$ | \$ | \$ | \$ |
| Assets | | | | | |
| Current Assets | | | | | |
| Cash and Cash Equivalents | 3 | 15,406,429 | 10,137,491 | 10,865,543 | 5,727,060 |
| Trade and Other Receivables | 4 | 9,526,499 | 6,307,945 | 4,450,292 | 3,534,579 |
| Other Assets | 5 | 844,503 | 641,840 | 621,098 | 454,465 |
| Total Current Assets | | 25,777,431 | 17,087,276 | 15,936,934 | 9,716,104 |
| Non-Current Assets | | | | | |
| Trade and Other Receivables | 4 | 860,131 | - | 201,000 | 201,000 |
| Other Assets | 5 | - | - | 777,298 | 777,298 |
| Intangibles | 6 | 553,874 | 519,249 | 330,553 | 452,011 |
| Property, Plant and Equipment | 7 | 24,588,645 | 20,379,805 | 24,414,329 | 20,180,777 |
| Interest in LGIS Joint Venture | 8 | - | - | 100,010 | 100,010 |
| Total non-current assets | | 26,002,650 | 20,899,054 | 25,823,190 | 21,711,096 |
| Total Assets | | 51,780,081 | 37,986,330 | 41,760,124 | 31,427,200 |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Trade and Other Payables | 10 | 6,965,798 | 5,802,019 | 981,431 | 1,006,472 |
| Borrowings | 11 | 640,789 | 623,249 | 640,789 | 623,249 |
| Subscriptions in Advance | | 558 | 11,305 | 558 | 11,305 |
| Unearned Income | | 225,571 | 320,056 | 225,571 | 320,056 |
| Accrued Employee Benefits | 12 | 1,255,854 | 1,105,447 | 971,263 | 755,449 |
| Provision for Employee Benefits | 12 | 963,483 | 730,293 | 813,776 | 627,745 |
| Total Current Liabilities | | 10,052,053 | 8,592,368 | 3,633,387 | 3,344,275 |
| Non-Current Liabilities | | | | | |
| Borrowings | 11 | 8,529,222 | 9,149,650 | 8,529,222 | 9,149,650 |
| Provision for Employee Benefits | 12 | 516,110 | 460,171 | 325,601 | 267,184 |
| Interest in Shared Services Ventures | 9(a) - 9(d) | 542,163 | 75,942 | - | - |
| Total Non-Current Liabilities | | 9,587,495 | 9,685,763 | 8,854,823 | 9,416,834 |
| Total Liabilities | | 19,639,548 | 18,278,131 | 12,488,210 | 12,761,109 |
| Net Assets | | 32,140,533 | 19,708,198 | 29,271,914 | 18,666,091 |
| Equity | | | | | |
| Asset Revaluation Surplus | 13(a) | 12,044,100 | 7,323,300 | 12,044,100 | 7,323,300 |
| General Reserve | 13(a) | 700,259 | 700,259 | 700,259 | 700,259 |
| Retained Surpluses | 13(b) | 18,196,290 | 11,879,619 | 16,527,556 | 10,642,532 |
| Total Equity Attributable to Members of the Association | | 30,940,649 | 19,903,178 | 29,271,915 | 18,666,091 |
| Non-Controlling Interest | 19 | 1,199,883 | (194,981) | - | - |
| Total Equity | | 32,140,532 | 19,708,197 | 29,271,915 | 18,666,091 |

Statements of Cash Flows for the year ended 30 June 2016

| | | Consolidated | Consolidated | Chief Entity | Chief Entity |
|---|-------|---------------------|---------------------|---------------------|---------------------|
| | Notes | 2016 | 2015 | 2016 | 2015 |
| | | \$ | \$ | \$ | \$ |
| Cash Flows from Operating Activities | | | | | |
| Inflows | | | | | |
| Fees and Service Charges | | 76,726,974 | 49,567,037 | 30,508,140 | 22,976,000 |
| Dividends and Distributions | | - | - | 1,968,427 | 1,915,000 |
| Interest | | 330,698 | 365,308 | 259,044 | 254,613 |
| GST Refunds Received from the ATO | | 5,763,772 | 3,107,229 | 1,001,364 | 1,175,505 |
| | | 82,821,445 | 53,039,574 | 33,736,975 | 26,321,118 |
| Outflows | | | | | |
| Supplier and Employee Payments | | (68,810,056) | (47,847,719) | (24,614,118) | (23,247,013) |
| Borrowing Costs | | (493,052) | (508,405) | (493,052) | (508,405) |
| GST Payments Remitted to the ATO | | (8,399,869) | (4,379,295) | (2,622,293) | (1,960,227) |
| | | (77,702,977) | (52,735,419) | (27,729,463) | (25,715,645) |
| Net Cash Inflow (Outflow) from Operating Activities | 14(b) | 5,118,467 | 304,155 | 6,007,512 | 605,473 |
| Cash Flows from Investing Activities | | | | | |
| Payments for Property, Plant & Equipment | | (363,475) | (477,297) | (292,265) | (391,671) |
| Payments for Intangibles | | (216,135) | - | - | - |
| Proceeds from Sale of Property, Plant & Equipment | | 26,823 | 185,253 | 26,123 | 151,927 |
| Investment in Shared Services Venture | | 1,306,146 | 396,352 | - | - |
| Payment for Shares and Units | | - | (676) | - | (10) |
| Net Cash Inflow (Outflow) from Investing Activities | | 753,359 | 103,632 | -266,142 | -239,754 |
| Cash Flows from Financing Activities | | | | | |
| Repayment of Borrowings | | (602,887) | (593,283) | (602,887) | (593,283) |
| Proceeds from Borrowings | | - | 3,420,121 | - | 3,420,121 |
| Loan with Owned Entities | | - | - | - | - |
| Cash Acquired as result of Acquisition of Remaining Share in LGIS | | - | 1,432,077 | - | - |
| Net Cash Inflow (Outflow) from Financing Activities | | (602,887) | 4,258,915 | (602,887) | 2,826,838 |
| Net Increase (Decrease) in Cash and Cash Equivalents | | 5,268,939 | 4,666,703 | 5,138,483 | 3,192,557 |
| Cash and Cash Equivalents at Beginning of Financial Year | | 10,137,491 | 5,470,787 | 5,727,060 | 2,534,503 |
| Cash and Cash Equivalents at End Financial Year | 14(a) | 15,406,431 | 10,137,490 | 10,865,543 | 5,727,060 |

Statements of Changes in Equity for the year ended 30 June 2016

| | Asset Revaluation \$ | General Reserve \$ | Retained Surpluses \$ | Non Controlling Interests \$ | Total \$ |
|--|----------------------------|--------------------------|-----------------------------|---------------------------------------|-------------|
| Chief Entity | 13(a) | 13(a) | 13(b) | | |
| Balance at 1 July 2014 | 7,323,300 | 700,259 | 10,745,157 | - | 18,768,716 |
| Comprehensive Income: | | | | | |
| Surplus (Deficit) for the Year | - | - | (102,625) | - | (102,625) |
| Other Comprehensive Income: | | | | | |
| Increase (Decrease) in Asset Revaluation Surplus | - | - | - | - | - |
| Total Comprehensive Income: | - | - | (102,625) | - | (102,625) |
| Balance at 30 June 2015 | 7,323,300 | 700,259 | 10,642,532 | - | 18,666,091 |
| Balance at 1 July 2015 | 7,323,300 | 700,259 | 10,642,532 | - | 18,666,091 |
| Comprehensive Income: | | | | | |
| Surplus (Deficit) for the Year | - | - | 5,885,024 | - | 5,885,024 |
| Other Comprehensive Income: | | | | | |
| Increase (Decrease) in Asset Revaluation Surplus | 4,720,800 | - | - | - | 4,720,800 |
| Total Comprehensive Income: | 4,720,800 | - | 5,885,024 | - | 10,605,824 |
| Balance at 30 June 2016 | 12,044,100 | 700,259 | 16,527,555 | - | 29,271,914 |
| Consolidated | | | | | |
| Balance at 1 July 2014 | 7,323,300 | 700,259 | 12,345,467 | 24,640 | 20,393,667 |
| Comprehensive Income: | | | | | |
| Surplus (Deficit) for the Year | - | - | (465,849) | (615,973) | (1,081,821) |
| Other Comprehensive Income: | | | | | |
| Increase (Decrease) in Asset Revaluation Surplus | - | - | - | - | - |
| Total Comprehensive Income: | - | - | (465,849) | (615,973) | (1,081,821) |
| Transactions with Owners in their Capacity as Owners: | | | | | |
| Equity Investment in Shared Services Venture | - | - | - | 396,352 | 396,352 |
| Balance at 30 June 2015 | 7,323,300 | 700,259 | 11,879,619 | (194,981) | 19,708,197 |
| Balance at 1 July 2015 | 7,323,300 | 700,259 | 11,879,619 | (194,981) | 19,708,197 |
| Comprehensive Income: | | | | | |
| Surplus (Deficit) for the Year | - | - | 6,316,671 | 88,718 | 6,405,389 |
| Other Comprehensive Income: | | | | | |
| Increase (Decrease) in Asset Revaluation Surplus | 4,720,800 | - | - | - | 4,720,800 |
| Total Comprehensive Income: | 4,720,800 | - | 6,316,671 | 88,718 | 11,126,189 |
| Transactions with Owners in their Capacity as Owners: | | | | | |
| Equity Investment in Shared Services Venture | - | - | - | 1,306,146 | 1,306,146 |
| Balance at 30 June 2016 | 12,044,100 | 700,259 | 18,196,290 | 1,199,883 | 32,140,532 |

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 1 Summary of Significant Accounting Policies**(a) Basis of Preparation***General*

The Association was previously created under section 1194 of the Local Government Act 1993. Effective 1 July 2010 the Local Government Act 2009 contained provisions for the Association to reconstitute as a company limited by guarantee and provided that all rights, liabilities and interests of the former incorporated Association become the rights, liabilities and interests of the new entity.

On 1 July 2010 the Association registered a company limited by guarantee (Local Government Association of Queensland Ltd) and commenced operating via this entity in accordance with the provisions of the Local Government Act 2009. The Association's principal activity is to represent Queensland Local Governments in their dealings with other governments, unions, business and the community.

The consolidated financial statements of the Local Government Association of Queensland Ltd for the year ended 30 June 2016 are comprised of the Association, its subsidiaries and the Association's interest in its other entities. The Association is considered a not-for-profit entity for the purposes of preparing these statements. The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial statements have also been prepared on an accrual and going concern basis. The financial statements were authorised for issue on the date the Directors' Declaration was signed.

The financial statements have also been prepared under the historical cost convention and except where specifically stated do not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial statements are presented in Australian dollars which is the Association's functional and presentation currency.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Association recognises any non controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the groups share of the net identifiable assets acquired is recorded as goodwill.

Accounting policies

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016. The accounting policies have been consistently applied unless otherwise stated.

Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months or if there is no unconditional right to defer settlement for at least 12 months after reporting period.

Critical accounting estimates and judgments

The estimates and judgments incorporated into the financial statements are based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity. Significant estimates or judgments used in the preparation of these financial statements include:

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 1 Summary of Significant Accounting Policies - Continued*Critical accounting estimates and judgments - Continued*

Quotation and Tender Arrangement Revenue - Contract Management Fee amounts for the period April 2016 to June 2016 have been accrued based upon actual values advised by Contract Suppliers in the April 2016 to June 2016 quarterly Statistical Returns. Where returns have not been received upon issue of these financial statements, an estimation based upon historical trends relating to a supplier is performed if it is deemed the contract management fee value has a material impact to these financial statements.

Trade and Other Payables - In the consolidated financial statements the fee for the resources supplied by Liverpool City Council to the QPG Shared Services Support Centres Joint Venture for the period 26 May 2016 to 30 June 2016 has been estimated using the average of the Resource Fee for the previous three-month period.

Provision for Employee Benefits - the timing of benefits in respect of Long Service Leave has been estimated by examining historical trends and valued using estimates of pay increases at the present value of estimated future cash flows by using the Indicative Mid Rates of Commonwealth Government Securities published by the Reserve Bank of Australia.

Depreciation and Amortisation - useful lives of property plant and equipment items and intangible items are reviewed at the end of each reporting period. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives.

Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform with the changes in presentation for the current financial year.

Rounding

Unless otherwise stated, amounts in the statements have been rounded to the nearest dollar.

(b) Income Recognition

Revenue is measured at the fair value of the consideration received or receivable. The Association recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow into the entity and specific criteria have been met for each revenue earning activity as described below.

Subscriptions

Annual membership subscriptions are recognised on an accrual basis over the term of the membership period.

Rendering of services

Revenue from a contract is recognised on an accrual basis in accordance with the substance and term of the relevant agreement.

Government Contributions and Grants

Government contributions and grants are recognised as operating income on receipt or when an entitlement is established, whichever is the sooner, and disclosed in the Statement of Comprehensive Income as Contributions and Grants.

These amounts are received under a binding legal obligation to either expend the funds for the purpose which they are granted, or return any unspent funds to the grantor. In accordance with accounting standards, grant funds are recorded as ordinary revenue in the financial period they are received, without raising any corresponding liability item to recognise the expenditure or refund obligation. Commonly, grants received in one period are expended over one or more following years.

Sale of assets

The profit or loss on sale of an asset is determined when control has passed to the buyer. In accounting for the sale of non-current assets, the proceeds from the sale of assets is offset against the carrying value of the asset with any net gain or loss on the sale being recognised in the Statement of Comprehensive Income.

Shared Services Sales

Shared Services Sales comprises revenue earned from services rendered and is recognised on an accruals basis in accordance with the substance and term of the relevant agreement.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 1 Summary of Significant Accounting Policies - Continued**(b) Income Recognition - Continued***Interest Revenue*

Interest revenue is recognised on a time proportionate basis taking into account the interest rates applicable to the financial assets.

Dividends and Distributions

Dividend and distribution revenue from investments is recognised when the consolidated entity and Association's right to receive payment has been established.

Distribution revenue from the DDS Unit Trust and Local Buy Trading Trust is recognised in the same year in which the surpluses were generated by each Trust.

Tender arrangements revenue

Tender arrangement revenues in Local Buy are recognised upon the receipt of a quarterly statistical return provided by the supplier. Where a return has not been submitted at the end of the reporting year, an estimate is performed for the previous three months.

The reasons for primary reliance on suppliers' returns have been several. First, Local Buy's contractual arrangements have been entered into directly with suppliers, not with council users of the contracts, and thus all of its enforceable reporting obligations have fallen (only) on suppliers. Second, Local Buy has had no alternative practical way of seeking to establish levels of spending under the contracts. It has been considered desirable to restrict the number of enquiries and inconveniences to councils and any council reporting burden, given that one current advantage for councils of using Local Buy arrangements is the convenience and ease of use of such arrangements. Overall, notwithstanding that this business model entails a risk of either inadvertent or systematic incompleteness of supplier returns, it has been considered by Local Buy up to now to be its most practical and cost-effective option.

Notwithstanding the above, there is reason to believe that revenues from tender arrangements as currently returned by suppliers may be inaccurate and/or incomplete and could thus be materially improved if suppliers were totally accurate with their statistical returns. A process is currently being undertaken in an endeavour to enhance the accuracy and completeness of suppliers' statistical returns in future. Any impact of inaccurate and/or incomplete revenue is not deemed to have a material impact on the consolidated entity.

(c) Borrowing Costs

Borrowing costs are comprised of interest that has been paid or has become payable on the borrowings of the consolidated entity during the current reporting period. Borrowing costs are recognised as an expense in the period in which they are incurred and are not capitalised into the cost of qualifying assets.

(d) Recognition, Measurement and Impairment of Property, Plant and Equipment*Recognition*

Property, plant and equipment items with a cost or value in excess of \$1,000 and a useful life of more than one year are recognised as an asset. All other items of property, plant and equipment are expensed on acquisition.

Valuation

Land and buildings are measured at fair value in accordance with AASB 116 Property, Plant and Equipment and AASB13 Fair Value Measurement. These assets are reported at their revalued amounts, being the fair value at date of valuation, less any subsequent accumulated depreciation. The fair values are reviewed by the Directors at the end of each reporting period to ensure the carrying value of land and buildings is not materially different from their fair values. Revaluations of land and buildings are determined on the basis of an independent valuation and other market based evidence available to the Directors. Office furniture, equipment and motor vehicles are stated at cost less accumulated depreciation and impairment.

An independent valuation was carried out by Australian Pacific Valuers in April 2016 over freehold land and buildings. The valuation was based on a capitalisation of net income approach using a capitalisation rate of 8% as derived from evidence of comparable building sales taken throughout the year. The valuation by Australia Pacific Valuers was utilised by the Directors in determining that a revaluation was required over freehold land and buildings as at 30 June 2016.

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

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 1 Summary of Significant Accounting Policies - Continued**(d) Recognition, Measurement and Impairment of Property, Plant and Equipment - Continued**

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

(Level 1) Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities; (Level 2) Fair value based on inputs that are either directly or indirectly observable for the asset and liability; and (Level 3) Fair value on unobservable inputs for the asset and liability.

The fair values of assets are determined using a valuation technique that maximises observable data where available and minimises estimation. If all the significant inputs required to fair value an asset are observable, the asset will be classified as level 2. The inputs required for the land and buildings valuation are observable and are therefore classified as level 2.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation surplus except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense, in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation surplus for that class of asset, in which case the decrement is taken to the asset revaluation surplus to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

Impairment of assets

At each reporting date the carrying amounts of property, plant and equipment are reviewed to determine whether there is any indication those assets have suffered an impairment loss.

(e) Recognition, Measurement and Impairment of Intangible Assets*Recognition and measurement*

The development or purchase of any software or technology-based solution with a cost or value in excess of \$1,000 and a useful life of more than one year is recognised as an intangible asset. Intangible assets are stated at cost less accumulated amortisation and impairment.

Impairment of Intangibles

At each reporting date the carrying amounts of intangible assets are reviewed to determine whether there is any indication those assets have suffered an impairment loss.

(f) Depreciation and Amortisation

Land is not depreciated as it has an unlimited useful life.

Depreciation on buildings, office equipment and motor vehicles is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the Association.

Where assets have separately identifiable components, 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 asset value is depreciated over the remaining useful life of the asset to the Association.

All intangible assets have finite useful lives and are amortised on a straight line basis.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|--------------------------------|---------------|
| Building | 10 - 50 Years |
| Office Furniture and Equipment | 3-15 Years |
| Motor Vehicles | 3.5-5 Years |
| Intangibles | 3-15 Years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 1 Summary of Significant Accounting Policies - Continued**(g) Cash and Cash Equivalents**

For Statement of Cash Flows and Statement of Financial Position presentation purposes, cash and cash equivalents include all cash and cheques receipted but not banked as at 30 June 2016 as well as deposits at call with financial institutions. It also includes liquid investments with short periods to maturity that are convertible readily to cash on hand at the Association's option and that are subject to a low risk of changes in value.

(h) Receivables

Trade debtors are recognised at the amounts due at the time of sale or service delivery, with settlement being generally required within 30 days from the invoice date.

Collectability of trade debtors is reviewed on an ongoing basis. An allowance for impaired debts is raised when some doubt as to collection exists. All debts known to be uncollectable as at 30 June 2016 have been written off.

The units held in the DDS and Local Buy Unit Trusts entitles the Association to a profit distribution equal to 100% of the annual profits declared in these entities. These distributions are recognised as a receivable and a revenue to the Association in the same year in which the profit was generated by the Trusts.

(i) Financial Instruments*Recognition*

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, these instruments are measured as set out below:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at fair value less impairment.

Held-to-maturity investments

These investments have fixed maturities, and it is the consolidated entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the consolidated entity are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value in accordance with AASB13 Fair Value Measurement. Unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(j) Other Financial Assets

Investments are measured at cost.

The loans to the DDS Unit Trust (Resolute Information Technology Pty Ltd as trustee) and Prevwood Pty Ltd are not currently accruing interest or repayments and there is no term for repayment, therefore there are no related borrowing costs to disclose.

(k) Employee Benefits*Wages and Salaries*

A liability for wages and salaries 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. Workers' compensation insurance is a consequential cost of employing employees, but is not considered part of an employees total remuneration package and as such is recognised separately as an employee related expense. Employer superannuation contributions, annual leave and long service leave entitlements are regarded as employee benefits.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 1 Summary of Significant Accounting Policies - Continued**(k) Employee Benefits - Continued***Annual Leave*

Employee benefits in respect of annual leave are accrued on a pro rata basis in respect of services provided by employees up to balance date, having regard to future rates of pay and on-costs. Entitlements expected to be settled within 12 months are accrued at non-discounted value. Entitlements not expected to be settled within 12 months are measured at the present value of estimated future cash outflows and classified as current liabilities as no unconditional right exists to defer payment beyond this period.

Long Service Leave

Employee benefits in respect of long service leave are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining employed by the Association or other associated employment which would result in the Association 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. Where an entitlement to long service leave exists, or pro-rata payment upon termination exists, at balance date, the value is classified as current. Where no entitlement to long service leave exists at balance date, the conditional right to defer payment arises and the value is classified as non-current.

Superannuation

Employer contributions to employee superannuation plans are charged as expenses as the contributions are paid or become payable. The Association has no liability to or interest in the scheme other than payment of employer contributions.

(l) Taxation

The activities of the Association and its wholly-owned subsidiaries are exempt from Commonwealth income taxation as a non-excluded State or Territory Body under Part 3, Division 1AB of the Income Tax Assessment Act 1936. The Association and its wholly-owned subsidiaries are not exempt from Fringe Benefits Tax (FBT) and Goods and Services Tax (GST) and as such, input tax credits receivable and GST payable from and to the Australian Taxation Office are recognised and accrued.

The Association is exempt from payroll-tax. Refer also to Note 20.

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(m) Trade and Other Payables

Trade creditors are recognised upon receipt of goods and services provided and are measured at the agreed purchase price, gross of applicable trade and other discounts. The amounts are unsecured and are generally settled within 30 days of invoice date.

(n) Leases

The Association currently leases a portion of its business premises to third party tenants. The resulting lease receipts are recorded in the Statement of Comprehensive Income in the periods in which they are earned.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 1 Summary of Significant Accounting Policies - Continued**(o) Insurances**

The physical assets and risks held by the consolidated entity are insured via a variety of specific insurance policies for which premiums are generally levied on a risk assessment basis. The majority of insurance policies are held in the Local Government Mutual Insurance Scheme with Vero Insurance, ACE Insurance and Chubb Insurance also providing other specific insurance covers. In addition, the consolidated entity pays premiums to Work Cover Qld in respect of its obligations for employee protection.

(p) Principles of Consolidation

The consolidated financial statements have been prepared by combining the financial statements of all entities that comprise the economic entity (the group), being the Association (the chief entity) and its controlled entities as defined in Accounting Standard AASB 127 *Consolidated and Separate Financial Statements*. The Association and its controlled entities are referred to in this financial report as the consolidated entity.

Controlled entities are all entities over which the Association has the power to govern the financial and operating policies, generally accompanying an interest representing more than one half of the voting rights. A list of controlled entities appears in Note 18 to the financial statements.

Controlled entities are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date control ceases. The acquisition method of accounting is used to account for business combinations by the group. Refer also Note 1(a).

Intercompany transactions and balances between the group entities are eliminated (this includes loans, dividends and distributions where applicable). Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the group.

Non controlling interests in the results and equity of controlled entities are shown separately in the consolidated statement of comprehensive income, statement of financial position and statement of changes in equity. See also Note 19.

(q) New Accounting Standards and Interpretations

The Association did not voluntarily change any of its accounting policies during the year ended 30 June 2016. A number of new and amended accounting standards are mandatory for the year ended 30 June 2016. The adoption of these standards or interpretations had no material impact on the financial statements or the performance of the Association.

At the date of authorisation of the financial report the following new accounting standards with a future application date were identified as potentially having a material impact on the Associations financial statements.

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2018 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met. As a result, the Association will be required to measure its financial assets at fair value.

AASB 15, *Revenue from Contracts with Customers*, replaces AASB 118 *Revenue*, is effective for reporting periods on or after 1 January 2018. The main impact of AASB 15 is to provide a framework for the recognition, measurement and disclosure of revenue from contracts with customers. The Association is yet to assess AASB15 to identify if the standard will have a material impact.

AASB 124, *Related Party Disclosures* is effective for reporting periods on or after 1 July 2016. The main impact of AASB 124 is to provide a range of disclosures about the remuneration of key management personnel, transactions with related parties and relationships with controlled entities.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016**Note 1 Summary of Significant Accounting Policies - Continued****(q) New Accounting Standards and Interpretations - Continued**

Other new accounting standards and interpretations have been published that are effective for annual periods beginning on or after 1 July 2016 and have not been applied in preparing these financial statements. The Association's assessment of the impact of standards and interpretations on issue but not yet effective is that they are not expected to have any significant impact on the financial statements or the performance of the Association. However, the pronouncements may result in changes to how information is currently disclosed in the financial statements. The Association does not plan to early adopt any of these standards.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Statement of Comprehensive Income - Disclosures

| | Consolidated | Consolidated | Chief Entity | Chief Entity |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Note 2 (a) Fees and Service Charges | | | | |
| Seminar and Events | 119,820 | 274,892 | 169,913 | 282,565 |
| Annual Conference | 898,029 | 838,709 | 898,029 | 858,368 |
| Annual Member Subscriptions | 4,491,389 | 4,381,827 | 4,491,389 | 4,381,827 |
| Local Government Online | 3,190,615 | 3,112,790 | 3,190,615 | 3,112,790 |
| Tenant Revenue | 1,109,090 | 1,069,226 | 1,494,065 | 1,460,714 |
| Financial Services | 69,175 | 48,539 | 369,231 | 336,062 |
| Local Government Mutual | 645,148 | 636,614 | 645,148 | 636,614 |
| Local Government Workcare | 707,456 | 698,001 | 707,456 | 698,001 |
| Local Government Assets | 113,020 | - | 113,020 | - |
| Subscriptions | 92,035 | 106,007 | 92,035 | 106,007 |
| Human Resources Consultancy | 1,417,082 | 1,034,690 | 1,420,061 | 1,034,690 |
| General Consultancy | 3,038 | 181,336 | 63,192 | 191,336 |
| Employment Assistance Programs | 152,550 | 133,650 | 152,550 | 133,650 |
| Training Services | 1,925,640 | 1,514,256 | 1,930,000 | 1,523,070 |
| Web Services | 40,933 | - | 102,117 | - |
| Elected Member Seminars | 231,732 | 149,744 | 231,732 | 149,744 |
| Legislative Compliance Service | 333,618 | 297,550 | 333,618 | 297,550 |
| Management Fees | - | - | 200,000 | 200,000 |
| Payroll Tax Ex Gratia | 1,048,315 | - | 1,048,315 | - |
| Other Expenses Recovery | 847,058 | 396,342 | 4,485,713 | 3,377,035 |
| General | 1,851,413 | 2,009,801 | 144,468 | 176,198 |
| Tender Arrangements | 6,118,326 | 5,599,726 | - | - |
| Online Tendering | 209,503 | 149,568 | - | - |
| Procurement Services | 196,476 | 379,596 | - | - |
| IT Services | 1,290,247 | 1,158,468 | - | - |
| Infrastructure Services | 1,844,609 | 979,179 | - | - |
| Hardware and Software Sales | 1,398,576 | 838,933 | - | - |
| | 30,344,893 | 25,989,444 | 22,282,667 | 18,956,221 |
| (b) Contributions and Grants | | | | |
| Contributions and grants are recognised as revenues during the reporting period and are obtained on the condition that they be expended in a manner specified by the contributor. In some cases, corresponding expenditure is recognised in subsequent periods. Refer also to note 16. | | | | |
| The four largest grant revenues received during the reporting period, accounting for greater than 90% of the total grant revenue, related to Climate Change (Coastal Hazards) Adaptation Program \$4,081,599; Indigenous VET Partnerships \$1,022,262; Queensland Water Regional Alliances Program \$600,000 and the LG Immunisation Program \$455,662. | | | | |
| Assist Stream | 605,780 | 669,386 | 605,780 | 669,386 |
| Advance Stream | 169,529 | 405,875 | 169,529 | 405,875 |
| Advocate Stream | 6,032,861 | 1,349,208 | 6,032,861 | 1,349,208 |
| | 6,808,169 | 2,424,469 | 6,808,169 | 2,424,469 |
| (c) Dividends and Distributions | | | | |
| Local Buy Trading Trust Profit Distribution | - | - | 1,784,383 | 1,968,427 |
| | - | - | 1,784,383 | 1,968,427 |
| (d) Interest | 330,698 | 365,308 | 259,044 | 254,613 |
| (e) Depreciation and Amortisation | | | | |
| Building | 547,731 | 448,203 | 547,731 | 448,203 |
| Office Furniture and Equipment | 160,474 | 187,933 | 99,562 | 115,294 |
| Motor Vehicles | 143,136 | 92,981 | 109,631 | 72,890 |
| Intangibles | 181,510 | 275,108 | 121,458 | 231,566 |
| | 1,032,851 | 1,004,225 | 878,382 | 867,953 |

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

| | Consolidated | Consolidated | Chief Entity | Chief Entity |
|---------------------------------------|-------------------|-------------------|------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| (f) Employee Benefit Expenses | | | | |
| Wages and Salaries | 11,115,381 | 10,614,563 | 6,886,826 | 5,990,674 |
| Employer Superannuation Contributions | 1,681,635 | 1,519,611 | 1,139,528 | 938,033 |
| Payroll Tax Expense (Benefit) | 227,845 | 123,303 | - | - |
| Other Employee Expenses | 436,466 | 510,883 | 324,695 | 313,008 |
| | 13,461,327 | 12,768,360 | 8,351,048 | 7,241,714 |

The Association had 79.3 full time equivalent employees at 30 June 2016 (65.7 at 30 June 2015).

The Consolidated entity had 125 full time equivalent employees at 30 June 2016 (113 at 30 June 2015).

| | | | | |
|---|------------------|------------------|------------------|------------------|
| (g) Administration and Management Expenses | | | | |
| Travel and Accommodation | 655,950 | 609,480 | 345,536 | 320,643 |
| Communication | 475,839 | 521,418 | 127,083 | 113,868 |
| Stationery, Printing and Office Supplies | 141,537 | 159,958 | 102,183 | 100,692 |
| IT Services and Maintenance | 422,974 | 301,108 | 587,305 | 549,553 |
| Publications | 222,307 | 215,266 | 222,307 | 215,266 |
| Subscriptions and Memberships | 46,372 | 42,431 | 46,372 | 42,431 |
| Marketing and Promotions | 628,603 | 683,892 | 190,040 | 206,855 |
| General Administration Expenses | 245,534 | 231,880 | 143,914 | 104,154 |
| | 2,839,118 | 2,765,435 | 1,764,741 | 1,653,463 |

(h) Grant Expenditure

The four largest grant expenditures incurred during the reporting period, accounting for greater than 60% of the total grant expenditure, were Climate Change (Coastal Hazards) Adaptation Program \$296,423; Indigenous VET Partnerships \$393,413; Queensland Water Regional Alliances Program \$330,961 and the LG Immunisation Program \$530,258. Refer also to Note 16.

| | | | | |
|-----------------|------------------|------------------|------------------|------------------|
| Assist Stream | 698,131 | 649,165 | 699,531 | 649,165 |
| Advance Stream | 23,176 | 406,186 | 89,512 | 714,076 |
| Advocate Stream | 1,702,765 | 1,950,630 | 1,712,747 | 1,950,630 |
| | 2,424,071 | 3,005,981 | 2,501,790 | 3,313,871 |

(i) Other Expenses

| | | | | |
|-------------------------------------|------------------|------------------|------------------|------------------|
| Board and Meeting Fees | 366,397 | 360,321 | 258,157 | 248,393 |
| Consultants | 1,379,944 | 1,141,137 | 919,052 | 998,457 |
| Seminar and Events | 95,008 | 164,476 | 95,008 | 164,476 |
| Insurances | 138,811 | 161,506 | 114,624 | 112,901 |
| Fringe Benefits Tax | 275,989 | 230,142 | 188,942 | 145,677 |
| Human Resources Consultancy | 666,082 | 517,081 | 666,082 | 517,081 |
| Training Services | 827,853 | 787,496 | 867,386 | 787,496 |
| Elected Member Seminars | 119,112 | 76,678 | 119,112 | 76,678 |
| Legislative Compliance Service | 65,845 | 170,540 | 65,845 | 170,540 |
| Reference Groups | 6,720 | 27,689 | 6,720 | 27,689 |
| Council Advisors | 102,042 | 73,725 | 102,042 | 73,725 |
| Member Connect Program | 36,330 | 33,876 | 36,330 | 33,876 |
| Local Government Media Campaign | 500,381 | - | 500,381 | - |
| Local Government Efficiency Project | 96,391 | 303,810 | 96,391 | 305,610 |
| Other Expenses - Recovered | 761,721 | 388,134 | 4,348,460 | 3,290,103 |
| General Expenses | 376,058 | 347,229 | 153,350 | 147,229 |
| Bad and Doubtful Debts | 2,900 | 5,079 | 2,900 | 5,079 |
| External Audit Fees ^ | 125,900 | 133,268 | 76,400 | 86,700 |
| Tendered Arrangement | 1,361,261 | 1,119,200 | - | - |
| Hardware and Software | 1,178,702 | 682,065 | - | - |
| | 8,483,445 | 6,723,451 | 8,617,181 | 7,191,710 |

^ The total audit fee for the remuneration of the Queensland Audit Office auditors in relation to the 2015-2016 financial year statements for the consolidated entity is estimated to be \$145,500 (actual 2015: \$155,000).

(j) Borrowing Costs

| | | | | |
|------------------|----------------|----------------|----------------|----------------|
| Interest Expense | 493,052 | 508,405 | 493,052 | 508,405 |
|------------------|----------------|----------------|----------------|----------------|

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Statement of Financial Position - Disclosures

| | Consolidated | Consolidated | Chief Entity | Chief Entity |
|--|-------------------|-------------------|-------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Note 3 Cash and Cash Equivalents | | | | |
| Cash on hand | 1,300 | 1,300 | 500 | 500 |
| Cash at bank | 3,565,006 | 2,633,806 | 277,292 | 558,348 |
| Deposits at call | 11,840,123 | 7,502,386 | 10,587,751 | 5,168,213 |
| | 15,406,429 | 10,137,491 | 10,865,543 | 5,727,060 |
| Note 4 Trade and Other Receivables | | | | |
| <i>Current</i> | | | | |
| Trade debtors and accruals | 9,370,902 | 6,074,252 | 2,655,309 | 1,557,152 |
| Less allowance for impairment | (17,682) | (15,000) | - | - |
| Dividends and distributions receivable | 160,279 | 237,293 | 1,784,383 | 1,968,427 |
| Other debtors - travel advances | 13,000 | 11,400 | 10,600 | 9,000 |
| GST receivable | - | - | - | - |
| | 9,526,499 | 6,307,945 | 4,450,292 | 3,534,579 |
| <i>Non-current</i> | | | | |
| Trade debtors and accruals | 860,131 | - | - | - |
| Dividends and distributions receivable | - | - | 201,000 | 201,000 |
| | 860,131 | - | 201,000 | 201,000 |
| Total | 10,386,630 | 6,307,945 | 4,651,292 | 3,735,579 |
| Movements in Allowance for Impairment | | | | |
| Balance at beginning of the year | 15,000 | - | - | - |
| Amounts written off during the year | - | - | - | - |
| Amounts recovered during the year | - | - | - | - |
| Increase (Decrease) in allowance recognised in Statement of Comprehensive Income | 2,682 | 15,000 | - | - |
| Balance at end of reporting period | 17,682 | 15,000 | - | - |
| Note 5 Other Assets | | | | |
| <i>Current</i> | | | | |
| Prepayments | 844,503 | 641,840 | 621,098 | 454,465 |
| | 844,503 | 641,840 | 621,098 | 454,465 |
| <i>Non-current</i> | | | | |
| Loan to owned entities | | | | |
| - DDS Unit Trust | - | - | 170,000 | 170,000 |
| - Prevwood Pty Ltd | - | - | 607,298 | 607,298 |
| | - | - | 777,298 | 777,298 |
| Total | 844,503 | 641,840 | 1,398,396 | 1,231,763 |

In August 2006, the Association Executive agreed to lend Prevwood Pty Ltd \$500,000 to fund the Association's initial investment in the QPG Shared Services Support Centres Joint Venture.

In March 2011, the Association Board resolved to lend Prevwood Pty Ltd an additional \$1,807,298 to fund a further investment in the QPG Shared Services Support Centres Joint Venture. This investment increased the Association's interest in the Joint Venture from 50% to 66.6% and in Local Partnerships Services Pty Ltd (formerly UCMS Management Pty Ltd) from 50% to 100%. The effective date of this change was 1 July 2010.

In June 2012, Prevwood Pty Ltd made its first loan repayment to the Association in the amount of \$800,000. In June 2013, Prevwood Pty Ltd made a further loan repayment of \$900,000.

The Loan to Prevwood is not currently accruing interest and no fixed term has been specified for full repayment. The Association will not seek further repayment of this loan until such time as Prevwood is receiving sufficient profit returns from the QPG Joint Venture to fund any such loan repayment.

The Loan to the DDS Unit Trust is not currently accruing interest and no fixed term has been specified for repayment.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

| | Consolidated | Consolidated | Chief Entity | Chief Entity |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Note 6 Intangibles | | | | |
| <i>Internally Generated Systems and Software</i> | | | | |
| At Cost | 1,132,524 | 1,619,699 | 810,652 | 1,396,060 |
| Less accumulated amortisation | (578,650) | (1,100,450) | (480,099) | (944,049) |
| | 553,874 | 519,249 | 330,553 | 452,011 |
| Total | 553,874 | 519,249 | 330,553 | 452,011 |
| Opening WDV | 519,249 | 764,300 | 452,011 | 683,577 |
| Additions / Transfers | 216,135 | 30,951 | - | - |
| Disposals | - | 894 | - | - |
| Amortisation | 181,510 | 275,108 | 121,458 | 231,566 |
| Impairment Loss | - | - | - | - |
| Closing WDV | 553,874 | 519,249 | 330,553 | 452,011 |
| Note 7 Property, Plant and Equipment | | | | |
| <i>Freehold Land</i> | | | | |
| At fair value | 4,720,000 | 4,399,200 | 4,720,000 | 4,399,200 |
| | 4,720,000 | 4,399,200 | 4,720,000 | 4,399,200 |
| <i>Building</i> | | | | |
| At fair value | 21,176,075 | 16,634,958 | 21,176,075 | 16,634,958 |
| Less accumulated depreciation | (2,110,381) | (1,562,650) | (2,110,381) | (1,562,650) |
| | 19,065,693 | 15,072,308 | 19,065,693 | 15,072,308 |
| <i>Office Furniture and equipment</i> | | | | |
| At Cost | 1,511,061 | 1,515,493 | 1,132,729 | 1,144,786 |
| Less accumulated depreciation | (1,026,881) | (998,061) | (734,752) | (753,201) |
| | 484,180 | 517,432 | 397,977 | 391,585 |
| <i>Motor Vehicles</i> | | | | |
| At Cost | 510,224 | 462,733 | 367,554 | 368,500 |
| Less accumulated depreciation | (191,452) | (71,869) | (136,895) | (50,817) |
| | 318,772 | 390,864 | 230,659 | 317,683 |
| Total | 24,588,645 | 20,379,805 | 24,414,329 | 20,180,777 |

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 7 Property, Plant and Equipment - Continued

Chief Entity Movements During the Year

| 2016 | Opening WDV \$ | Revaluation \$ | Additions \$ | Disposals \$ | Depreciation \$ | Closing WDV \$ |
|--------------------------------|-------------------|-------------------|-----------------|-----------------|--------------------|-------------------|
| Land | 4,399,200 | 320,800 | - | - | - | 4,720,000 |
| Building | 15,072,308 | 4,400,000 | 141,116 | - | 547,731 | 19,065,693 |
| Office Furniture and Equipment | 391,585 | - | 113,544 | 7,590 | 99,562 | 397,977 |
| Motor Vehicles | 317,683 | - | 37,604 | 14,998 | 109,631 | 230,659 |
| Capital WIP | - | - | - | - | - | - |
| Totals | 20,180,777 | 4,720,800 | 292,265 | 22,588 | 756,924 | 24,414,329 |

Consolidated Entity Movements During the Year

| 2016 | Opening WDV \$ | Revaluation \$ | Additions \$ | Disposals \$ | Depreciation \$ | Closing WDV \$ |
|--------------------------------|-------------------|-------------------|-----------------|-----------------|--------------------|-------------------|
| Land | 4,399,200 | 320,800 | - | - | - | 4,720,000 |
| Building | 15,072,308 | 4,400,000 | 141,116 | - | 547,731 | 19,065,693 |
| Office Furniture and Equipment | 517,432 | - | 136,317 | 9,096 | 160,474 | 484,180 |
| Motor Vehicles | 390,864 | - | 86,041 | 14,998 | 143,136 | 318,772 |
| Capital WIP | - | - | - | - | - | - |
| Totals | 20,379,805 | 4,720,800 | 363,475 | 24,094 | 851,342 | 24,588,645 |

The Association's building (Local Government House) has been utilised as security against the borrowings outlined in Note 11.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Chief Entity Movements During the Year

| 2015 | Opening WDV \$ | Opening Transfer \$ | Additions \$ | Disposals \$ | Depreciation \$ | Closing WDV \$ |
|-----------------------------------|----------------------|---------------------------|-----------------|-----------------|--------------------|-------------------|
| Land | 4,399,200 | - | - | - | - | 4,399,200 |
| Building | 15,520,511 | - | - | - | 448,203 | 15,072,308 |
| Office Furniture and Equipment | 446,971 | - | 61,721 | 1,813 | 115,294 | 391,585 |
| Motor Vehicles | 208,992 | - | 329,950 | 148,369 | 72,890 | 317,683 |
| Capital WIP | - | - | - | - | - | - |
| Totals | 20,575,674 | - | 391,671 | 150,182 | 636,387 | 20,180,777 |

Consolidated Entity Movements During the Year

| 2015 | Opening WDV \$ | Opening Transfer \$ | Additions \$ | Disposals \$ | Depreciation \$ | Closing WDV \$ |
|-----------------------------------|----------------------|---------------------------|-----------------|-----------------|--------------------|-------------------|
| Land | 4,399,200 | - | - | - | - | 4,399,200.00 |
| Building | 15,520,511 | - | - | - | 448,203 | 15,072,308.11 |
| Office Furniture and Equipment | 531,081 | 96,904 | 79,392 | 2,013 | 187,932 | 517,432.23 |
| Motor Vehicles | 264,309 | - | 397,905 | 178,369 | 92,981 | 390,864.32 |
| Capital WIP | - | - | - | - | - | - |
| Totals | 20,715,101 | 96,904 | 477,297 | 180,382 | 729,117 | 20,379,805 |

The Association's building (Local Government House) has been utilised as security against the borrowings outlined in Note 11.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 8 Interest in LGIS

Local Government Infrastructure Services Pty Ltd

On 26 August 2005, LGAQ, in conjunction with Queensland Treasury Corporation, formed Local Government Infrastructure Services Pty Ltd, each holding (50%) of the share capital of the company.

In June 2014 the Association signed a share transfer deed with Queensland Treasury Corporation to acquire its 50% of the share capital in Local Government Infrastructure Services on 1 July 2014 for \$10.

Local Government Infrastructure Services Pty Ltd became wholly owned by the LGAQ on 1 July 2014. In acquiring 50% of the equity in the business on 1 July 2014 for \$10 the Association made a gain on acquisition of \$1,006,128 which was recorded as an income in the Statement of Comprehensive Income.

Prior to 1 July 2014, the Association equity accounted for its 50% share in the company.

As a result of the acquisition the Association now has full control of the company and therefore from 1 July 2014 the company's results are included in the consolidated group in accordance with AASB 3 Business Combinations.

The principal activity of the company is to provide assistance to Queensland local governments in relation to infrastructure procurement.

| | 2016 \$ | 2015 \$ |
|---|------------------|--------------------|
| <i>Results of Company</i> | | |
| <u>Statement of Comprehensive Income</u> | | |
| Revenues | 2,070,769 | 1,121,271 |
| Expenses | 2,757,949 | 2,530,654 |
| Profit (loss) before income tax expense | (687,180) | (1,409,383) |
| Income tax expense | | |
| Net profit (loss) | (687,180) | (1,409,383) |
| <u>Statement of Financial Position</u> | | |
| Current assets | 769,713 | 944,357 |
| Non-current assets | 177,861 | 86,441 |
| Total assets | 947,574 | 1,030,798 |
| Current liabilities | 991,260 | 427,984 |
| Non-current liabilities | 40,680 | - |
| Total liabilities | 1,031,940 | 427,984 |
| Net assets | (84,366) | 602,814 |
| <u>Movements in carrying amount of investment</u> | | |
| Carrying amount at beginning of year | 602,814 | 1,006,059 |
| Investments share as result of acquisition | - | 1,006,138 |
| Share of net result | (687,180) | (1,409,383) |
| Dividends Paid | - | - |
| Carrying amount at end of year | (84,366) | 602,814 |

The Company results are incorporated into the consolidated position from 1 July 2014 however the 30 June 2015 and 30 June 2016 figures have been disclosed here to assist with direct comparability.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 9 Interest in Shared Services Ventures

(a) QPG Shared Services Support Centres Joint Venture

The QPG Shared Services Support Centres Joint Venture was established on 6 February 2007. The joint venture participants, Prevwood Pty Ltd and Partnerships Australia Pty Ltd, entered into an agreement to establish a joint venture and appoint Queensland Partnerships Group (LG Shared Services) Pty Ltd as the manager of the joint venture. The term of the joint venture is 10 years commencing from 6 February 2007. The term can be extended by mutual agreement by the participants for a further 5 years. The current joint venture interests are Prevwood Pty Ltd (66.66%) and Partnerships Australia Pty Ltd (33.33%).

The principal activity of the joint venture is to provide assistance to Queensland local governments in relation to shared service arrangements.

The Joint Venture entered into a 10 year contractual arrangement with Mackay Regional Council and Northern Australia Services in December 2014 that commenced in February 2015. In addition the Joint Venture also entered into a 10 year contractual arrangement with Liverpool City Council in May 2015 that commenced in July 2015. These arrangements relate to the provision of services to support Council's business needs and has resulted in increased revenues and related expenditure in the Joint Venture for the year ended 30 June 2016.

The Joint Venture has a reporting date as at 30 June. This date is in line with the reporting date of the venture for taxation purposes. Results reported here represent Prevwood Pty Ltd's investment as at 30 June 2014 and 2015 and the Joint Venture results are incorporated into the consolidated entity via the Association's ownership of Prevwood Pty Ltd.

The Joint Venture has net assets of \$3,599,475 as at 30 June 2016 of which Prevwood Pty Ltd's proportionate share is \$2,399,410. In accordance with section 3.9(a) of the Joint Venture agreement each participant is liable for its individual share of the costs of the Joint Venture.

| | 2016 | 2015 |
|--|------------------|--------------------|
| | \$ | \$ |
| <u>Results of Joint Venture Entity</u> | | |
| <u>Statement of Comprehensive Income</u> | | |
| Revenues | 35,829,205 | 17,149,292 |
| Expenses | 35,563,024 | 18,997,395 |
| Profit (loss) before income tax expense | 266,181 | (1,848,103) |
| Income tax expense | | |
| Net profit (loss) | 266,181 | (1,848,103) |
| <u>Statement of Financial Position</u> | | |
| Current assets | 7,659,310 | 3,499,845 |
| Non-current assets | 860,131 | - |
| Total assets | 8,519,441 | 3,499,845 |
| Current liabilities | 4,919,966 | 4,084,901 |
| Non-current liabilities | - | - |
| Total liabilities | 4,919,966 | 4,084,901 |
| Net assets | 3,599,475 | (585,056) |

Prevwood's share of the joint venture entity's result for the period ended 30 June 2015 and 2016, including movements in carrying amount of investment, consists of:

| | | |
|--|--------------------|--------------------|
| <u>Share of post-acquisition retained profits (losses)</u> | | |
| Share at beginning of year | (4,840,492) | (3,608,362) |
| Share of net result | 177,463 | (1,232,130) |
| Share at end of year | (4,663,029) | (4,840,492) |
| <u>Movements in carrying amount of investment</u> | | |
| Carrying amount at beginning of year | (390,075) | 49,232 |
| Increased share as result of acquisition | - | - |
| Share of Investments of equity during the year | 2,612,204 | 792,824 |
| Share of net result | 177,463 | (1,232,130) |
| Carrying amount at end of year | 2,399,591 | (390,075) |

The Joint Venture results are incorporated into the consolidated position however the 30 June 2015 and 2016 figures have been disclosed here to assist with direct comparability.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 9 Interest in Shared Services Ventures (Continued)

(b) Services Queensland

The Services Queensland Partnership was established on 12 October 2007. The partnership partners, Ipswich City Enterprises Investments Pty Ltd, Partnerships Australia Pty Ltd and Prevwood Pty Ltd, entered into an agreement to establish a partnership and appoint Local Partnerships Services Pty Ltd as the manager of the partnership. The current Partnership interests are Ipswich City Enterprises Investments Pty Ltd (50%), Partnerships Australia Pty Ltd (16.67%) and Prevwood Pty Ltd (33.33%).

The partners entered into the partnership agreement with the view of developing a business that provides shared services to various entities including local government councils.

The partnership has a reporting date as at 30 June. This date is in line with the reporting date of the partnership for taxation purposes. Results reported here represent Prevwood Pty Ltd's investment as at 30 June 2015 and 2016 and the partnership results are incorporated into the consolidated entity via the Association's ownership of Prevwood Pty Ltd.

| | 2016 | 2015 |
|--|------------------|------------------|
| | \$ | \$ |
| <i>Results of the Partnership</i> | | |
| <u>Statement of Comprehensive Income</u> | | |
| Revenues | 9,512,019 | 9,142,932 |
| Expenses | 5,895,931 | 5,731,331 |
| Profit (loss) before income tax expense | 3,616,088 | 3,411,601 |
| Income tax expense | | |
| Net profit (loss) | 3,616,088 | 3,411,601 |
| <u>Statement of Financial Position</u> | | |
| Current assets | 963,969 | 1,177,145 |
| Non-current assets | - | - |
| Total assets | 963,969 | 1,177,145 |
| Current liabilities | 963,969 | 1,177,145 |
| Non-current liabilities | - | - |
| Total liabilities | 963,969 | 1,177,145 |
| Net assets | - | - |

Prevwood's share of the partnership's result for the period ended 30 June 2015 and 2016, including movements in carrying amount of investment, consists of:

| | | |
|--|-------------|-------------|
| <u>Share of post-acquisition retained profits (losses)</u> | | |
| Share at beginning of year | - | - |
| Share of net result | 1,401,799 | 1,328,156 |
| Distributions paid | (1,401,799) | (1,328,156) |
| Share at end of year | - | - |
| <u>Movements in carrying amount of investment</u> | | |
| Carrying amount at beginning of year | - | - |
| Investments during the year | - | - |
| Share of net result | 1,401,799 | 1,328,156 |
| Distributions paid | (1,401,799) | (1,328,156) |
| Carrying amount at end of year | - | - |

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 9 Interest in Shared Services Ventures (Continued)**(c) Local Partnerships Services Pty Ltd**

Local Partnerships Services (formerly UCMS Management Pty Ltd) is a company limited by shares, first incorporated and domiciled in Australia. The company is owned and controlled by Prevwood Pty Ltd (100%).

On 12 October 2007 the company was appointed as the manager of the Services Queensland partnership and the company exists primarily to assist the Services Queensland partnership in providing its shared services solutions.

The company has a reporting date as at 30 June. This date is in line with the reporting date of the company for taxation purposes. Results reported here represent Prevwood Pty Ltd's investment as at 30 June 2015 and 2016 and the company results are incorporated into the consolidated entity via the Association's ownership of Prevwood Pty Ltd.

| | 2016 | 2015 |
|--|-------------|-------------|
| | \$ | \$ |
| <i>Results of the Company</i> | | |
| <u>Statement of Comprehensive Income</u> | | |
| Revenues | 469,224 | 416,883 |
| Expenses | 469,224 | 416,883 |
| Profit (loss) before income tax expense | - | - |
| Income tax expense | - | - |
| Net profit (loss) | - | - |
| <u>Statement of Financial Position</u> | | |
| Current assets | 42,302 | 49,058 |
| Non-current assets | - | - |
| Total assets | 42,302 | 49,058 |
| Current liabilities | 41,902 | 48,658 |
| Non-current liabilities | - | - |
| Total liabilities | 41,902 | 48,658 |
| Net assets | 400 | 400 |

Prevwood's share of the company's result for the period ended 30 June 2015 and 2016, including movements in carrying amount of investment, consists of:

| | | |
|--|------------|------------|
| <u>Share of post-acquisition retained profits (losses)</u> | | |
| Share at beginning of year | - | - |
| Share of net result | - | - |
| Share at end of year | - | - |
| <u>Movements in carrying amount of investment</u> | | |
| Carrying amount at beginning of year | 400 | 400 |
| Investments during the year | - | - |
| Investments resulting from change in shareholding | - | - |
| Share of net result | - | - |
| Carrying amount at end of year | 400 | 400 |

The Company results are incorporated into the consolidated position however the 30 June 2015 and 2016 figures have been disclosed here to assist with direct comparability.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 9 Interest in Shared Services Ventures (Continued)

(d) Northern Australia Services Unit Trust

The Northern Australia Services Unit Trust was established on 31 December 2014 and commenced trading on 1 February 2015 with Northern Australia Services Pty Ltd as trustee. The Trust unitholders are Mackay Regional Enterprises Pty Ltd (50%), Prevwood Pty Ltd (33.33%), and Partnerships Australia Pty Ltd (16.67%).

The Trust was established with the view of developing a business that provides shared services to various entities including local government councils.

The trust has a reporting date as at 30 June. This date is in line with the reporting date of the trust for taxation purposes. Results reported here represent Prevwood Pty Ltd's investment as at 30 June 2016 and the partnership results are incorporated into the consolidated entity via the Association's ownership of Prevwood Pty Ltd.

| | 2016 | 2015 |
|--|--------------------|------------------|
| | \$ | \$ |
| <i>Results of the Trust</i> | | |
| <u>Statement of Comprehensive Income</u> | | |
| Revenues | 15,500,334 | 6,168,104 |
| Expenses | 16,899,138 | 6,397,953 |
| Profit (loss) before income tax expense | (1,398,804) | (229,849) |
| Income tax expense | - | - |
| Net profit (loss) | (1,398,804) | (229,849) |
| <u>Statement of Financial Position</u> | | |
| Current assets | 1,544,924 | 1,372,998 |
| Non-current assets | - | - |
| Total assets | 1,544,924 | 1,372,998 |
| Current liabilities | 2,311,446 | 1,600,847 |
| Non-current liabilities | 860,131 | - |
| Total liabilities | 3,171,577 | 1,600,847 |
| Net assets | (1,626,653) | (227,849) |
| Prevwood's share of the partnership's result for the period ended 30 June 2016, including movements in carrying amount of investment, consists of: | | |
| <u>Share of post-acquisition retained profits (losses)</u> | | |
| Share at beginning of year | (76,609) | - |
| Share of net result | (466,221) | (76,609) |
| Distributions paid | - | - |
| Share at end of year | (542,830) | (76,609) |
| <u>Movements in carrying amount of investment</u> | | |
| Carrying amount at beginning of year | (75,942) | - |
| Investments during the year | - | 666 |
| Share of net result | (466,221) | (76,609) |
| Distributions paid | - | - |
| Carrying amount at end of year | (542,163) | (75,942) |

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

| | Consolidated | Consolidated | Chief Entity | Chief Entity |
|---|------------------|------------------|----------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Note 10 Trade and Other Payables | | | | |
| Trade Creditors | 6,934,460 | 5,833,730 | 952,466 | 1,011,802 |
| GST Payable | 31,339 | (31,711) | 28,966 | (5,330) |
| | 6,965,798 | 5,802,019 | 981,431 | 1,006,472 |

Note 11 Borrowings

| | | | | |
|-------------------------------------|------------------|------------------|------------------|------------------|
| <i>Current</i> | | | | |
| QTC Generic Debt Pool Loan Facility | 291,672 | 271,257 | 291,672 | 271,257 |
| QTC Fixed Rate Loan Facility | 349,116 | 351,992 | 349,116 | 351,992 |
| | 640,789 | 623,249 | 640,789 | 623,249 |
| <i>Non-current</i> | | | | |
| QTC Generic Debt Pool Loan Facility | 228,997 | 520,686 | 228,997 | 520,686 |
| QTC Fixed Rate Loan Facility | 8,300,225 | 8,628,964 | 8,300,225 | 8,628,964 |
| | 8,529,222 | 9,149,650 | 8,529,222 | 9,149,650 |
| Total | 9,170,011 | 9,772,898 | 9,170,011 | 9,772,898 |

All borrowings are carried at amortised cost and interest expensed as it accrues. No interest has been capitalised during the current or comparative reporting period.

In September 2004, a working capital facility with Queensland Treasury Corporation was approved which currently has an approved limit \$1.5 million. This facility remained fully undrawn at 30 June 2016 and is available for use in the next reporting period.

In October 2007, a debt pool loan facility with Queensland Treasury Corporation was approved with a limit of \$2 million. The loan facility was established to provide working capital funding to the QPG Shared Services Support Centres Joint Venture and fund Prevwood Pty Ltd's investments in the Shared Services Business more generally. The loan was first drawn upon in March 2008 and the term of the debt pool loan is 10 years from the date of this first draw down. The expected final repayment date on the loan is currently 15 March 2018.

In November 2012, a fixed rate loan facility with Queensland Treasury Corporation was approved with a limit of \$9.45 million. The loan facility was established to substantially extend and refurbish the Associations premises at 25 Evelyn St, Newstead. The loan was first drawn upon in April 2013 and the ultimate term of the loan facility is 8 years from the date of first draw down. The expected final repayment date on the loan is currently 15 March 2021. The final loan draw down occurred in July 2014.

The QTC loan market value at the reporting date was \$9,942,149. This represents the value of the debt if the Association repaid it in full as at that date. As it is the intention of the Association to hold the debt for its term, no provision is required to be made in these statements.

The Association's building (Local Government House) has been utilised as security against these borrowing facilities. There have been no loan agreement breaches during the current reporting period.

| | Consolidated | Consolidated | Chief Entity | Chief Entity |
|--|------------------|------------------|------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Note 12 Employee Benefits | | | | |
| (a) Accrued Employee Benefits | | | | |
| <i>Current</i> | | | | |
| Annual Leave | 1,255,854 | 1,105,447 | 971,263 | 755,449 |
| | 1,255,854 | 1,105,447 | 971,263 | 755,449 |
| (b) Provision for Employee Benefits | | | | |
| <i>Current</i> | | | | |
| Long Service Leave | 963,483 | 730,293 | 813,776 | 627,745 |
| <i>Non-current</i> | | | | |
| Long Service Leave | 516,110 | 460,171 | 325,601 | 267,184 |
| | 1,479,592 | 1,190,464 | 1,139,376 | 894,929 |
| Movement in Benefits | | | | |
| Balance at beginning of the year | 2,295,911 | 1,932,893 | 1,650,378 | 1,465,252 |
| Additional benefits recognised | 1,621,417 | 1,481,192 | 1,236,237 | 1,010,730 |
| Reductions in benefits as a result of payments | (1,181,883) | (1,118,174) | (775,976) | (825,604) |
| Balance at end of reporting period | 2,735,446 | 2,295,911 | 2,110,639 | 1,650,378 |

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

| | Consolidated | Consolidated | Chief Entity | Chief Entity |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Note 13 Equity | | | | |
| (a) Reserves | | | | |
| <i>Composition of Reserves</i> | | | | |
| Asset Revaluation Surplus | 12,044,100 | 7,323,300 | 12,044,100 | 7,323,300 |
| General Reserve | 700,259 | 700,259 | 700,259 | 700,259 |
| | 12,744,359 | 8,023,559 | 12,744,359 | 8,023,559 |
| Movements in Reserves | | | | |
| * Asset Revaluation Surplus | | | | |
| Balance at beginning of year | 7,323,300 | 7,323,300 | 7,323,300 | 7,323,300 |
| Revaluation increment of non-current assets | 4,720,800 | - | 4,720,800 | - |
| Balance at end of year | 12,044,100 | 7,323,300 | 12,044,100 | 7,323,300 |
| <i>General Reserve</i> | | | | |
| Balance at beginning of year | 700,259 | 700,259 | 700,259 | 700,259 |
| Balance at end of year | 700,259 | 700,259 | 700,259 | 700,259 |
| (b) Retained Surpluses | | | | |
| Balance at beginning of year | 11,879,619 | 12,345,467 | 10,642,532 | 10,745,157 |
| Add Transfer to/(from) Surplus/(Deficit) | 6,405,389 | (1,081,821) | 5,885,024 | -102,625 |
| Add Non-controlling Interest | (88,718) | 615,973 | - | - |
| Balance at end of year | 18,196,290 | 11,879,619 | 16,527,556 | 10,642,532 |
| * Closing Balance of Asset Revaluation Surplus by Class | | | | |
| <i>Freehold Land</i> | | | | |
| Opening Balance | 2,070,000 | 2,070,000 | 2,070,000 | 2,070,000 |
| Current Year Revaluation Increment | 320,800 | - | 320,800 | - |
| Balance at end of year | 2,390,800 | 2,070,000 | 2,390,800 | 2,070,000 |
| <i>Building</i> | | | | |
| Opening Balance | 5,253,300 | 5,253,300 | 5,253,300 | 5,253,300 |
| Current Year Revaluation Increment | 4,400,000 | - | 4,400,000 | - |
| Balance at end of year | 9,653,300 | 5,253,300 | 9,653,300 | 5,253,300 |
| Total | 12,044,100 | 7,323,300 | 12,044,100 | 7,323,300 |

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

| | Consolidated | Consolidated | Chief Entity | Chief Entity |
|--|-------------------|-------------------|-------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Note 14 Statement of Cash Flows - Disclosures | | | | |
| (a) Cash and Cash Equivalents at the end of the year, as shown in the Statement of Cash Flows | | | | |
| <i>Cash at hand</i> | | | | |
| Petty Cash | 1,300 | 1,300 | 500 | 500 |
| <i>Cash at bank</i> | | | | |
| National Aust Bank Transaction Account | | | | |
| - LGAQ Imprest Account | 277,292 | 558,348 | 277,292 | 558,348 |
| - Local Buy Pty Ltd Cheque Account | 506,274 | 170,156 | - | - |
| - Resolute Information Technology Pty Ltd Cheque Account | 238,491 | 157,138 | - | - |
| - LGIS Pty Ltd Cheque Account | 99,908 | 78,342 | - | - |
| - Prevwood Pty Ltd | 76,682 | 1,210,072 | - | - |
| - QPG Shared Services Joint Venture | 2,366,359 | 459,750 | - | - |
| <i>Deposits at call</i> | | | | |
| QTC Investment Trust | | | | |
| - QTC Cash Fund LGAQ | 10,457,776 | 5,041,809 | 10,457,776 | 5,041,809 |
| - QTC Cash Fund LGAQ Reserve | 129,975 | 126,403 | 129,975 | 126,403 |
| - QTC Cash Fund Local Buy Pty Ltd | 914,124 | 1,602,030 | - | - |
| - QTC Cash Fund Resolute Info. Tech. Pty Ltd | 162,182 | 157,726 | - | - |
| - QTC Cash Fund LGIS Pty Ltd | 176,066 | 574,417 | - | - |
| - QTC Cash Fund Prevwood Pty Ltd | - | - | - | - |
| | 15,406,429 | 10,137,491 | 10,865,543 | 5,727,060 |
| (b) Reconciliation of Operating Surplus (Deficit) to Net Cash from Operating Activities | | | | |
| Operating Surplus (Deficit) | 6,405,389 | -1,081,821 | 5,885,024 | -102,625 |
| (Profit)/Loss on Disposals of Non-current assets | -2,729 | -3,978 | -3,535 | -1,746 |
| Depreciation and Amortisation | 1,032,851 | 1,004,225 | 878,382 | 867,953 |
| Gain on Acquisition of LGIS | - | -1,006,128 | - | - |
| Share of Loss in Shared Services Ventures | 466,221 | 76,609 | - | - |
| Change in operating assets and liabilities | | | | |
| (Increase)/Decrease in Assets | | | | |
| Prepayments | -202,663 | -214,409 | -166,634 | -195,208 |
| Trade and Other Debtors | -4,078,685 | 313,664 | -915,713 | -288,781 |
| Increase/(Decrease) in Liabilities | | | | |
| Creditors & Borrowing Costs | 1,163,779 | 982,542 | -25,040 | 270,318 |
| Employee Entitlements | 439,536 | 363,017 | 460,261 | 185,125 |
| Subscriptions in Advance | -10,747 | -83,120 | -10,747 | -83,120 |
| Unearned Income | -94,485 | -46,443 | -94,486 | -46,443 |
| Net cash from / (used in) operating activities | 5,118,467 | 304,155 | 6,007,512 | 605,473 |

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 15 Financial Instruments

(a) Categorisation of Financial Instruments

The consolidated entity and the Association have the following categories of financial assets and financial liabilities with corresponding exposure to interest rates at the reporting date is as follows:

| Class 2016 | Average Interest rate % | Consolidated | | | Chief Entity | | |
|------------------------------|----------------------------------|------------------------------------|---------------------------------|----------------------------------|------------------------------------|---------------------------------|----------------------------------|
| | | Variable Interest rate \$ | Fixed Interest rate \$ | Non Interest Bearing \$ | Variable Interest rate \$ | Fixed Interest rate \$ | Non Interest Bearing \$ |
| Financial Assets | | | | | | | |
| Cash and Cash Equivalents | 2.88% | 15,405,129 | | 1,300 | 10,865,043 | | 500 |
| Trade and Other Receivables | | - | | 10,404,312 | | | 4,651,292 |
| Loan to Owned Entities | | - | | - | - | | 777,298 |
| | | 15,405,129 | - | 10,405,612 | 10,865,043 | - | 5,429,090 |
| Financial Liabilities | | | | | | | |
| Trade Payables | | | | 6,965,798 | | | 981,431 |
| Employee Entitlements | | | | | | | |
| QTC Borrowings - Variable | 5.27% | 520,670 | | | 520,670 | | |
| QTC Borrowings - Fixed | 5.22% | | 8,649,342 | | | 8,649,342 | |
| | | 520,670 | 8,649,342 | 6,965,798 | 520,670 | 8,649,342 | 981,431 |

| Class 2015 | Average Interest rate % | Consolidated | | | Chief Entity | | |
|------------------------------|----------------------------------|------------------------------------|---------------------------------|----------------------------------|------------------------------------|---------------------------------|----------------------------------|
| | | Variable Interest rate \$ | Fixed Interest rate \$ | Non Interest Bearing \$ | Variable Interest rate \$ | Fixed Interest rate \$ | Non Interest Bearing \$ |
| Financial Assets | | | | | | | |
| Cash and Cash Equivalents | 3.29% | 10,136,191 | | 1,300 | 5,726,560 | | 500 |
| Trade and Other Receivables | | - | | 6,322,945 | | | 3,735,579 |
| Loan to Owned Entities | | - | | - | - | | 777,298 |
| | | 10,136,191 | - | 6,324,245 | 5,726,560 | - | 4,513,377 |
| Financial Liabilities | | | | | | | |
| Trade Payables | | | | 5,802,019 | | | 1,006,472 |
| QTC Borrowings - Variable | 4.29% | 791,943 | | | 791,943 | | |
| QTC Borrowings - Fixed | 5.22% | | 8,980,955 | | | 8,980,955 | |
| | | 791,943 | 8,980,955 | 5,802,019 | 791,943 | 8,980,955 | 1,006,472 |

(b) Financial Risk Management

The consolidated entity and Association's activities expose it to a variety of financial risks - interest rate risk, credit risk, liquidity risk and market risk.

Financial risk is primarily managed by the Association's Board, Audit and Compliance Committee and the respective Boards of Directors (and Committees) of its subsidiaries and jointly controlled entities. Credit risk is generally measured using ageing analysis while market risk is measured by undertaking interest rate sensitivity analysis. This policy has not been changed since the prior year.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 15 Financial Instruments - Continued

(c) Credit Risk Exposure

The consolidated entity and Association manages credit risk by investing in secure assets and monitoring all funds owed on an ongoing basis. No collateral is held as security on financial assets held by the consolidated entity (or the Association) and no financial assets and financial liabilities have been offset and presented net in the statement of financial position.

The method of calculating any provisional impairment for risk is based on past experience, current and expected changes in economic conditions and changes in client credit positions.

The ageing of the consolidated entity's and Association's trade and other receivables at the reporting date is as follows:

| Ageing | Consolidated | | | Chief Entity | | |
|---|--------------|------------|------------|--------------|------------|-----------|
| | Gross | Impairment | Net | Gross | Impairment | Net |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 2016 | | | | | | |
| Trade Receivables | | | | | | |
| Not Past Due (less than 30 days ageing) | 8,119,266 | - | 8,119,266 | 1,536,538 | - | 1,536,538 |
| Past Due (30-60 days ageing) | 1,071,141 | - | 1,071,141 | 572,078 | - | 572,078 |
| Past Due (60-90 days ageing) | 430,115 | - | 430,115 | 26,344 | - | 26,344 |
| Past Due (more than 90 days ageing) | 610,511 | 17,682 | 592,829 | 520,349 | - | 520,349 |
| Other Receivables | | | | | | |
| Current (less than 1 year ageing) | 173,279 | - | 173,279 | 1,794,983 | - | 1,794,983 |
| Non-Current (more than 1 year ageing) | - | - | - | 201,000 | - | 201,000 |
| | 10,404,312 | 17,682 | 10,386,630 | 4,651,292 | - | 4,651,292 |

| Ageing | Consolidated | | | Chief Entity | | |
|---|--------------|------------|-----------|--------------|------------|-----------|
| | Gross | Impairment | Net | Gross | Impairment | Net |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 2015 | | | | | | |
| Trade Receivables | | | | | | |
| Not Past Due (less than 30 days ageing) | 4,046,593 | - | 4,046,593 | 812,010 | - | 812,010 |
| Past Due (30-60 days ageing) | 992,920 | - | 992,920 | 511,697 | - | 511,697 |
| Past Due (60-90 days ageing) | 433,544 | - | 433,544 | 209,381 | - | 209,381 |
| Past Due (more than 90 days ageing) | 601,196 | 15,000 | 586,196 | 24,064 | - | 24,064 |
| Other Receivables | | | | | | |
| Current (less than 1 year ageing) | 248,693 | - | 248,693 | 1,977,427 | - | 1,977,427 |
| Non-Current (more than 1 year ageing) | - | - | - | 201,000 | - | 201,000 |
| | 6,322,945 | 15,000 | 6,307,945 | 3,735,579 | - | 3,735,579 |

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 15 Financial Instruments - Continued

(d) Liquidity Risk

Liquidity risk refers to the situation where the consolidated entity and Association may encounter difficulty in meeting obligations associated with financial liabilities.

The consolidated entity and Association manage liquidity risk by monitoring forecast and actual cash flows and generally matching the maturity profiles of financial assets and liabilities to ensure that adequate liquid funds are maintained.

| Class | Consolidated | | | Chief Entity | | |
|------------------------------|--------------|-----------|---------|--------------|-----------|---------|
| | < 1 Yr | 1 - 5 Yrs | > 5 Yrs | < 1 Yr | 1 - 5 Yrs | > 5 Yrs |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 2016 | | | | | | |
| Financial Liabilities | | | | | | |
| Trade Payables | 6,965,798 | | | 981,431 | | |
| QTC Borrowings - Variable | 291,672 | 228,997 | | 291,672 | 228,997 | |
| QTC Borrowings - Fixed | 349,116 | 8,300,225 | - | 349,116 | 8,300,225 | - |
| | 7,606,587 | 8,529,222 | - | 1,622,220 | 8,529,222 | - |

| Class | Consolidated | | | Chief Entity | | |
|------------------------------|--------------|-----------|-----------|--------------|-----------|-----------|
| | < 1 Yr | 1 - 5 Yrs | > 5 Yrs | < 1 Yr | 1 - 5 Yrs | > 5 Yrs |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 2015 | | | | | | |
| Financial Liabilities | | | | | | |
| Trade Payables | 5,802,019 | | | 1,006,472 | | |
| QTC Borrowings - Variable | 271,257 | 520,686 | | 271,257 | 520,686 | |
| QTC Borrowings - Fixed | 351,992 | 1,722,756 | 6,906,208 | 351,992 | 1,722,756 | 6,906,208 |
| | 6,425,267 | 2,243,442 | 6,906,208 | 1,629,720 | 2,243,442 | 6,906,208 |

(e) Market Risk

The consolidated entity and Association does not trade in foreign currency and is not materially exposed to commodity price changes. The consolidated entity is exposed to interest rate risk through its borrowing from Queensland Treasury Corporation and cash deposited in interest bearing accounts. The consolidated entity and Association do not undertake any hedging in relation to interest rate risk.

(f) Capital Risk Management

The consolidated entity and Association objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can provide returns to the Association and ultimately deliver benefits to the Association membership.

In order to maintain or adjust the capital structure, the consolidated entity and Association may adjust the amount of dividends paid or levels of service provided to maintain or reduce debt.

During the 2016 year the consolidated entity's strategy was unchanged from the 2015 year with the majority of debt being maintained within the Association.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 15 Financial Instruments - Continued

(g) Interest Rate Sensitivity Analysis (Variable Rate Financial Instruments)

The consolidated entity and Association's exposure to interest rate risk, which is that a financial instrument's value will fluctuate as a result of changes in market interest rate, and the resultant impact of a +/- 1% change in interest rate will have an effect on profit and equity as follows:

| Class 2016 | Interest Rate Move % | Consolidated | | | Chief Entity | | |
|------------------------------|-------------------------------|--------------------------|--|--|--------------------------|--|--|
| | | Carrying Amount \$ | Profit Increase (Decrease) \$ | Equity Increase (Decrease) \$ | Carrying Amount \$ | Profit Increase (Decrease) \$ | Equity Increase (Decrease) \$ |
| Financial Assets | | | | | | | |
| Cash and Cash Equivalents | + 100 bpts | 15,405,129 | 154,051 | 154,051 | 10,865,043 | 108,650 | 108,650 |
| Financial Liabilities | | | | | | | |
| QTC Borrowings - Variable | + 100 bpts | 520,670 | (5,207) | (5,207) | 520,670 | (5,207) | (5,207) |
| Total Impact | | | 148,845 | 148,845 | | 103,444 | 103,444 |
| Financial Assets | | | | | | | |
| Cash and Cash Equivalents | - 100 bpts | 15,405,129 | (154,051) | (154,051) | 10,865,043 | (108,650) | (108,650) |
| Loan to Owned Entities | - 100 bpts | | | | | | |
| Financial Liabilities | | | | | | | |
| QTC Borrowings - Variable | - 100 bpts | 520,670 | 5,207 | 5,207 | 520,670 | 5,207 | 5,207 |
| Total Impact | | | (148,845) | (148,845) | | (103,444) | (103,444) |

| Class 2015 | Interest Rate Move % | Consolidated | | | Chief Entity | | |
|------------------------------|-------------------------------|--------------------------|--|--|--------------------------|--|--|
| | | Carrying Amount \$ | Profit Increase (Decrease) \$ | Equity Increase (Decrease) \$ | Carrying Amount \$ | Profit Increase (Decrease) \$ | Equity Increase (Decrease) \$ |
| Financial Assets | | | | | | | |
| Cash and Cash Equivalents | + 100 bpts | 10,136,191 | 101,362 | 101,362 | 5,726,560 | 57,266 | 57,266 |
| Financial Liabilities | | | | | | | |
| QTC Borrowings - Variable | + 100 bpts | 791,943 | (7,919) | (7,919) | 791,943 | (7,919) | (7,919) |
| Total Impact | | | 93,442 | 93,442 | | 49,346 | 49,346 |
| Financial Assets | | | | | | | |
| Cash and Cash Equivalents | - 100 bpts | 10,136,191 | (101,362) | (101,362) | 5,726,560 | (57,266) | (57,266) |
| Loan to Owned Entities | - 100 bpts | | | | | | |
| Financial Liabilities | | | | | | | |
| QTC Borrowings - Variable | - 100 bpts | 791,943 | 7,919 | 7,919 | 791,943 | 7,919 | 7,919 |
| Total Impact | | | (93,442) | (93,442) | | (49,346) | (49,346) |

Fair Value Considerations

The net fair values of financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form. The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

| | Consolidated | Consolidated | Chief Entity | Chief Entity |
|---|------------------|------------------|------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Note 16 Unexpended Grant Funds Held by Association | | | | |
| Opening Balance | 4,247,213 | 5,136,615 | 4,247,213 | 5,136,615 |
| Plus current year movement | 4,306,379 | (889,402) | 4,306,379 | (889,402) |
| Balance | 8,553,592 | 4,247,213 | 8,553,592 | 4,247,213 |

These Grant funds are held by the Association and form part of the Associations cash at bank. The Association is not required to maintain separate bank accounts or quarantine these balances under the various grant funding agreements. The Association maintains access to sufficient cash reserves or loan funding to enable grant funding to be returned or expended as required.

Note 17 Remuneration of Directors and Policy Executive Members

On 31 August 2010 the Association adopted a new Constitution that now sees the organisation governed and represented by both a Board of Directors and a Policy Executive.

Board of Directors

The Association's Board of Directors is responsible for the operation of the business of the Association. The Board of four Directors consist of the President (elected by members at the Annual General Meeting) and three other Directors elected by and from the Policy Executive. The following councillors held office as Directors of the Association during the period 1 July 2015 up to the balance date:

| | <u>Appointed</u> | <u>Resigned</u> |
|------------------------------|------------------|-----------------|
| Cr M de Wit (President) | 1 July 2010 | 20 June 2016 |
| Cr A Sutherland | 28 July 2012 | 20 June 2016 |
| Cr F Pascoe | 6 Dec 2012 | 20 June 2016 |
| Cr R Brown | 28 July 2012 | - |
| Cr J Hill (Acting President) | 30 June 2016 | - |
| Cr M Jamieson | 30 June 2016 | - |

Remuneration is received by the President and Directors of the Association in connection with their roles involving the governance and representation of the Association. The individual remuneration entitlement (being fees and superannuation) paid to the President and Directors ranged between \$130,853 and \$26,609 for the current financial year.

Policy Executive

The Association's Policy Executive is responsible for the determination of the Association's policy on behalf of members councils. The Policy Executive consists of 15 district representatives and the President.

In addition to the Directors detailed above the following councillors held office as Policy Executive Members of the Association during the period 1 July 2015 up to the balance date:

| | <u>Appointed</u> | <u>Resigned</u> |
|----------------|------------------|-----------------|
| Cr P Matic | 6 July 2012 | 20 June 2016 |
| Cr P Parker | 6 July 2012 | 20 June 2016 |
| Cr W Kratzmann | 6 July 2012 | 20 June 2016 |
| Cr R Loughnan | 6 July 2012 | 20 June 2016 |
| Cr G Belz | 6 July 2012 | 20 June 2016 |
| Cr D Comerford | 6 July 2012 | 20 June 2016 |
| Cr J Owens | 6 July 2012 | 20 June 2016 |
| Cr B Shannon | 11 April 2014 | 20 June 2016 |
| Cr P Pisasale | 14 Dec 2010 | - |
| Cr F Gela | 25 May 2011 | - |
| Cr A Lacey | 6 July 2012 | - |
| Cr M Burke | 20 June 2016 | - |
| Cr K Williams | 20 June 2016 | - |
| Cr J Dempsey | 20 June 2016 | - |
| Cr C O'Neil | 20 June 2016 | - |
| Cr M Burnett | 20 June 2016 | - |
| Cr Anne Baker | 20 June 2016 | - |
| Cr R Chandler | 20 June 2016 | - |
| Cr B Manning | 20 June 2016 | - |
| Cr B Murphy | 20 June 2016 | - |

Remuneration is received by Policy Executive Members in connection with their roles involving the governance and representation of the Association. The remuneration (being fees and superannuation) paid to Policy Executive Members ranged between \$485 and \$10,173 for the current financial period.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 18 Related Entities

| | Country of Incorporation | Ownership 2016 | Ownership 2015 |
|---|-----------------------------|-------------------|-------------------|
| Chief Entity | | | |
| Local Government Association of Queensland Ltd | Australia | | |
| Controlled Entities | | | |
| DDS Unit Trust - Resolute Information Technology Pty Ltd as trustee | Australia | 100% | 100% |
| Local Buy Trading Trust - Local Buy Pty Ltd as trustee | Australia | 100% | 100% |
| Prevwood Pty Ltd | Australia | 100% | 100% |
| QPG Shared Services Support Centres Joint Venture | Australia | 66.6% | 66.6% |
| Queensland Partnerships Group (LG Shared Services) Pty Ltd | Australia | 66.6% | 66.6% |
| Local Partnerships Services Pty Ltd | Australia | 100% | 100% |
| LG Disaster Recovery Services Pty Ltd | Australia | 100% | 100% |
| LG Cloud Pty Ltd | Australia | 100% | 100% |
| Local Government Infrastructure Services Pty Ltd | Australia | 100% | 100% |
| Other Related Entities | | | |
| Services Queensland | Australia | 33.3% | 33.3% |
| Northern Australia Services Unit Trust - Northern Australia Services Pty Ltd as trustee | Australia | 33.3% | 33.3% |

The above Unit Trusts are under the trusteeship of the respective companies as stated. These trustee companies (with the exception of Northern Australian Services Pty Ltd) are controlled entities of the LGAQ.

Resolute Information Technology Pty Ltd, Local Buy Pty Ltd and Queensland Partnerships Group (LG Shared Services) Pty Ltd have not traded in their own right.

Prevwood Pty Ltd is a controlled entity established by the LGAQ to invest in the Shared Services Ventures on behalf of the Association.

LG Cloud Pty Ltd is a controlled entity established by the LGAQ to invest in the GovCloud Joint Venture on behalf of the Association. It is now held by the Association as a company in reserve should it be required.

LG Disaster Recovery Services Pty Ltd has not yet commenced trading. It is held by the Association as a company in reserve should it be required.

Local Government Infrastructure Services Pty Ltd became wholly owned by the LGAQ on 1 July 2014.

Note 19 Non Controlling Interests

The QPG Shared Services Support Centres Joint Venture was established on 6 February 2007. The joint venture was established to provide assistance to Queensland local governments in relation to shared service arrangements.

The LGAQ maintains control of the joint venture by virtue of the fact Prevwood Pty Ltd holds 66.67% of the share in the joint venture with the remaining 33.33% being controlled by Partnerships Australia Pty Ltd.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 20 Payroll Tax

The Association sought a legal opinion in relation to its exemption, or otherwise, from payroll tax under section 14 of the Payroll Tax Act (1971). The Association subsequently provided a submission to the Office of State Revenue in June 2010 requesting that the Association be granted an exemption under this section of the Act.

In June 2011 the Office of State Revenue rejected this application on the basis that the Associations' Constitution did not contain an appropriate wind-up clause. Following further submissions the Office of State Revenue further confirmed that it did not believe the Association qualified for exemption under section 14 of the Payroll Tax Act (1971) based on the nature of the services provided by the Association.

The Association began remitting payroll-tax on its wages from 1 July 2011 while the objection process continued. In January 2013 the Office of State Revenue rejected the objections lodged by the Association.

In March 2013 the Association paid the remaining prior year payroll tax payable of \$1,829,504 and filed a submission in the Supreme Court to appeal the Office of State Revenue decision.

The Association reached a settlement with the Office of State Revenue in May 2014 whereby the Office of State Revenue refunded all payroll tax paid by the Association from 1 July 2010. The Association has now been granted an exemption from Payroll tax under section 14 of the Payroll Tax Act (1971).

The Association wrote to the Under Treasurer seeking ex gratia relief for payroll tax paid by the Association for periods prior to 1 July 2010 and the ex gratia payment in the amount of \$1,048,314 was received by the Association in August 2015 and is recorded as income in the Statement of Comprehensive Income. Refer to note 2(a).

Note 21 Events Occurring After Balance Date

There are no matters or circumstances which have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Association, the results of those operations or the state of affairs of the Association in future years.

Note 22 Commitments

Operating Lease Asset

Commitments for operating lease revenue as at the reporting date are inclusive of GST and are receivable as follows:

| | Consolidated | Consolidated | Chief Entity | Chief Entity |
|---|------------------|------------------|------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Not later than one year | 977,475 | 956,342 | 977,475 | 956,342 |
| Later than one year and not later than five years | 3,968,876 | 3,825,736 | 3,968,876 | 3,825,736 |
| Later than five years | 2,103,659 | 3,125,934 | 2,103,659 | 3,125,934 |
| Total | 7,050,010 | 7,908,013 | 7,050,010 | 7,908,013 |

The Association entered into a two year lease agreement on 14 July 2016 to lease the café space located on the ground floor of its Building. As at 30 June 2016, the remaining financial asset under the lease is \$120,059 inc GST and is not provided for in the financial statements.

The Association also entered into a 10 year lease agreement on 19 August 2013 to lease the newly constructed Building at 27 Evelyn Street to Jardine Lloyd Thompson. As at 30 June 2016, the estimated remaining financial asset under the lease is \$6,929,951 inc GST and is not provided for in the financial statements.

Note 23 Contingent Liabilities

The Association is not aware of any Contingent Liabilities that existed at 30 June 2016.

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 24 The Fred Rogers Memorial Trust

The Association acts as trustee for the Fred Rogers Memorial Trust which was established to fund research projects. As the Association performs only a custodial role in respect of these transactions and balances, they are neither controlled nor administered by it and accordingly, are not recognised in the financial statements. They are, however, disclosed in these notes for the information of users.

| Accumulated Funds | 2016 | 2015 |
|---|-----------------|---------------|
| | \$ | \$ |
| Accumulated Funds | 29,042 | 28,555 |
| Surplus/(Deficit) | (19,733) | 487 |
| Total Accumulated Net Assets | 9,308 | 29,042 |
| Current Assets | | |
| BT Australia Local Authorities Investment Trust | 9275.45 | 28,934 |
| Accrued Interest | 33 | 107 |
| Total Assets | 9,308 | 29,042 |
| Current Liabilities | - | - |
| Total Liabilities | - | - |
| Net Assets | 9,308 | 29,042 |
| Trust Revenues and Expenses | | |
| Revenue | | |
| Interest - BT Local Authorities Trust | 267 | 487 |
| Total Income | 267 | 487 |
| Expenses | | |
| Fellowship Grants Paid | 20,000 | - |
| Total Expenditure | 20,000 | - |
| Surplus/(Deficit) | (19,733) | 487 |

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Note 25 Mt Emerald Trust

The Association acts as trustee for the Mt Emerald Trust which was established to provide and administer the funds necessary to enable persons to undertake recognised courses of study in matters relevant to Local Government. As the Association performs only a custodial role in respect of these transactions and balances, they are neither controlled nor administered by it and accordingly, are not recognised in the financial statements. They are, however, disclosed in these notes for the information of users.

| Accumulated Funds | 2016 | 2015 |
|-------------------------------------|----------------|----------------|
| | \$ | \$ |
| Accumulated Funds | 114,212 | 110,637 |
| Surplus/(Deficit) | 3,227 | 3,575 |
| Total Accumulated Net Assets | 117,439 | 114,212 |
| Current Assets | | |
| QTC Cash Fund Mt Emerald | 117,439 | 114,212 |
| Total Assets | 117,439 | 114,212 |
| Net Assets | 117,439 | 114,212 |
| Trust Revenues and Expenses | | |
| Revenue | | |
| Interest | 3,347 | 3,691 |
| Total Income | 3,347 | 3,691 |
| Expenses | | |
| Bank Charges | 119 | 116 |
| Total Expenditure | 119 | 116 |
| Surplus/(Deficit) | 3,227 | 3,575 |

Directors' Declaration

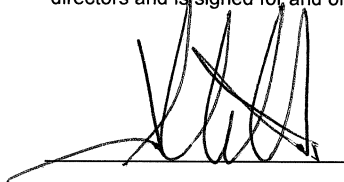
The directors of Local Government Association of Queensland Ltd declare that:

The financial statements and accompanying notes are in accordance with the *Corporations Act 2001*, including:

- (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
- (b) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2016, and of their performance as represented by the results of their operations, changes in equity and their cash flows for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that the Company and Consolidated Entity will be able to pay their debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors and is signed for and on behalf of the directors by:

A handwritten signature in black ink, appearing to be 'Cr J Hill', written over a horizontal line.

Cr J Hill
Director

Dated: 30 September 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of Local Government Association of Queensland Ltd

Report on the Financial Report

I have audited the accompanying financial report of Local Government Association of Queensland Ltd, which comprises the statements of financial position as at 30 June 2016, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from 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 the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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 all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only 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.

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with. I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Local Government Association of Queensland Ltd would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In my opinion the financial report of Local Government Association of Queensland Ltd is in accordance with the *Corporations Act 2001*, including –

- (i) giving a true and fair view of the company's and consolidated entity's financial positions as at 30 June 2016 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



A handwritten signature in cursive script, appearing to read "J Macgregor".

J MACGREGOR CPA
(as delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane