



AUDIT AND BUSINESS IMPROVEMENT COMMITTEE MEETING

AGENDA

29 MAY 2014

Your attendance is required at a meeting of the Audit and Business Improvement Committee to be held in the Council Chambers, 232 Bolsover Street, Rockhampton on 29 May 2014 commencing at 9:00am for transaction of the enclosed business.

A handwritten signature in black ink, appearing to be "C. R.", written in a cursive style.

CHIEF EXECUTIVE OFFICER
21 May 2014

Please note:

In accordance with the *Local Government Regulation 2012*, please be advised that all discussion held during the meeting is recorded for the purpose of verifying the minutes. This will include any discussion involving a Councillor, staff member or a member of the public.

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1 OPENING

2 PRESENT

Members Present:

The Mayor, Councillor M F Strelow (Chairperson)
Councillor A P Williams
Professor D Low
Mr A MacLeod
Mr M Parkinson

In Attendance:

Mr E Pardon – Chief Executive Officer
Mr J Wallace – Chief Audit Executive

3 APOLOGIES AND LEAVE OF ABSENCE

4 CONFIRMATION OF MINUTES

Minutes of the Audit and Business Improvement Committee held 13 September 2013

5 DECLARATIONS OF INTEREST IN MATTERS ON THE AGENDA

6 BUSINESS OUTSTANDING

6.1 BUSINESS OUTSTANDING TABLE FOR AUDIT AND BUSINESS IMPROVEMENT COMMITTEE

File No: 10097

Attachments: 1. **Business Outstanding Table for Audit and Business Improvement Committee**

Responsible Officer: Evan Pardon - Chief Executive Officer

Author: Evan Pardon - Chief Executive Officer

SUMMARY

The Business Outstanding table is used as a tool to monitor outstanding items resolved at previous Council or Committee Meetings. The current Business Outstanding table for the Audit and Business Improvement Committee is presented for Councillors' information.

OFFICER'S RECOMMENDATION

THAT the Business Outstanding Table for the Audit and Business Improvement Committee be received.

BUSINESS OUTSTANDING TABLE FOR AUDIT AND BUSINESS IMPROVEMENT COMMITTEE

Business Outstanding Table for Audit and Business Improvement Committee

Meeting Date: 29 May 2014

Attachment No: 1

Date	Report Title	Resolution	Responsible Officer	Due Date	Notes
23 June 2011	Urgent Business - Fraud Management	THAT once developed that the Fraud Management Plan comes back to the Audit Committee via the Chief Executive Officer.	Shane Turner	31/10/2013	Due to changes caused by de-amalgamation it is now anticipated that the Policy and Procedure will be presented to Leadership Team in October 2013.
13 September 2013	Internal Audit Report on Review of Payroll	THAT the Internal Audit Report on Review of Payroll be received and that the following question be answered: 1. Is person doing payroll reconciliation doing it regularly and do they have access to bank payment file or superuser access in Aurion .	Tracy Sweeney	27/09/2013	A response is being prepared for the Audit Committee scheduled for May 2014.

7 PUBLIC FORUMS/DEPUTATIONS

Nil

8 OFFICERS' REPORTS

Nil

9 STRATEGIC REPORTS

9.1 FINANCIAL SECTION UPDATE

File No: 8151

Attachments:

1. Operational and Capital February Budget Revision summary
2. Statements 31 December 2013
3. Position Papers
4. Shell statements 30 June 2014

Authorising Officer: Alicia Cutler - Manager Finance
Ross Cheesman - General Manager Corporate Services

Author: Gerhard Van der Walt - Revenue and Accounting Coordinator

SUMMARY

The aim of this report is to comment on the financial progress 2013/14, the status of de-amalgamation, the status of revaluations 2013/14 and year-end preparations including shell statements and position papers. The last component is the inclusion of the Audit Strategy for 2013/14 and the Interim Audit Management Report, both items to be addressed by the Auditors.

OFFICER'S RECOMMENDATION

THAT the Finance Section Update Report be received.

That the Audit Strategy and the Interim Audit Management Report be received.

COMMENTARY

Financial progress 2013/14

On operational level the financial year is progressing better than the adopted and October revised budgets, to the extent that a February revised budget recommendation will be going to the Council meeting of the 27th May 2014.

In summary, the operational result has moved from an adopted budget surplus of \$1,001,928 to a recommended February revised budget surplus of \$13,115,165. The attachment titled "Operational and Capital February Budget Revision summary" gives substantial detail regarding the revisions for the various units / sections / departments.

The improvement amounting to \$12,113,237 can be separated into two components, being depreciation accounting for \$9,097,806 of the improvement, while other improvements amount to \$3,015,431. The depreciation improvement is mostly due to the circumstance that depreciation was originally budgeted for Livingstone Shire Council (LSC) assets that were to be transferred, which had to be corrected due to accounting standards. A second factor was the mix of assets remaining with RRC contrasted with assets transferred. The remaining RRC assets on average have been depreciated by approximately 31%, while assets transferring have been depreciated by just over 20%. This depreciation mix was not fully taken into account when the 2013/14 budget was adopted.

The other improvements are the result of a whole range of outcomes, most being positive but with a few negatives. On the positive side the major contributors were the favourable outcomes of the 2011 and 2013 disaster events in this specific financial year where income nearly matched expenditure due to the nature of cash flows, the outcome of private works in the Civil Operations area, water consumption revenue and lastly the wages benefit from de-amalgamation. On the negative side the risk areas are the maintenance of Council facilities, the cost of parks and open spaces and lastly the Waste / Landfill services.

The capital works program have been continuing at a steady pace to be at a 66.7% completion rate as at the end of April. The addition of committals (work orders) increases this percentage to 95.1%.

The budget revision has allowed for approximately \$10 million of capital expenditure and associated loan funding to be deferred to the 14/15 Budget which is currently in development.

Status of de-amalgamation (Financial Results)

Attached are the de-amalgamation statements prepared for 31 December 2013. The statements were subject to the interim audit, and the audit Interim Management Report found that "the methodology applied by Council is consistent with the suggested QTC balance sheet methodology with amendments appropriately agreed by the Transfer Committee". This finding may be the best external opinion that will be forthcoming. It has all along been a challenge to find the most acceptable mechanism for both Councils to finalise the financial separation thereby enabling the Transfer Committee to fully endorse the financial separation. This process has not been fully resolved to date.

Despite the statements now being finalised as per attached it is anticipated that some improvements and corrections may still be found in the future. The current intention is to assess such items and occurrences on their own merit and to deal with them outside these financial statements.

A summary of the major outcomes as per the statements are that \$44,239,351 cash and equivalents, \$76,264,659 loans and \$905,891,833 (net) non-current assets will be or have been transferred to LSC.

Status of revaluations

Four asset classes are being revalued this financial year, being Land (by APV Valuers), Site Improvements (by Cardno), Water and Sewerage (both by AssetVal). The revaluation of Land has just completed, Site Improvements is all but complete, while draft revaluation reports for both Water and Sewerage are being finalised.

In all four asset classes Council in preparation for the revaluation found improvements to be made in terms of assets not recognised previously now to be recognised, as well as the opposite, i.e. assets previously recognised which had to be derecognised / disposed of. A summary of these entries, along with some carry-over work in progress are (as at this stage):

Land \$4,850,412 (recognitions) - \$2,313,638 (de-recognitions) = \$2,536,774 (net)

Site Improvements \$9,850,000 (only recognitions)

Water \$18,550,000 - \$1,863,000 = \$16,687,000

Sewerage \$3,813,000 - \$10,079,000 = (\$6,266,000)

The outcome for Land revaluations are that values increased from \$105,871,544 to \$131,388,954 due to revaluations. This was an interesting exercise including a lot of discussion with both the valuers and auditors. The nature of these discussions mostly revolved around AASB 13 expectation that land should be valued at highest and best use, where the previous valuation (2009) was essentially based on existing use, and secondly lands which are prone to flood and/or rain surge impacts. With regards to the flood and water surge issue we mostly came to satisfactory outcomes, while my own interpretation is that AASB 13 probably does not cater ideally for community assets held by Council.

The impact of the best and highest use expectation used as basis can possibly be best demonstrated by the outcomes of the following few examples:

The Showgrounds increased from \$1,897,504 to \$7,750,000

The two cemeteries increased from \$2,353,500 to \$6,508,000

The Gracemere Golf Course increased from \$1,529,500 to \$4,767,000

Various other sport fields, parks and open spaces experienced similar outcomes.

The outcome for Site Improvement revaluations are that values increased by \$3,150,000 (net) due to revaluations.

Preparations for year-end financial statements

Various preparations for year-end are well underway. Numerous Position Papers (PP's) have been finalised, with some mostly asset related PP's still in progress. The Shell Statements are attached, while the detailed audit plan for year-end including timeframes for functions, responsible officers and overall management will be finalised towards end of May / early June.

The PP's forwarded to the auditors YTD are:

Accounting for De-amalgamation of LSC 1 January 2014 (attached)

Accounting for Carbon Tax (attached)

Accounting for Employee Benefits (attached)

Position Papers in progress are:

Compliance with AASB 116 – Property, Plant and Equipment

Compliance with AASB 116 – Revaluations

Contributed Assets

Provision for the restoration of Landfills and Quarries.

The Shell Statements had the good fortune that most of the expectations for de-amalgamation were introduced for the 30 June 2013 financial statements, and thus requires only minor change in this regard. By far the biggest change from the 30 June 2013 to the 30 June 2014 statements relate to asset disclosures as required by AASB 13 (Fair Value Measurement). The impact on figures/amounts in this regard should be minimal, if any, but the disclosures add approximately six pages to the statements for 30 June 2014.

This new standard requires the use of valuation techniques that are appropriate and maximise the use of relevant observable inputs, while minimising the use of unobservable inputs. AASB 13 groups fair value techniques into three broad categories, being the market approach, income approach and cost approach. A combination of these techniques can be used if appropriate. The standard also introduces a concept of fair value hierarchy and there are significantly more disclosures, especially for "level 3" (unobservable inputs). Most of Council's assets will be level 3.

Detail of the above can be found as per Note 20 of the Shell Statements.

Audit Strategy for 2013/14

The meeting will be addressed by representatives from Deloitte as to this point – in all probability Herbert Maguma and Mayuri Rajdev.

Interim Management Report

Similar to the above representatives from Deloitte will address the meeting regarding this agenda point.

The Executive Summary of the report indicates that internal controls tested are designed and implemented effectively (1.2) and that no significant control issues that pose a significant business or financial risk that could potentially result in a modified audit opinion if not addressed urgently were noted in the audit testing procedures.

The report does address existing audit issues, and some asset issues have escalated due to being on the unresolved list for some time. Now that the workload of de-amalgamation is noticeably easing off attention to various finance and asset functions will receive renewed attention. The first current aim will remain year-end functions, after which focus will in full revert to outstanding audit issues.

LEGISLATIVE CONTEXT

Local Government Act 2009

Local Government Regulation 2012

Various Australian Accounting Standards

LEGAL IMPLICATIONS

No specific implications from this report, some of issues reported on may have their own legal implications.

CONCLUSION

The Financial section has been under abnormal ongoing pressures for at least the last 18 months, which have led to various adjustments of priorities, revised expectations and work outcomes. The de-amalgamation functions and expectations have been winding down noticeably during the last 2-6 weeks, enabling various other catch-up and normal functions to regain their rightful places. The main focus will remain on the budget for 2014/15 and preparations for the 30 June year-end and the year-end audit, after which other priorities will be attended to.

With regards to the financial outcome for the year the position remains positive above budget expectations. The single dominant reason for this is that the two disaster events have not had the very noticeable impact on the finances of Council as was the case for the 2011/12 and 2012/13 financial years. In this year of numerous challenges most financial outcomes worked in favour of council, leading to the current beneficial outcome.

FINANCIAL SECTION UPDATE

Operational and Capital February Budget Revision summary

Meeting Date: 29 May 2014

Attachment No: 1

RRC - Operational Activities - February 2014 Budget Review comparisons

Description	Actual to 31 March 2014	Committed to 31 March 2014	Total expenses to 31 March 2014	Adopted Budget	October Revised Budget	Draft February Revised Budget	\$ Movement from October Revised Budget	% Act + Commit to Feb Revised
CEO Department - total	4,124,870	215,495	4,340,365	7,225,210	7,226,546	6,915,585	(310,961)	62.8%
CEO - total	370,499	99,647	470,146	1,310,591	1,310,111	1,146,670	(163,441)	41.0%
Revenue	(91)		(91)			(100)	(100)	
Expense	370,589	99,647	470,237	1,310,591	1,310,111	1,146,770	(163,341)	41.0%
Internal Audit - total	228,586	62	228,648	365,291	365,294	365,294	0	62.6%
Revenue			0				0	
Expense	228,586	62	228,648	365,291	365,294	365,294	0	62.6%
Economic Development - total	581,262	2,323	583,584	846,291	846,291	694,781	(151,510)	84.0%
Revenue			0				0	
Expense	581,262	2,323	583,584	846,291	846,291	694,781	(151,510)	84.0%
Governance Support - total	2,944,524	113,463	3,057,986	4,703,036	4,704,850	4,708,841	3,990	64.9%
Executive Support Unit	1,807,183	11,218	1,818,401	2,570,470	2,570,470	2,624,808	54,337	69.3%
Revenue	(26,134)		(26,134)	(28,500)	(28,500)	(28,500)	0	91.7%
Expense	1,833,317	11,218	1,844,535	2,598,970	2,598,970	2,653,308	54,337	69.5%
Marketing and Engagement Unit	792,162	101,977	894,139	1,518,786	1,520,597	1,547,940	27,343	57.8%
Revenue	(1,868)		(1,868)				0	
Expense	794,030	101,977	896,007	1,518,786	1,520,597	1,547,940	27,343	57.9%
Ethics and Integrity Unit	209,399	268	209,667	431,107	431,109	358,565	(72,544)	58.5%
Revenue			0				0	
Expense	209,399	268	209,667	431,107	431,109	358,565	(72,544)	58.5%
Office of the CEO Unit	135,779	0	135,779	182,674	182,674	177,528	(5,146)	76.5%
Revenue			0				0	
Expense	135,779	0	135,779	182,674	182,674	177,528	(5,146)	76.5%

Description	Actual to 31 March 2014	Committed to 31 March 2014	Total expenses to 31 March 2014	Adopted Budget	October Revised Budget	Draft February Revised Budget	\$ Movement from October Revised Budget	% Act + Commit to Feb Revised
Corporate Services Department - total	8,898,025	2,143,393	11,041,418	22,032,819	20,355,104	15,501,481	(4,853,623)	71.2%
GM Corporate Services - total	309,707	120	309,827	481,582	481,582	481,582	0	64.3%
Revenue	(116)		(116)				0	
Expense	309,823	120	309,944	481,582	481,582	481,582	0	64.4%
Workforce and Strategy - total	2,416,213	105,794	2,522,007	4,026,213	3,991,804	3,700,729	(291,075)	68.1%
Manager Workforce & Strategy Unit	374,078	265	374,342	665,264	666,653	598,369	(68,284)	56.1%
Revenue			0				0	
Expense	374,078	265	374,342	665,264	666,653	598,369	(68,284)	62.6%
Corporate Improvement & Strategy	218,169	4,000	222,169	307,191	433,853	349,378	(84,475)	63.6%
Revenue	(591)		(591)				0	
Expense	218,760	4,000	222,760	307,191	433,853	349,378	(84,475)	63.8%
Human Resources Unit	1,072,684	12,051	1,084,735	1,609,541	1,613,776	1,509,869	(103,907)	71.8%
Revenue			0				0	
Expense	1,072,684	12,051	1,084,735	1,609,541	1,613,776	1,509,869	(103,907)	71.8%
Safety & Training Unit	751,283	89,479	840,761	1,444,217	1,277,521	1,243,113	(34,408)	67.6%
Revenue	(63,092)		(63,092)	(47,600)	(48,836)	(50,909)	(2,073)	123.9%
Expense	814,375	89,479	903,853	1,491,817	1,326,357	1,294,022	(32,335)	69.8%
Finance - total	3,825,727	180,074	4,005,802	5,884,170	5,882,786	5,466,110	(416,676)	73.3%
Manager Finance Unit	666,604	0	666,604	830,924	908,155	937,035	28,880	71.1%
Revenue	(47,722)		(47,722)		(95,000)	(300)	94,700	
Expense	714,326		714,326	830,924	1,003,155	937,335	(65,820)	76.2%
Accounting Services Unit	704,061	95	704,156	1,098,033	1,098,034	974,391	(123,643)	72.3%
Revenue	(2,423)		(2,423)			(3,500)	(3,500)	
Expense	706,484	95	706,579	1,098,033	1,098,034	977,891	(120,143)	72.3%
Revenue & Treasury Unit	1,093,281	81,272	1,174,553	1,739,073	1,661,380	1,594,664	(66,716)	73.7%
Revenue	(475,320)		(475,320)	(413,325)	(473,325)	(478,060)	(4,735)	99.4%
Expense	1,568,601	81,272	1,649,874	2,152,398	2,134,705	2,072,724	(61,981)	79.6%
Financial Systems & Projects Unit	223,572	0	223,572	384,000	384,000	326,823	(57,177)	68.4%
Revenue			0				0	
Expense	223,572	0	223,572	384,000	384,000	326,823	(57,177)	68.4%

Description	Actual to 31 March 2014	Committed to 31 March 2014	Total expenses to 31 March 2014	Adopted Budget	October Revised Budget	Draft February Revised Budget	\$ Movement from October Revised Budget	% Act + Commit to Feb Revised
Asset Management & GIS Unit	1,138,209	98,708	1,236,917	1,832,140	1,831,217	1,633,198	(198,019)	75.7%
Revenue	(4,670)		(4,670)	(8,500)	(8,500)	(5,600)	2,900	83.4%
Expense	1,142,879	98,708	1,241,587	1,840,640	1,839,717	1,638,798	(200,919)	75.8%
Corporate & Technology - total	3,003,309	1,214,141	4,217,450	11,640,854	9,998,933	5,853,059	(4,145,873)	72.1%
IT Services Unit	4,287,346	131,176	4,418,522	6,054,380	5,918,853	5,849,453	(269,400)	78.2%
Revenue	(11,296)		(11,296)	(2,500)	(2,500)	(26,318)	(23,818)	42.9%
Expense	4,298,642	131,176	4,429,817	6,056,880	5,921,353	5,875,771	(245,582)	78.0%
Records Management Unit	574,628	360	574,988	864,623	871,274	798,547	(72,727)	72.0%
Revenue	(2,245)		(2,245)	(1,700)	(1,700)	(2,500)	(800)	89.8%
Expense	576,873	360	577,233	866,323	872,974	801,047	(71,927)	72.1%
Property & Insurance Unit	1,821,231	25,486	1,846,717	2,373,995	2,456,918	2,125,967	(330,951)	86.9%
Revenue	(1,377,883)		(1,377,883)	(1,273,836)	(1,273,836)	(1,364,050)	(90,214)	101.0%
Expense	3,199,114	25,486	3,224,600	3,647,831	3,730,754	3,490,017	(240,737)	92.4%
Fleet Services Unit	(6,731,947)	1,017,440	(5,714,507)	(1,861,870)	(3,499,778)	(6,869,557)	(3,369,779)	83.2%
Revenue	(17,961,765)		(17,961,765)	(18,594,559)	(19,669,354)	(21,415,100)	(1,745,746)	83.9%
Expense	11,229,818	1,017,440	12,247,258	16,732,689	16,169,576	14,545,543	(1,624,033)	84.2%
Manager Corporate & Technology	459,152	30,257	489,409	724,945	762,675	651,055	(111,620)	75.2%
Revenue			0				0	
Expense	459,152	30,257	489,409	724,945	762,675	651,055	(111,620)	75.2%
Procurement & Logistics Unit	1,348,599	1,788	1,350,387	1,828,997	1,828,997	1,828,742	(255)	73.8%
Revenue	(828)		(828)	(850)	(850)	(1,015)	(165)	81.6%
Expense	1,349,427	1,788	1,351,215	1,829,847	1,829,847	1,829,757	(90)	73.8%
Customer Services Unit	1,244,300	7,634	1,251,934	1,655,783	1,659,993	1,668,853	8,860	75.0%
Revenue	(281,621)		(281,621)	(355,300)	(355,300)	(340,000)	15,300	82.8%
Expense	1,525,920	7,634	1,533,555	2,011,083	2,015,293	2,008,853	(6,440)	76.3%
Rockhampton Airport - total	(656,933)	643,264	(13,668)	(0)	(0)	0	1	
Airport Directorate Unit	(7,307,429)	9,989	(7,297,440)	(9,850,170)	(9,850,170)	(9,914,422)	(64,252)	73.6%
Revenue	(7,425,852)		(7,425,852)	(10,119,906)	(10,119,906)	(10,123,582)	(3,676)	73.4%
Expense	118,423	9,989	128,412	269,736	269,736	209,160	(60,576)	61.4%
Administration Unit	6,355,244	99,245	6,454,489	8,768,331	8,768,331	8,648,396	(119,935)	74.6%
Revenue	(120,228)		(120,228)	(160,384)	(160,384)	(160,384)	0	75.0%
Expense	6,475,472	99,245	6,574,717	8,928,715	8,928,715	8,808,780	(119,935)	74.6%

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Description	Actual to 31 March 2014	Committed to 31 March 2014	Total expenses to 31 March 2014	Adopted Budget	October Revised Budget	Draft February Revised Budget	\$ Movement from October Revised Budget	% Act + Commit to Feb Revised
Airport Operations Unit	950,204	44,196	994,399	1,490,644	1,490,644	1,474,256	(16,388)	67.5%
Revenue			0				0	
Expense	950,204	44,196	994,399	1,490,644	1,490,644	1,474,256	(16,388)	67.5%
Airport Commercial Unit	(1,087,260)	0	(1,087,260)	(1,589,619)	(1,589,619)	(1,481,710)	107,909	73.4%
Revenue	(1,087,260)		(1,087,260)	(1,593,619)	(1,593,619)	(1,485,710)	107,909	73.2%
Expense	0		0	4,000	4,000	4,000	0	0.0%
Airport Facilities Unit	432,309	489,835	922,143	1,180,814	1,180,814	1,273,481	92,667	72.4%
Revenue	(1,707,477)		(1,707,477)	(2,056,765)	(2,056,765)	(2,304,407)	(247,642)	74.1%
Expense	2,139,786	489,835	2,629,620	3,237,579	3,237,579	3,577,888	340,309	73.5%
Community Services Department - total	30,313,649	2,482,488	32,796,138	40,927,800	40,365,249	40,843,556	478,307	80.3%
GM Community Services - total	491,179	20,501	511,681	755,565	830,045	830,668	623	61.6%
Revenue	(52,147)		(52,147)	(26,724)	(122,151)	(122,051)	100	42.7%
Expense	543,326	20,501	563,827	782,289	952,196	952,719	523	59.2%
Local Laws - total	876,361	90,348	966,709	1,428,678	1,427,910	1,274,406	(153,504)	75.9%
Revenue	(786,234)		(786,234)	(1,184,875)	(1,216,220)	(1,146,500)	69,720	68.6%
Expense	1,662,596	90,348	1,752,944	2,613,553	2,644,130	2,420,906	(223,224)	72.4%
Communities and Facilities - total	11,090,473	1,286,865	12,377,339	16,046,019	15,028,739	15,241,326	212,586	81.2%
Community & Cultural Development Unit	38,228	0	38,228	59,925	50,970	83,832	32,862	45.6%
Revenue			0				0	
Expense	38,228	0	38,228	59,925	50,970	83,832	32,862	45.6%
Libraries Client Services Unit	1,853,442	104,297	1,957,738	2,620,964	2,608,003	2,654,985	46,982	73.7%
Revenue	(329,534)		(329,534)	(524,118)	(510,515)	(522,649)	(12,134)	63.1%
Expense	2,182,976	104,297	2,287,272	3,145,082	3,118,518	3,177,634	59,116	72.0%
Child Care Services Unit	88,924	1,302	90,226	(39,687)	24,620	(4,875)	(29,495)	-1850.7%
Revenue	(451,669)		(451,669)	(675,175)	(642,770)	(687,296)	(44,526)	65.7%
Expense	540,593	1,302	541,895	635,488	667,390	682,421	15,031	79.4%
Facilities Unit	8,489,201	892,600	9,381,801	12,034,473	10,977,775	11,195,554	217,780	83.8%
Revenue	108		108	0	(23,107)	(1,149)	(1,149)	21,958
Expense	8,489,093	892,600	9,381,693	12,034,473	11,000,882	11,196,703	195,822	83.8%

Description	Actual to 31 March 2014	Committed to 31 March 2014	Total expenses to 31 March 2014	Adopted Budget	October Revised Budget	Draft February Revised Budget	\$ Movement from October Revised Budget	% Act + Commit to Feb Revised
Community Programs Unit	620,679	288,667	909,345	1,370,344	1,367,372	1,311,830	(55,542)	69.3%
Revenue	(2,219,142)	223	(2,218,919)	(2,169,849)	(2,521,021)	(2,480,302)	40,719	89.5%
Expense	2,839,821	288,443	3,128,264	3,540,193	3,888,393	3,792,132	(96,261)	82.5%
Health and Environment - total	2,080,891	26,467	2,087,359	2,992,405	3,003,316	2,897,649	(105,667)	72.0%
Environmental Serv & Public Health Unit	599,721	7,600	607,320	931,514	939,214	916,527	(22,687)	66.3%
Revenue	(76,814)		(76,814)	(158,566)	(157,781)	(157,902)	(121)	48.6%
Expense	676,534	7,600	684,134	1,090,080	1,096,995	1,074,429	(22,566)	63.7%
Natural Resource Management Unit	1,461,171	18,868	1,480,038	2,060,891	2,064,102	1,981,122	(82,980)	74.7%
Revenue	(7,709)		(7,709)	(59,200)	(60,000)	(38,981)	21,019	19.8%
Expense	1,468,879	18,868	1,487,747	2,120,091	2,124,102	2,020,103	(103,999)	73.6%
Arts & Heritage - total	1,082,748	582,227	1,664,975	2,289,653	2,700,448	2,754,181	53,733	60.5%
Arts & Heritage Unit	1,082,748	582,227	1,664,975	2,289,653	2,700,448	2,754,181	53,733	60.5%
Revenue	(3,835,066)	500	(3,834,566)	(5,182,050)	(5,239,766)	(5,435,500)	(195,734)	70.5%
Expense	4,917,814	581,727	5,499,541	7,471,703	7,940,214	8,189,681	249,467	67.2%
Parks - total	14,711,996	476,080	15,188,076	17,415,481	17,374,791	17,845,326	470,536	85.1%
Planning & Collection Unit	2,091,555	249,691	2,341,247	3,352,559	3,313,833	3,042,186	(271,647)	77.0%
Revenue	(664,213)		(664,213)	(662,746)	(841,538)	(861,565)	(20,027)	77.1%
Expense	2,755,768	249,691	3,005,460	4,015,305	4,155,371	3,903,751	(251,620)	77.0%
Maintenance & Construction Unit	9,348,437	218,137	9,566,574	11,545,987	10,949,454	11,100,384	150,911	86.2%
Revenue	(18,195)		(18,195)	(109,546)	(26,844)	(351,362)	(324,518)	5.2%
Expense	9,366,632	218,137	9,584,769	11,655,533	10,976,298	11,451,726	475,429	83.7%
Parks and Open Spaces	3,272,004	8,252	3,280,255	2,516,935	3,111,504	3,702,776	591,272	88.6%
Revenue	(77,086)		(77,086)	(27,125)	(73,000)	(83,500)	(10,500)	
Expense	3,349,090	8,252	3,357,341	2,544,060	3,184,504	3,786,276	601,772	88.7%

Description	Actual to 31 March 2014	Committed to 31 March 2014	Total expenses to 31 March 2014	Adopted Budget	October Revised Budget	Draft February Revised Budget	\$ Movement from October Revised Budget	% Act + Commit to Feb Revised
Regional Services Department - total	2,395,258	2,618,343	5,013,601	35,532,720	29,847,901	24,864,437	(4,983,464)	20.2%
GM Regional Services - total	221,873	27,699	249,572	576,243	583,436	333,437	(250,000)	74.8%
Revenue			0				0	
Expense	221,873	27,699	249,572	576,243	583,436	333,437	(250,000)	74.8%
Planning - total	1,330,771	205,355	1,535,526	2,469,512	2,469,512	2,449,443	(20,069)	62.7%
Strategic Planning Unit	886,713	16,132	902,844	1,599,985	1,599,985	1,420,917	(179,068)	63.5%
Revenue	(100,040)		(100,040)	(145,250)	(145,250)	(139,500)	5,750	71.7%
Expense	986,753	16,132	1,002,884	1,745,235	1,745,235	1,560,417	(184,818)	64.3%
Development Compliance Unit	445,049	32,005	477,054	350,626	350,626	588,181	237,555	81.1%
Revenue	(1,140,472)		(1,140,472)	(1,549,125)	(1,549,125)	(1,459,857)	89,268	78.1%
Expense	1,585,522	32,005	1,617,527	1,899,751	1,899,751	2,048,038	148,287	79.0%
Manager Planning Unit	509,648	1,285	510,933	771,902	771,902	738,564	(33,338)	69.2%
Revenue			0				0	
Expense	509,648	1,285	510,933	771,902	771,902	738,564	(33,338)	69.2%
Development Assessment Unit	(511,240)	155,933	(355,306)	(253,001)	(253,001)	(298,219)	(45,218)	119.1%
Revenue	(1,839,414)		(1,839,414)	(2,150,500)	(2,150,500)	(2,136,025)	14,475	86.1%
Expense	1,328,174	155,933	1,484,108	1,897,499	1,897,499	1,837,806	(59,693)	80.8%
Waste and Recycling Services - total	(2,928,947)	216,441	(2,712,506)	0	(5,230)	(1,757,723)	(1,752,493)	
Waste & Recycling Unit	(6,862,859)	3,785	(6,859,075)	(4,743,750)	(4,748,979)	(7,019,153)	(2,270,175)	97.7%
Revenue	(14,404,968)		(14,404,968)	(14,270,118)	(14,270,118)	(14,404,228)	(134,110)	100.0%
Expense	7,542,108	3,785	7,545,893	9,526,368	9,521,139	7,385,074	(2,136,065)	102.2%
Waste Collections Unit	4,268,543	88,970	4,357,513	5,243,955	5,243,955	5,313,854	69,898	82.0%
Revenue	(72,408)	68,194	(4,214)	(89,375)	(89,375)	(86,589)	2,786	4.9%
Expense	4,340,952	20,776	4,361,727	5,333,330	5,333,330	5,400,443	67,113	80.8%
Waste Facilities Unit	(334,631)	123,687	(210,944)	(500,206)	(500,206)	(52,424)	447,783	402.4%
Revenue	(4,256,369)		(4,256,369)	(5,828,914)	(5,828,914)	(5,344,824)	484,090	79.6%
Expense	3,921,738	123,687	4,045,426	5,328,708	5,328,708	5,292,400	(36,307)	76.4%

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Description	Actual to 31 March 2014	Committed to 31 March 2014	Total expenses to 31 March 2014	Adopted Budget	October Revised Budget	Draft February Revised Budget	\$ Movement from October Revised Budget	% Act + Commit to Feb Revised
Civil Operations - total	20 294,434	492,030	20 786,463	31,465,723	28,381,968	28,271,783	(110,185)	73.5%
Urban Operations Unit	5,046,246	309,158	5,355,404	6,540,320	6,591,470	6,923,836	332,366	77.3%
Revenue	(4,246,387)		(4,246,387)	(3,770,295)	(3,770,295)	(4,233,607)	(463,312)	100.3%
Expense	9,292,633	309,158	9,601,791	10,310,615	10,361,765	11,157,443	795,678	86.1%
Rural Operations Unit	2,054,730	158,000	2,212,731	4,297,755	4,297,755	5,592,550	1,294,795	39.6%
Revenue	(10,876,541)		(10,876,541)	(11,994,300)	(13,994,300)	(10,369,052)	3,625,248	104.9%
Expense	12,931,272	158,000	13,089,272	16,292,055	18,292,055	15,961,602	(2,330,453)	82.0%
Manager, Depreciat. Civil Operations Unit	13,193,457	24,871	13,218,328	20,627,648	17,492,743	15,755,397	(1,737,346)	83.9%
Revenue	(33,178)		(33,178)	(31,188)	(31,188)	(43,650)	(12,463)	76.0%
Expense	13,226,636	24,871	13,251,507	20,658,835	17,523,931	15,799,047	(1,724,883)	
Engineering Services - total	2,228,785	195,312	2,424,097	4,353,678	4,392,567	3,409,986	(982,581)	71.1%
Manager Engineering Services	71,396	2,852	74,248	23,475	47,967	0	(47,967)	
Revenue	(3,161)		(3,161)		(500)	(2,500)	(2,000)	
Expense	74,558	2,852	77,410	23,475	48,467	2,500	(45,967)	
Infrastructure Projects Unit	25,038	4,534	29,571	148,605	179,913	30,633	(149,280)	96.5%
Revenue	(47)		(47)			0	0	
Expense	25,085	4,534	29,619	148,605	179,913	30,633	(149,280)	96.7%
Design Services Unit	477,515	29,774	507,289	786,610	786,390	640,598	(145,792)	79.2%
Revenue			0				0	
Expense	477,515	29,774	507,289	786,610	786,390	640,598	(145,792)	79.2%
Strategic Infrastructure Unit	723,398	113,248	836,647	1,274,320	1,274,698	1,202,385	(72,313)	69.6%
Revenue	(6,324)		(6,324)	(17,270)	(20,770)	(22,270)	(1,500)	28.4%
Expense	729,723	113,248	842,971	1,291,590	1,295,468	1,224,655	(70,813)	68.8%
Infrastructure Operations Unit	805,935	44,266	850,201	1,600,862	1,598,380	1,109,520	(488,860)	76.6%
Revenue	(5,719)		(5,719)	(87,920)	(90,421)	(6,000)	84,421	95.3%
Expense	811,653	44,266	855,919	1,688,782	1,688,801	1,115,520	(573,281)	76.7%
Disaster Management Unit	125,503	637	126,140	519,806	505,219	426,850	(78,369)	29.6%
Revenue	(318,948)		(318,948)	(135,833)	(186,545)	(354,000)	(167,455)	90.1%
Expense	444,451	637	445,088	655,639	691,764	780,850	89,086	57.0%

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Description	Actual to 31 March 2014	Committed to 31 March 2014	Total expenses to 31 March 2014	Adopted Budget	October Revised Budget	Draft February Revised Budget	\$ Movement from October Revised Budget	% Act + Commit to Feb Revised
Fitzroy River Water - total	(18,751,057)	1,481,506	(17,269,551)	(3,332,434)	(5,974,352)	(7,842,489)	(1,868,136)	220.2%
Network Construction Unit	159,824	4,413	164,238	45,568	45,568	200,383	154,815	82.0%
Revenue			0				0	
Expense	159,824	4,413	164,238	45,568	45,568	200,383	154,815	82.0%
Treatment and Supply	9,096,921	452,158	9,549,079	11,864,333	11,864,333	12,139,339	275,006	78.7%
Revenue	(12,402)		(12,402)			(36,000)	(36,000)	34.4%
Expense	9,109,323	452,158	9,561,481	11,864,333	11,864,333	12,175,339	311,006	78.5%
Business Administration Unit	235,559	3,446	238,605	328,536	328,536	322,327	(6,209)	74.0%
Revenue	(1,364)		(1,364)				0	
Expense	236,522	3,446	239,968	328,536	328,536	322,327	(6,209)	74.4%
FRW Returns, Depreciation, etc.	27,519,409	113,689	27,633,098	40,254,231	37,612,313	38,149,400	537,088	72.4%
Revenue	(341,648)		(341,648)		(389,734)	(389,734)	0	87.7%
Expense	27,861,057	113,689	27,974,746	40,643,965	38,002,047	38,539,134	537,087	72.6%
Network Services	(55,762,371)	907,800	(54,854,571)	(55,825,101)	(55,825,101)	(58,653,937)	(2,828,836)	93.5%
Revenue	(59,566,525)		(59,566,525)	(61,058,733)	(61,058,733)	(63,503,418)	(2,444,685)	93.8%
Expense	3,804,154	907,800	4,711,954	5,233,632	5,233,632	4,849,481	(384,151)	97.2%
Resourcing	(94,189,831)	1,193	(94,188,638)	(106,720,477)	(102,497,759)	(101,240,224)	1,257,535	93.0%
Revenue	(99,509,131)	0	(99,509,131)	(113,968,904)	(109,746,186)	(108,638,229)	1,107,957	91.6%
Rates and Utility Charges	(69,585,013)		(69,585,013)	(70,774,709)	(70,774,709)	(70,647,122)	127,587	98.5%
Grants	(2,572,650)		(2,572,650)	(7,481,242)	(3,258,522)	(3,258,522)	0	79.0%
Other Revenue	(7,113)		(7,113)	(60,000)	(60,000)	(10,000)	50,000	71.1%
Interest Received	(3,121,197)		(3,121,197)	(2,299,625)	(2,299,625)	(3,608,275)	(1,308,650)	86.5%
Corporate overheads allocations	(24,223,159)		(24,223,159)	(33,353,329)	(33,353,330)	(31,114,310)	2,239,020	77.9%
Expense	5,319,301	1,193	5,320,493	7,248,427	7,248,427	7,398,005	149,578	71.9%
Interest paid	4,617,762		4,617,762	6,247,967	6,247,967	5,907,851	(340,116)	78.2%
Employee contingency	500,292		500,292	702,460	702,460	1,202,460	500,000	41.6%
Other expenses	201,246	1,193	202,439	298,000	298,000	287,694	(10,306)	70.4%
Totals (Surplus) / Deficit	(48,458,028)	7,460,913	(40,997,116)	(1,001,928)	(4,702,960)	(13,115,165)	(8,412,205)	312.6%
Totals for revenue only	(232,016,165)	68,418	(231,947,747)	(255,742,726)	(255,405,276)	(255,412,775)	(7,500)	90.8%
Totals for expenditure only	182,475,388	6,810,268	189,285,656	252,451,145	248,001,868	239,543,430	(8,458,438)	79.0%

FINANCIAL SECTION UPDATE

Statements 31 December 2013

Meeting Date: 29 May 2014

Attachment No: 2

ROCKHAMPTON REGIONAL COUNCIL**Special purpose financial statements**For the period ended 31 December 2013

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ROCKHAMPTON REGIONAL COUNCIL

Statement of Comprehensive Income

For the period ended 31 December 2013

	Note	01 July 2013 31 Dec 2013 \$	01 July 2012 30 June 2013 \$
Continuing operations			
Income			
Recurrent revenue			
Rates, levies and charges	3(a)	59,170,553	105,969,690
Fees and charges	3(b)	13,867,976	23,950,058
Interest received	3(c)	1,896,256	3,094,137
Sales revenue	3(d)	4,689,208	11,615,571
Other recurrent income	3(e)	3,535,088	7,114,185
Grants, subsidies and contributions	4(a)	12,344,252	12,688,322
		<u>95,503,333</u>	<u>164,431,963</u>
Capital revenue			
Grants, subsidies and contributions	4(b)	19,552,127	36,551,652
Total revenue		<u>115,055,460</u>	<u>200,983,615</u>
Capital income	5	<u>588,230</u>	<u>1,023,676</u>
Total income from continuing operations		<u>115,643,690</u>	<u>202,007,291</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(32,920,285)	(68,193,257)
Materials and services	7	(21,058,866)	(48,838,630)
Finance costs	8	(5,247,006)	(9,095,658)
Depreciation and amortisation	9	(21,513,697)	(41,602,036)
		<u>(80,739,854)</u>	<u>(167,729,581)</u>
Capital expenses	10	<u>(12,844,203)</u>	<u>(14,728,634)</u>
Total expenses from continuing operations		<u>(93,584,057)</u>	<u>(182,458,215)</u>
Surplus/(deficit) for the year from continuing operations		<u>22,059,633</u>	<u>19,549,076</u>
Discontinued operations			
Surplus/(deficit) for the year from discontinued operations	13	<u>26,696,665</u>	<u>(2,153,663)</u>
Net result attributable to Council		<u>48,756,298</u>	<u>17,395,413</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase / (decrease) in asset revaluation surplus	26	<u>-</u>	<u>(14,069,394)</u>
Total other comprehensive income for the year		<u>-</u>	<u>(14,069,394)</u>
Total comprehensive income for the year	39	<u>48,756,298</u>	<u>3,326,019</u>

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

ROCKHAMPTON REGIONAL COUNCIL

Statement of Financial Position
As at 31 December 2013

		31 Dec 2013	30 June 2013
	Note	\$	\$
Current assets			
Cash and cash equivalents	14	23,187,155	14,665,355
Investments	15	53,000,000	59,000,000
Trade and other receivables	16	18,128,159	15,970,194
Inventories	17	1,585,699	1,459,135
		<u>95,901,013</u>	<u>91,094,684</u>
Assets classified as held for sale and transfer	18	957,633,712	940,828,494
Total current assets		<u>1,053,534,725</u>	<u>1,031,923,178</u>
Non-current assets			
Property, plant and equipment	19	1,718,453,673	1,702,951,194
Intangible assets	20	1,758,992	1,970,532
Total non-current assets		<u>1,720,212,665</u>	<u>1,704,921,726</u>
TOTAL ASSETS		<u>2,773,747,390</u>	<u>2,736,844,904</u>
Current liabilities			
Trade and other payables	21	12,370,167	13,456,740
Provisions	22	4,108,915	3,894,839
Borrowings	23	13,331,825	13,267,455
Other liabilities	24	368,544	317,378
		<u>30,179,451</u>	<u>30,936,412</u>
Liabilities directly associated with assets classified as held for sale and transfer	18	96,077,997	101,669,972
Total current liabilities		<u>126,257,448</u>	<u>132,606,384</u>
Non-current liabilities			
Trade and other payables	21	3,494,857	3,492,647
Provisions	22	23,856,133	22,973,577
Borrowings	23	140,891,742	147,334,972
Other liabilities	24	1,274,448	1,220,860
Total non-current liabilities		<u>169,517,180</u>	<u>175,022,056</u>
TOTAL LIABILITIES		<u>295,774,628</u>	<u>307,628,440</u>
NET COMMUNITY ASSETS		<u>2,477,972,762</u>	<u>2,429,216,464</u>
Community equity			
Retained surplus	25	2,035,621,999	1,959,789,759
Asset revaluation surplus	26	384,425,885	384,425,885
Other reserves	27	57,924,878	85,000,820
TOTAL COMMUNITY EQUITY	40	<u>2,477,972,762</u>	<u>2,429,216,464</u>

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

ROCKHAMPTON REGIONAL COUNCIL

Statement of Changes in Equity

For the period ended 31 December 2013

	Total		Retained surplus/(deficiency) Note 25		Asset revaluation surplus Note 26		Other reserves Note 27	
	31 Dec 2013 \$	30 June 2013 \$	31 Dec 2013 \$	30 June 2013 \$	31 Dec 2013 \$	30 June 2013 \$	31 Dec 2013 \$	30 June 2013 \$
Balance at beginning of year	2,429,216,464	2,425,890,443	1,959,789,759	1,952,178,178	384,425,885	398,495,279	85,000,820	75,216,986
Net result attributable to Council	48,756,298	17,395,415	48,756,298	17,395,415	-	-	-	-
Other comprehensive income for the year								
Adjustment to asset revaluation surplus								
Property, plant & equipment	-	(14,069,394)	-	-	-	(14,069,394)	-	-
Total comprehensive income for year	48,756,298	3,326,021	48,756,298	17,395,415	-	(14,069,394)	-	-
Transfers to and from reserves								
Transfers from general reserves	-	-	32,811,215	31,065,105	-	-	(32,811,215)	(31,065,105)
Transfers to general reserves	-	-	(5,735,273)	(40,848,939)	-	-	5,735,273	40,848,939
Total transfers to and from reserves	-	-	27,075,942	(9,783,834)	-	-	(27,075,942)	9,783,834
Balance at end of year	2,477,972,762	2,429,216,464	2,035,621,999	1,959,789,759	384,425,885	384,425,885	57,924,878	85,000,820

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

ROCKHAMPTON REGIONAL COUNCIL

Statement of Cash Flows

For the period ended 31 December 2013

	Note	31 Dec 2013 \$	30 June 2013 \$
Cash flows from operating activities			
Rates, levies and charges		84,547,870	155,545,641
Fees and charges		16,735,860	29,348,318
Grants, subsidies and contributions		13,618,248	17,349,645
Interest received		3,247,123	5,829,437
Other income		10,259,568	22,265,444
Net GST paid		(357,578)	420,066
Payments to suppliers		(35,944,964)	(66,704,374)
Payments to employees		(45,425,418)	(92,169,777)
Interest expense		(6,965,325)	(12,733,551)
Net cash inflow/(outflow) from operating activities	33	<u>39,715,384</u>	<u>59,150,849</u>
Cash flows from investing activities			
Government subsidies and grants		10,063,286	8,407,985
Capital contributions		6,319,957	6,969,914
Payments for property, plant and equipment		(46,870,915)	(80,199,169)
Payments for intangible assets		(34,830)	(1,089,821)
Net transfer from/(to) cash investments		39,000,000	(56,000,000)
Proceeds from sale of property plant and equipment		869,062	2,435,925
Net cash inflow/(outflow) from investing activities		<u>9,346,560</u>	<u>(119,475,166)</u>
Cash flows from financing activities			
Proceeds from borrowings		-	38,400,000
Repayment of borrowings		(9,533,245)	(18,469,477)
Net cash (outflow)/inflow from financing activities		<u>(9,533,245)</u>	<u>19,930,523</u>
Net increase/(decrease) in cash and cash equivalents held		<u>39,528,699</u>	<u>(40,393,794)</u>
Cash at beginning of reporting year		27,897,807	68,291,602
Cash at end of reporting year	14	<u>67,426,506</u>	<u>27,897,808</u>

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

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements
For the period ended 31 December 2013

1 Summary of significant accounting policies**1.1 Corporate information**

The special purpose financial report of Rockhampton Regional Council for the half year ended 31 December 2013 has been prepared to assist with the requirements of the *Local Government (De-amalgamation Implementation) Regulation 2013*; specifically that the transfer committee for Livingstone Shire Council must decide the assets and liabilities that are to transfer from Rockhampton Regional Council to Livingstone Shire Council with effect from changeover day of 1 January 2014.

1.2 Basis of preparation

The half-year special purpose financial report does not include all notes normally included within the annual general purpose financial report as the objective of this report is to assist with the requirements of the *Local Government (De-amalgamation Implementation) Regulation 2013*, rather than provide all the disclosures required in the general purpose financial report. Notes normally contained in the general purpose financial report that do not provide disclosures relevant to the determination of assets and liabilities that are to transfer from Rockhampton Regional Council to Livingstone Shire Council with effect from changeover day of 1 January 2014 have been excluded from this report.

It is recommended that the half-year financial report be considered together with the *Local Government (De-amalgamation Implementation) Regulation 2013*, the De-amalgamation Transfer Methodology, and all minutes and decisions of the Transfer Committee for Livingstone Shire Council.

The half-year special purpose financial report is not specifically required under any legislation or directive, however is considered appropriate in order to meet de-amalgamation expectations. The special purpose financial report of Rockhampton Regional Council for the half year ended 31 December 2013, separates assets and liabilities between the Rockhampton Regional Council and Livingstone Shire Council, enabling both Councils to formulate appropriate and independent Statements of Financial Position as at 1 January 2014.

The informative quality of the statements and notes completed are of comparative quality to year-end statements. In isolated cases, the statements and notes may not meet all technical requirements of the Australian Accounting Standards, including all the disclosures required by AASB 134, Interim Financial Reporting. Comparative numbers shown are for the year ended 30 June 2013 and have been restated where necessary to be consistent with disclosures in the current reporting period. Movements in comparatives are disclosed in Note 13 and Note 18. The financial report is presented in Australian dollars.

Assets and liabilities are measured at historical cost, fair value or net realisable value, in accordance with the year-end applications.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

1.3 Significant accounting policies

The half-year financial statements have been prepared using the same accounting policies as used in the financial statements for the year ended 30 June 2013.

1.4 Changes in accounting policies

There are no Australian Accounting Standards that have recently been amended and that are effective for annual reporting periods beginning from 1 January 2013 or 1 January 2014 that are expected to have a material impact on Rockhampton Regional Council.

2 Analysis of results by function

This particular note has been excluded from the 31 December 2013 Special Purpose Financial Statements on the basis that the normal detail of this note will not add any benefit with regard to the purpose of the statements.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements

For the period ended 31 December 2013

	Note	01 July 2013 31 Dec 2013 \$	01 July 2012 30 June 2013 \$
3 Revenue analysis			
(a) Rates, levies and charges			
General rates		23,516,106	40,720,834
Separate rates		7,990,304	14,596,561
Special rates		54,729	214,500
Water		14,477,278	26,227,465
Sewerage		11,973,407	21,891,618
Garbage charges		6,836,694	12,244,406
Rates and utility charge revenue		64,848,518	115,895,384
Less: Discounts		(4,958,205)	(8,804,968)
Less: Pensioner remissions		(719,760)	(1,120,726)
Net rates and utility charges		59,170,553	105,969,690
(b) Fees and charges			
Airport fees		5,332,407	9,043,264
Waste and recycling fees		2,405,856	4,602,613
Venues, events, tourism and cultural fees		1,850,951	2,987,565
Building, plumbing and development fees		1,840,970	3,888,374
Local laws and health licencing fees		1,003,911	898,109
Irrigator and commercial water fees		841,347	1,560,020
Other fees		592,534	970,113
		13,867,976	23,950,058
(c) Interest received			
Investments		1,689,464	2,628,905
Overdue rates and utility charges		206,792	465,232
		1,896,256	3,094,137
(d) Sales revenue			
Recoverable and private works		4,689,208	11,615,571
		4,689,208	11,615,571
(e) Other recurrent income			
Rental / lease income		1,288,489	3,766,098
Commission and collection fees		1,053,433	370,320
Other income		1,193,166	2,977,766
		3,535,088	7,114,185

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements

For the period ended 31 December 2013

	Note	01 July 2013 31 Dec 2013 \$	01 July 2012 30 June 2013 \$
4 Grants, subsidies and contributions			
(a) Recurrent - grants, subsidies and contributions are analysed as follows:			
General purpose grants		1,371,712	6,533,263
Government subsidies and grants		10,738,338	5,817,757
Contributions		234,202	337,302
Total recurrent revenue		<u>12,344,252</u>	<u>12,688,322</u>
(b) Capital - grants, subsidies, and contributions are analysed as follows:			
(i) Monetary revenue designated for capital funding purposes:			
Government subsidies and grants		6,222,222	6,353,595
Contributions		2,051,448	4,695,157
		<u>8,273,670</u>	<u>11,048,752</u>
(ii) Non-monetary revenue received is analysed as follows:			
Developer assets contributed by developers at fair value		11,278,457	24,793,945
Other physical assets contributed at fair value		-	708,955
	19	<u>11,278,457</u>	<u>25,502,900</u>
Total Capital Revenue		<u>19,552,127</u>	<u>36,551,652</u>
5 Capital income			
Gain from assets not previously recognised	19	588,230	452,966
Quarry rehabilitation - change from revision of future restoration expenditure	22	-	66,971
Quarry rehabilitation - reduction in rehabilitation provision for future costs, due to a change in discount rate	22	-	23,185
Landfill restoration - change from revision of future restoration expenditure		-	170,948
Landfill restoration - reduction in rehabilitation provision for future costs, on land not controlled by Council, due to a change in discount rate	22	-	309,606
Total capital income		<u>588,230</u>	<u>1,023,676</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements

For the period ended 31 December 2013

	Note	01 July 2013 31 Dec 2013 \$	01 July 2012 30 June 2013 \$
6 Employee benefits			
Total staff wages and salaries		28,423,013	58,299,658
Councillors' remuneration		477,229	1,107,197
Annual, sick and long service leave entitlements		3,916,539	8,145,566
Superannuation	31	3,533,242	7,218,355
		<u>36,350,023</u>	<u>74,770,776</u>
Other employee related expenses		1,541,311	2,986,085
		<u>37,891,334</u>	<u>77,756,861</u>
Less: Capitalised employee expenses		<u>(4,971,049)</u>	<u>(9,563,604)</u>
		<u>32,920,285</u>	<u>68,193,257</u>
Councillor remuneration represents salary and other allowances paid in respect of carrying out their duties.			
Total Council employees at the reporting date:			
Elected members		11	11
Administration staff		647	668
Depot and outdoors staff		503	515
Total full time equivalent employees		<u>1,160</u>	<u>1,194</u>
The total full time equivalent positions (excluding casuals) as at 31 December 2013 was 1234 of which 386 will be transferred to Livingstone Shire Council.			
7 Materials and services			
Audit of annual financial statements by the Auditor-General of Queensland		84,736	208,978
Advertising and marketing		262,346	609,905
Administration supplies and consumables		314,697	829,582
Communications and IT		816,924	1,828,086
Consultants		1,019,893	2,330,251
Contractors		2,688,810	7,518,320
Donations paid		851,390	1,494,845
Insurance		843,515	1,717,451
Electricity		2,712,200	5,555,896
Repairs and maintenance		10,807,883	22,909,570
Rentals - operating leases		74,922	139,873
Other materials and services		581,550	3,695,873
		<u>21,058,866</u>	<u>48,838,630</u>
8 Finance costs			
Finance costs charged by the Queensland Treasury Corporation		4,648,992	8,432,480
Bank charges		190,957	279,351
Impairment of receivables		340,131	265,036
Quarry rehabilitation - change in present value over time	22	7,840	13,689
Landfill sites - change in present value over time	22	59,086	105,102
		<u>5,247,006</u>	<u>9,095,658</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements

For the period ended 31 December 2013

	Note	01 July 2013 31 Dec 2013 \$	01 July 2012 30 June 2013 \$
9 Depreciation and amortisation			
(a) Depreciation of non-current assets			
Site improvements		1,154,433	1,730,734
Buildings		3,068,257	5,895,165
Heritage and Cultural assets		78,183	-
Plant and equipment		2,821,538	5,944,424
Road and drainage network		7,705,534	15,035,957
Bridge network		208,320	414,984
Water		2,542,145	5,125,699
Sewerage		2,759,725	5,333,815
Airport		754,299	1,580,528
Total depreciation of non-current assets	19	<u>21,092,434</u>	<u>41,061,306</u>
(b) Amortisation of intangible assets			
Computer software		421,263	540,730
Total amortisation of intangible assets	20	<u>421,263</u>	<u>540,730</u>
Total depreciation and amortisation		<u>21,513,697</u>	<u>41,602,036</u>
10 Capital expenses			
Loss on the disposal non-current assets	11	662,494	569,454
Write off of non-current assets	12	12,181,709	10,661,938
Flood Events			
Flood event 2013 asset adjustments	36(a)	-	1,634,565
Flood event 2011 asset adjustments	36(b)	-	(2,724,751)
Landfill Rehabilitation			
Closure cost now recognised	12	-	4,587,428
Total capital expenses		<u>12,844,203</u>	<u>14,728,634</u>
11 Loss on the disposal non-current assets			
(a) Proceeds from disposal of land		(23,183)	(5,388)
Less: Book value of land disposed		<u>623,575</u>	<u>40,276</u>
		<u>600,392</u>	<u>34,888</u>
(b) Proceeds from disposal of plant and equipment		(639,274)	(2,430,537)
Less: Book value of plant and equipment disposed		<u>751,610</u>	<u>2,965,103</u>
		<u>112,336</u>	<u>534,566</u>
(c) Proceeds from sale of site improvements		(120,565)	-
Less: Book value of site improvements disposed		<u>70,331</u>	<u>-</u>
		<u>(50,234)</u>	<u>-</u>
Total loss on the disposal of non-current assets		<u>662,494</u>	<u>569,454</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements

For the period ended 31 December 2013

		01 July 2013 31 Dec 2013 \$	01 July 2012 30 June 2013 \$
	Note		
12 Write off of non-current assets			
Heritage and cultural		-	414,000
Intangible assets		-	3,749
Buildings		162,388	925,625
Plant and equipment		-	221,021
Site improvements		268,222	3,601,320
Road and drainage network		18,021	5,046,645
Water		1,623,810	387,396
Sewer		8,737,109	62,150
Airport		-	32
Land		1,372,158	-
	10	<u>12,181,709</u>	<u>10,661,938</u>
Additional information regarding landfill rehabilitation assets			
Landfill rehabilitation asset			
Site improvements write off above - Landfill closure cost previously capitalised written off in line with the recognition of only the future landfill closure costs as assets		-	3,581,739
Additional site and closure recognition for landfill rehabilitation			
Capital closure cost transferred to rehabilitation asset		-	7,716,851
Additional site closure costs for ongoing maintenance and environment rehabilitation		-	(3,129,423)
	10	<u>-</u>	<u>4,587,428</u>
Landfill rehabilitation asset establishment			
Future landfill closure costs recognised as rehabilitation asset		-	11,749,718
Future landfill ongoing maintenance and environment costs recognised as an asset		-	3,129,423
	19	<u>-</u>	<u>14,879,141</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements

For the period ended 31 December 2013

13 Discontinued operations

The de-amalgamation of Livingstone Shire Council from Rockhampton Regional Council will occur as at 1 January 2014 as per the *Local Government (De-amalgamation Implementation) Regulation 2013*. Rockhampton Regional Council have considered all relevant impacts, legislation, transactions and modelling likely on its assets and liabilities as at 31 December 2013 and beyond, as a result of the de-amalgamation process. In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, all revenue and expenses for the de-amalgamating Livingstone Shire Council have been separated for the six months ended 31 December 2013, and summarised as per Note 13.

Livingstone Shire Council has been classified and accounted for at 31 December 2013 as a disposal group held for sale (also see Note 18 Assets classified as held for sale).

	01 July 2013 31 Dec 2013	01 July 2012 30 June 2012
	\$	\$
Income		
Revenue		
Recurrent revenue		
Rates, levies and charges	26,043,939	48,573,274
Fees and charges	2,867,885	5,398,260
Interest received	1,074,215	2,142,211
Sales revenue	1,129,258	1,982,828
Other recurrent income	381,944	804,006
Grants, subsidies and contributions	1,273,997	4,661,324
	<u>32,771,238</u>	<u>63,561,903</u>
Capital revenue		
Grants, subsidies and contributions	19,866,907	8,196,132
Total revenue	<u>52,438,145</u>	<u>71,758,035</u>
Capital Income	448	-
Total Income	<u>52,438,593</u>	<u>71,758,035</u>
Expenses		
Recurrent expenses		
Employee benefits	(13,364,908)	(24,747,276)
Materials and services	(9,925,555)	(19,423,881)
Finance costs	(2,419,799)	(4,444,712)
Depreciation and amortisation	(9,846)	(16,909,249)
	<u>(25,719,908)</u>	<u>(65,525,118)</u>
Capital expenses	(22,020)	(8,386,580)
Total expenses	<u>(25,741,928)</u>	<u>(73,911,698)</u>
Surplus/(deficit) from discontinued operations	<u>26,696,665</u>	<u>(2,153,663)</u>
Restatement of prior year		
Revenue		
Interest received		(27,878)
Sales revenue		284,745
Grants, subsidies and contributions		(327,098)
Total movement in revenue		<u>(70,231)</u>
Expenses		
Employee benefits		2,025,114
Materials and services		(3,089,117)
Total movement in expenses		<u>(1,064,003)</u>
Net movement due to restatement		<u>(1,134,234)</u>
Cash flows from discontinued operations		
Net cash inflows from operating activities	5,717,344	15,938,113
Net cash (outflows) from investing activities	(4,558,057)	(19,202,109)
Net cash (outflows)/inflows from financing activities	(3,154,390)	5,071,313
Net cash (outflows)	<u>(1,993,103)</u>	<u>1,807,317</u>

AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* determines that assets classified as held for sale should not be depreciated. Therefore the assets to be transferred to Livingstone Shire Council with effect from 1 January 2014 have generally not been depreciated for the period 1 July 2013 to 31 December 2013. There are some minor exceptions which Council considers not to be material.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements
For the period ended 31 December 2013

	Note	31 Dec 2013 \$	30 June 2013 \$
14 Cash and cash equivalents			
Cash in operating bank account		2,735,254	1,113,447
Cash in other banks and on hand		27,350	27,350
Deposits and investments held with QTC		20,424,551	13,524,558
Balance as per statement of financial position		23,187,155	14,665,355
Component of cash held by Livingstone Shire Council		44,239,351	13,232,453
Balance as per statement of cash flows		67,426,506	27,897,808
Cash at bank funds are held with the Commonwealth Bank. Deposits at call consist of funds held in a Queensland Treasury Corporation Cash Fund, which has a short term credit rating of A1+ and a long term rating of AA+, with a floating interest rate (3.50% for December 2013).			
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:			
Unspent government grants and subsidies		982,861	1,047,861
Unspent developer contributions		32,422,041	26,131,295
Total unspent restricted cash for capital projects		33,404,902	27,179,156
15 Investments			
Term Deposits		53,000,000	59,000,000
		53,000,000	59,000,000
Term deposits at fixed interest rates are held with the following financial institutions: Westpac (A1+), National Australia Bank (A1+), Bank of Queensland (A2), ME Bank (A2) and The Rock (A3). Maturity ranges from 3 to 12 months and bear interest rates from 3.74% to 4.03%.			
16 Trade and other receivables			
Current			
Rateable revenue and utility charges		7,060,532	6,252,617
Less: impairment		(27,664)	(23,546)
		7,032,868	6,229,071
Water charges yet to be levied		-	50,092
GST recoverable		1,188,838	579,682
Other debtors		8,245,265	8,134,710
Less: impairment		(775,057)	(427,675)
		8,659,046	8,336,809
Prepayments		2,436,245	1,404,314
		18,128,159	15,970,194

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements
For the period ended 31 December 2013

	Note	31 Dec 2013 \$	30 June 2013 \$
Interest is charged on outstanding rates at a rate of 11% per annum. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.			
Community loans arise from time to time and are subject to negotiated interest rates.			
Movement in accumulated impairment losses (trade and other receivables) is as follows:			
Opening balance		451,220	327,398
Impairment debts written off during the year		-	(131,355)
Additional impairments recognised		351,500	255,177
Closing balance		<u>802,720</u>	<u>451,220</u>
17 Inventories			
Inventories held for sale			
Other trading stocks		269,299	279,028
		<u>269,299</u>	<u>279,028</u>
Inventories held for internal use:			
Quarry and road materials		234,964	162,027
Stores and materials		1,081,435	1,018,080
		<u>1,316,399</u>	<u>1,180,107</u>
Valued at cost, adjusted when applicable for any loss of service potential.			
		<u>1,585,698</u>	<u>1,459,135</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements
For the period ended 31 December 2013

	Note	31 Dec 2013 \$	30 June 2013 \$
18 Assets classified as held for sale and transfer			
Land held for sale	(a)	1,716,528	1,442,210
Assets held for transfer to Livingstone Shire Council	(b)	955,917,184	939,386,285
		<u>957,633,712</u>	<u>940,828,495</u>
Liabilities held for transfer to Livingstone Shire Council	(b)	<u>96,077,997</u>	<u>101,669,972</u>

(a) Council has decided to sell vacant land. It has been placed with real estate agents and is expected to be sold within one year. These assets are measured at the lower of the assets' carrying amounts and their fair values less costs to sell. These assets are not depreciated or amortised.

(b) The de-amalgamation of Livingstone Shire Council from Rockhampton Regional Council will occur as at 1 January 2014 as per the *Local Government (De-amalgamation Implementation) Regulation 2013*. Rockhampton Regional Council have considered all relevant impacts, legislation, transactions and modelling likely on its assets and liabilities as at 31 December 2013 and beyond, as a result of the de-amalgamation process. Assets and liabilities to be transferred to the Livingstone Shire Council as at 1 January 2014 are as follows:

Cash, investments and cash equivalents		44,239,351	46,232,455
Trade and other receivables		4,043,815	5,207,872
Inventories		1,043,515	846,795
Property, plant and equipment		905,891,833	885,763,332
Intangible assets		682,871	857,764
Land held for sale		<u>15,799</u>	<u>478,068</u>
Assets of Livingstone Shire Council classified as held for sale and transfer	(b)	<u>955,917,184</u>	<u>939,386,286</u>
Trade and other payables		4,766,729	7,064,528
Provisions		14,486,706	14,532,944
Loans		76,264,659	79,419,045
Other liabilities		<u>559,903</u>	<u>653,455</u>
Liabilities of Livingstone Shire Council classified as held for sale and transfer	(b)	<u>96,077,997</u>	<u>101,669,972</u>
			-
Net assets and liabilities to be transferred		<u>859,839,187</u>	<u>837,716,314</u>

Restatement of prior year (movement in balances)

Assets

Cash, investments and cash equivalents	2,686,176
Trade and other receivables	<u>71,852</u>
Total change in assets	<u>2,758,028</u>
Net movement due to restatement	<u><u>2,758,028</u></u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements
For the period ended 31 December 2013

19 (a) Property, plant and equipment

Basis of measurement	Note	Land	Site improvements	Buildings	Plant and equipment	Road and drainage network	Bridge network	Water	Sewerage	Airport	Heritage and cultural assets	Work in Progress	Total
		Valuation	Valuation	Valuation	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	
Asset values		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2013 - RRC		101,593,686	76,726,366	235,146,025	61,473,121	1,076,395,397	32,434,663	447,482,025	334,767,691	65,790,798	21,319,922	33,946,882	2,487,076,576
Opening gross value as at 1 July 2013 - LSC		50,774,106	29,769,721	39,182,819	18,756,814	583,452,462	28,689,388	237,382,288	109,891,720	-	330,990	12,809,340	1,111,039,648
Additions at cost		58,488	183,256	262,441	2,444,899	50,742	-	-	-	-	-	43,905,920	46,905,746
Contributed assets at valuation		60,400	-	-	85,041	18,248,558	71,278	2,618,766	1,736,756	-	-	-	22,820,799
Assets not previously recognised		11,012	-	577,218	-	-	-	-	-	-	-	-	588,230
Transfers between classes		-	1,358,634	2,665,779	100,258	2,641	-	-	-	-	-	(4,127,312)	-
Disposals		(623,575)	(161,480)	-	(2,742,563)	-	-	-	-	-	-	-	(3,527,618)
Assets classified as held for sale - land		187,951	-	-	-	-	-	-	-	-	-	-	187,951
Write offs		(1,372,158)	(1,873,931)	(745,000)	-	(43,134)	-	(8,154,794)	(16,174,071)	-	-	-	(28,363,088)
Transfer to intangible assets		-	-	-	-	-	-	-	-	-	-	(34,830)	(34,830)
Assets held for transfer to Livingstone Shire Council		(50,850,647)	(28,162,865)	(39,557,263)	(19,482,335)	(589,195,191)	(29,043,666)	(238,475,913)	(110,427,863)	-	(329,190)	(24,204,426)	(1,129,739,359)
Closing gross value as at 31 December 2013		99,839,263	77,839,701	237,532,019	60,625,235	1,088,911,475	32,151,663	440,852,372	319,794,233	65,790,798	21,321,722	62,295,574	2,506,954,055
Accumulated depreciation and impairment													
Opening balance as at 1 July 2013 - RRC		-	20,626,179	102,278,920	25,706,756	258,875,179	9,266,863	170,183,258	171,105,531	22,149,894	3,932,800	-	784,125,380
Opening balance as at 1 July 2013 - LSC		-	6,379,585	16,195,238	7,743,675	74,122,598	6,493,639	90,162,284	24,179,297	-	-	-	225,276,316
Depreciation provided in period		-	1,154,509	3,068,257	2,830,948	7,705,694	208,320	2,542,145	2,759,725	754,299	78,183	-	21,102,080
Depreciation on disposals		-	(91,149)	-	(1,905,361)	-	-	-	-	-	-	-	(1,996,510)
Depreciation on write offs		-	(1,605,709)	(582,612)	-	(3,092)	-	(6,530,983)	(7,436,962)	-	-	-	(16,159,358)
Assets held for transfer to Livingstone Shire Council		-	(6,021,380)	(16,193,410)	(7,500,425)	(73,290,304)	(6,524,082)	(90,138,628)	(24,179,297)	-	-	-	(223,847,526)
Accumulated depreciation as at 31 December 2013		-	20,442,035	104,766,393	26,875,593	267,410,075	9,444,740	166,218,076	166,428,294	22,904,193	4,010,983	-	788,500,382
Net value at 30 December 2013		99,839,263	57,397,666	132,765,626	33,749,642	821,501,400	22,706,923	274,634,296	153,365,939	42,886,605	17,310,739	62,295,574	1,718,453,672
Residual value		-	-	-	12,398,640	300,400,326	-	-	-	22,294,349	-	-	335,093,315

ROCKHAMPTON REGIONAL COUNCIL
Notes to the special purpose financial statements
For the period ended 31 December 2013

19 (b) Property, plant and equipment - prior year

Basis of measurement	Note	Land	Site improvements	Buildings	Plant and equipment	Road and drainage network	Bridge network	Water	Sewerage	Airport	Heritage and cultural assets	Work in Progress	Total
		Valuation	Valuation	Valuation	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2012		146,482,138	79,685,973	270,686,164	80,095,722	1,636,734,979	61,077,663	663,883,048	429,735,761	65,568,698	19,606,354	73,447,201	3,527,013,701
Adjustment to opening value		-	-	-	-	-	-	-	-	-	-	-	-
Additions at cost		46,804	2,821,582	4,117,533	9,407,806	19,259,186	32,412	7,448,515	5,608,991	233,796	25,909	27,100,747	76,103,281
Contributed assets at valuation	4(b)(ii)& 13	42,521	35,900	-	67,595	22,922,869	-	2,525,637	3,376,525	-	708,955	-	29,680,002
Assets not previously recognised		-	-	131,302	18,320	281,580	-	-	-	-	50,318	-	481,520
Establishment of future landfill closure and maintenance asset	12	-	24,534,788	-	-	-	-	-	-	-	-	(7,716,851)	16,817,937
Transfers between classes		10,681	3,290,316	1,059,898	326,549	18,794,153	94,676	13,237,191	8,162,492	2,304	6,794	(44,985,054)	-
Disposals		(402,640)	-	-	(8,452,772)	-	-	-	-	-	-	-	(8,855,412)
Assets classified as held for sale - land	18	6,178,288	-	-	-	-	-	-	-	-	-	-	6,178,288
Revaluation adjustment to asset revaluation surplus	26	-	-	5,098	-	510,388	-	-	-	-	1,666,582	-	2,182,068
Flood event 2013 asset adjustments	36(a)	-	-	-	-	(9,777,691)	-	-	-	-	-	-	(9,777,691)
Flood event 2011 asset adjustments	36(b)	-	-	-	-	(13,978,418)	-	-	-	-	-	-	(13,978,418)
Write offs	10 & 13	-	(3,872,472)	(1,671,150)	(1,233,285)	(14,899,187)	(80,700)	(6,496,990)	(2,224,358)	(14,000)	(414,000)	-	(30,906,142)
Impairment and reversal of impairment	26	-	-	-	-	-	-	4,266,912	-	-	-	-	4,266,912
Transfer to intangible assets	20	-	-	-	-	-	-	-	-	-	-	(1,089,821)	(1,089,821)
Assets held for transfer to Livingstone Shire Council		(50,774,106)	(29,769,721)	(39,182,819)	(18,756,814)	(583,452,462)	(28,689,388)	(237,382,288)	(109,891,720)	-	(330,990)	(12,809,340)	(1,111,039,648)
Closing gross value as at 30 June 2013		101,593,686	76,726,366	235,146,026	61,473,121	1,076,395,397	32,434,663	447,482,025	334,767,691	65,790,798	21,319,922	33,946,882	2,487,076,577
Accumulated depreciation and impairment													
Opening balance as at 1 July 2012		-	24,904,503	112,200,508	32,158,363	323,721,949	15,064,796	253,164,923	189,643,419	20,583,335	-	-	971,441,796
Adjustment to opening value		-	-	-	-	-	-	-	-	-	-	-	-
Depreciation provided in period	9(a) & 13	-	2,372,413	7,019,177	7,792,001	22,684,608	767,498	8,419,090	7,154,473	1,580,528	-	-	57,789,788
Depreciation on disposals		-	-	-	(5,487,669)	-	-	-	-	-	-	-	(5,487,669)
Revaluation adjustment to asset revaluation surplus	26	-	-	-	-	-	-	-	-	-	3,932,800	-	3,932,800
Flood event 2013 asset adjustments	36(a)	-	-	-	-	(1,790,974)	-	-	-	-	-	-	(1,790,974)
Flood event 2011 asset adjustments	36(b)	-	-	-	-	(8,467,989)	-	-	-	-	-	-	(8,467,989)
Depreciation on write offs	9 & 13	-	(271,151)	(745,526)	(1,012,264)	(3,149,817)	(71,792)	(3,742,784)	(1,513,063)	(13,968)	-	-	(10,520,365)
Impairment and reversal of impairment	26	-	-	-	-	-	-	2,504,313	-	-	-	-	2,504,313
Transfers between classes		-	-	-	-	-	-	-	-	-	-	-	-
Assets held for transfer to Livingstone Shire Council		-	(6,379,585)	(16,195,238)	(7,743,675)	(74,122,598)	(6,493,639)	(90,162,284)	(24,179,297)	-	-	-	(225,276,316)
Accumulated depreciation as at 30 June 2013		-	20,626,180	102,278,921	25,706,756	258,975,179	9,266,863	170,183,258	171,105,532	22,149,895	3,932,800	-	784,125,384
Net value at 30 June 2013		101,593,686	56,100,186	132,867,105	35,766,365	817,520,218	23,167,800	277,298,767	163,662,159	43,640,903	17,387,122	33,946,882	1,702,951,193
Residual value		-	-	-	16,619,622	297,271,914	-	-	-	22,294,349	-	-	336,185,885
Range of estimated useful life in years		Not depreciated	4 - 145	10 - 80	2 - 40	4 - 130	10 - 100	10 - 150	20 - 100	12 - 120	15 - 75	-	-
Additions comprise:													
Continuing operations		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Renewals		-	255,095	3,290,071	6,615,835	9,105,562	-	3,750,736	1,939,684	114,302	-	5,994,374	31,065,659
Other additions		46,069	1,530,355	375,048	635,391	4,637,058	-	572,119	2,447,452	119,494	25,909	18,904,010	29,292,906
Total additions		46,069	1,785,450	3,665,119	7,251,226	13,742,610	0	4,322,855	4,387,146	233,796	25,909	24,898,384	60,358,565

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements
For the period ended 31 December 2013

	Note	31 Dec 2013 \$	30 June 2013 \$
20 Intangible assets			
Net carrying value at period end:			
Computer software		1,758,992	1,970,532
		<u>1,758,992</u>	<u>1,970,532</u>
Computer software			
Opening gross carrying value		3,930,504	5,034,161
Add assets held for transfer to Livingstone Shire Council as at 30 June 2013		1,700,999	-
Adjustment to opening value		494,955	-
Transfer from work in progress	19	34,830	1,089,821
Value of asset write off in the period		-	(492,479)
Assets held for transfer to Livingstone Shire Council as at 31 December 2013	18	(1,711,990)	(1,700,999)
		<u>4,449,298</u>	<u>3,930,504</u>
Accumulated amortisation			
Opening balance		1,959,972	2,570,440
Add assets held for transfer to Livingstone Shire Council as at 30 June 2013		843,235	-
Adjustment to opening value		494,955	-
Amortisation in the period	9(b)	421,263	721,497
Amortisation written off in the period		-	(488,730)
Assets held for transfer to Livingstone Shire Council as at 31 December 2013	18	(1,029,119)	(843,235)
		<u>2,690,306</u>	<u>1,959,972</u>
Net carrying value at period end		<u>1,758,992</u>	<u>1,970,532</u>
Estimated useful life in years - 4 to 10 years			
Straight line amortisation has been used with no residual value.			

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements
For the period ended 31 December 2013

	Note	31 Dec 2013 \$	30 June 2013 \$
21 Trade and other payables			
Current			
Creditors and accruals		6,612,359	8,252,425
Annual leave		4,214,993	4,222,860
Sick leave		18,175	20,079
Other entitlements		1,524,640	961,377
		<u>12,370,167</u>	<u>13,456,741</u>
Non-current			
Annual leave		3,385,485	3,375,926
Sick leave		109,372	116,722
		<u>3,494,857</u>	<u>3,492,648</u>
Employee benefit expenses are calculated at current pay levels and adjusted for inflation and likely future changes in salary level.			
The non-current portion of annual leave and long service leave is discounted to the present value.			
22 Provisions			
Current			
Quarry rehabilitation		49,912	49,287
Landfill restoration		2,116,193	2,116,193
Carbon tax		121,222	-
Long service leave		1,821,588	1,729,359
		<u>4,108,915</u>	<u>3,894,839</u>
Non-current			
Quarry rehabilitation		418,149	410,935
Landfill restoration		12,822,035	12,762,949
Carbon tax		293,620	-
Long service leave		10,322,329	9,799,693
		<u>23,856,133</u>	<u>22,973,577</u>
Details of movements in provisions:			
Quarry rehabilitation			
Balance at beginning of financial year		460,222	761,261
Add back liabilities held for transfer to Livingstone Shire Council as at 30 June 2013		192,575	
Increase in provision due to change in time		11,120	19,417
Increase (decrease) in provision due to change in discount rate		-	(32,886)
Increase (decrease) in estimate of future cost		-	(94,995)
Liabilities held for transfer to Livingstone Shire Council as at 31 December 2013	18	(195,856)	(192,575)
Balance at end of financial year		<u>468,061</u>	<u>460,222</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements
For the period ended 31 December 2013

	Note	31 Dec 2013 \$	30 June 2013 \$
This is the present value of the estimated cost of restoring the quarry sites to a usable state at the end of their useful life. The projected cost is and this cost is expected to be incurred over the period .			
Landfill restoration			
Balance at beginning of financial year		14,879,141	5,622,111
Add back liabilities held for transfer to Livingstone Shire Council as at 30 June 2013		9,655,647	-
Additional sites and closure cost recognitions		-	19,530,968
Increase in provision due to change in time		95,961	171,307
Increase (decrease) in provision due to change in discount rate		-	(533,345)
Increase (decrease) in estimate of future cost		-	(256,253)
Liabilities held for transfer to Livingstone Shire Council as at 31 December 2013		(9,692,521)	(9,655,647)
Balance at end of financial year		<u>14,938,228</u>	<u>14,879,141</u>
This is the present value of estimated future closure, maintenance and monitoring cost of landfill sites to the end of their useful lives and regulated periods. The projected cost is and this cost is expected to be incurred over the period .			
Carbon tax liability			
Balance at beginning of financial year		-	-
Carbon tax liability		414,842	-
Balance at end of financial year		<u>414,842</u>	<u>-</u>
Long service leave			
Balance at beginning of financial year		11,529,052	15,231,683
Add back liabilities held for transfer to Livingstone Shire Council as at 30 June 2013		4,684,723	-
Long service leave entitlement arising		1,394,328	3,094,275
Long service entitlement extinguished		(442,092)	(1,129,923)
Long service entitlement paid		(423,765)	(982,260)
Liabilities held for transfer to Livingstone Shire Council as at 31 December 2013		(4,598,329)	(4,684,723)
Balance at end of financial year		<u>12,143,917</u>	<u>11,529,052</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements
For the period ended 31 December 2013

	Note	31 Dec 2013 \$	30 June 2013 \$
23 Borrowings			
(a) Bank overdraft			
The Council does not have a bank overdraft facility.			
(b) Unsecured borrowings			
Unsecured borrowings are provided by the Queensland Treasury Corporation. All borrowings are in Australian dollar denominated amounts and carried at amortised cost, interest being expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary between 1 November 2015 to 25 April 2033.			
There have been no defaults or breaches of the loan agreement during the period. Principal and interest repayments are made quarterly in arrears.			
Details of borrowings at balance date are:			
Current			
Queensland Treasury Corporation		19,913,547	19,396,425
Liabilities held for transfer to Livingstone Shire Council		(6,581,722)	(6,128,970)
		<u>13,331,825</u>	<u>13,267,455</u>
Non-current			
Queensland Treasury Corporation		210,574,679	201,559,454
Liabilities held for transfer to Livingstone Shire Council		(69,682,937)	(73,290,075)
		<u>140,891,742</u>	<u>128,269,379</u>
Details of movements in borrowings:			
Queensland Treasury Corporation			
Opening balance		160,602,426	220,090,948
Add liabilities held for transfer to Livingstone Shire Council as at 30 June 2013		79,419,045	-
Loans raised		-	38,400,000
Principal repayments		(9,533,245)	(18,469,477)
		<u>230,488,226</u>	<u>240,021,471</u>
Liabilities held for transfer to Livingstone Shire Council as at 31 December 2013		(76,264,659)	(79,419,045)
Book value at year end		<u>154,223,567</u>	<u>160,602,426</u>

The QTC loan market value for all loans including Livingstone Shire Council at the reporting date was \$242,461,047. This represents the value of the debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements
For the period ended 31 December 2013

	Note	31 Dec 2013 \$	30 June 2013 \$
24 Other liabilities			
Current			
Unearned revenue		368,544	317,378
		<u>368,544</u>	<u>317,378</u>
Non-current			
Developer contributions		1,274,448	1,220,860
		<u>1,274,448</u>	<u>1,220,860</u>
The developer contribution liability reflects cash contributions from developers for which the related service obligations have yet to be fulfilled by Council.			
25 Retained surplus/(deficiency)			
Movement in the retained surplus			
Retained surplus/(deficit) at beginning of the year		1,959,789,762	1,952,178,181
Net result attributable to Council		48,756,298	17,395,415
		<u>2,008,546,060</u>	<u>1,969,573,596</u>
Transfers (to)/from reserves for future capital funding purposes:			
(i) Unspent capital grants reserve		65,000	3,327,194
(ii) Constrained grants and contributions reserve		(4,478,056)	(2,414,654)
(iii) Airport development reserve		-	(159,083)
(iv) Capital works reserve		99,403	(113,216)
(v) Plant reserve		-	(194,293)
(vi) Water reserve		-	134,587
(vii) Sewerage reserve		-	-
(viii) Year end uncompleted works reserve		27,078,343	(9,780,209)
Transfers (to)/from reserves for future general funding purposes:			
(i) Operating projects reserve		4,311,252	(584,160)
Balance at the end of financial year		<u>2,035,622,002</u>	<u>1,959,789,762</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements
For the period ended 31 December 2013

	Note	31 Dec 2013 \$	30 June 2013 \$
26 Asset revaluation surplus			
Movements in the asset revaluation surplus were as follows:			
Balance at beginning of the year		384,425,885	398,495,279
Net adjustment to non-current assets to reflect a change in current fair value:			
Water - impairment and reversal of previous impairment		-	1,762,599
Road and drainage network - flood and other adjustments		-	(13,570,873)
Buildings - revaluation		-	5,098
Heritage and cultural assets - revaluation		-	(2,266,218)
Balance at end of the year		<u>384,425,885</u>	<u>384,425,885</u>
Asset revaluation surplus analysis			
The closing balance of the asset revaluation reserve is comprised of the following asset categories:			
Land		22,797,377	22,797,377
Site improvements		1,868,048	1,868,048
Buildings		28,353,361	28,353,361
Road and drainage network		228,087,621	228,087,621
Bridge network		2,048,224	2,048,224
Water		10,410,435	10,410,435
Sewerage		69,508,882	69,508,882
Airport		16,940,328	16,940,328
Heritage and cultural assets		4,411,609	4,411,609
		<u>384,425,885</u>	<u>384,425,885</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements

For the period ended 31 December 2013

27 Other reserves

Note	\$	\$	\$
(a) Other reserves - current year			
	Balance at beginning of financial year	Transfers to/from retained earnings	Balance at the end of financial year
Movements in capital reserves are analysed as follows:			
(i) Unspent capital grants reserve	1,047,870	(65,000)	982,870
(ii) Constrained grants and contributions reserve	27,978,432	4,478,056	32,456,488
(iii) Airport development reserve	3,934,804	-	3,934,804
(iv) Capital works reserve	6,422,539	(99,403)	6,323,136
(v) Plant reserve	2,268,006	-	2,268,006
(vi) Water reserve	2,460,306	-	2,460,306
(vii) Sewerage reserve	2,125,029	-	2,125,029
(viii) Waste management reserve	1,067,176	-	1,067,176
(ix) Year end uncompleted works reserve	27,078,343	(27,078,343)	-
	<u>74,382,505</u>	<u>(22,764,690)</u>	<u>51,617,815</u>
Movements in operating reserves are analysed as follows:			
(i) Operating projects reserve	10,222,104	(4,311,252)	5,910,852
(ii) Asset maintenance reserve	396,211	-	396,211
	<u>10,618,315</u>	<u>(4,311,252)</u>	<u>6,307,063</u>
Total other reserves	<u>85,000,820</u>	<u>(27,075,942)</u>	<u>57,924,878</u>
(b) Other reserves - prior year			
	Balance at beginning of financial year	Transfers to/from retained earnings	Balance at the end of financial year
Movements in capital reserves are analysed as follows:			
(i) Unspent capital grants reserve	4,375,064	(3,327,194)	1,047,870
(ii) Constrained grants and contributions reserve	25,563,778	2,414,654	27,978,432
(iii) Airport development reserve	3,775,721	159,083	3,934,804
(iv) Capital works reserve	6,309,323	113,216	6,422,539
(v) Plant reserve	2,073,713	194,293	2,268,006
(vi) Water reserve	2,594,893	(134,587)	2,460,306
(vii) Sewerage reserve	2,125,029	-	2,125,029
(viii) Waste management reserve	1,067,176	-	1,067,176
(ix) Year end uncompleted works reserve	17,298,134	9,780,209	27,078,343
	<u>65,182,831</u>	<u>9,199,674</u>	<u>74,382,505</u>
Movements in operating reserves are analysed as follows:			
(i) Operating projects reserve	9,637,944	584,160	10,222,104
(ii) Asset maintenance reserve	396,211	-	396,211
	<u>10,034,155</u>	<u>584,160</u>	<u>10,618,315</u>
Total other reserves	<u>75,216,986</u>	<u>9,783,834</u>	<u>85,000,820</u>

These reserves are cash backed as per cash and investments held in Notes 14, 15 and 18.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements
For the period ended 31 December 2013

28 Commitments for expenditure

This particular note has been excluded from the 31 December 2013 Special Purpose Financial Statements on the basis that the normal detail of this note will not add any benefit with regard to the purpose of the statements.

29 Events after the reporting period

This particular note has been excluded from the 31 December 2013 Special Purpose Financial Statements on the basis that the normal detail of this note will not add any benefit with regard to the purpose of the statements.

30 Contingent liabilities

Balances as at 31 December 2013 for the following contingent liabilities were unavailable and therefore each amount relates to balances as at 30 June 2013:

(i) Under approval from Queensland Treasury, Council has guaranteed loans to Diggers Memorial Bowls Club (\$12,90) and Rockhampton Basketball Inc (\$244,401.10) as at 30 June 2013.

<u>244,414</u>	<u>276,665</u>
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(ii) Local Government Workcare

The Rockhampton Regional Council is a member of the Queensland local government workers compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee as at 30 June 2013:

<u>3,909,040</u>	<u>3,106,328</u>
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Included in the contingent liabilities for Local Government Workcare as at 30 June 2013 are insurance funds relating to Livingstone Shire Council with an estimated value of \$1,094,849.

(iii) Local Government Mutual

The Council is a member of the local government mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or it is unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution is to the total pool contributions in respect to any year that a deficit arises.

The financial statements for 30 June 2011 reported an accumulated surplus and it is not anticipated any liability will arise.

(iv) As at 30 June 2013, the following cases were filed in the courts naming the Rockhampton Regional Council as defendant:

Supreme Court

Number of cases	Number of cases
<u>1</u>	<u>1</u>

The claim is for a quantum of approximately \$20.3 million (plus interest). The claim is being vigorously defended by Council. The matter relates to alleged breaches of the contract, and alleged breaches of the Trade Practices Act 1974, in relation to the Yeppoon to Rockhampton pipeline.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements
For the period ended 31 December 2013

	Note	31 Dec 2013 \$	30 June 2013 \$
Supplementary note is now made to provide further information of how the above contingent liabilities will be divided in the de-amalgamation.			
(i) This continues to rest with Rockhampton Regional Council, due to the geographic nature of the land.			
(ii) As noted, this will be divided among the two Councils based upon the workforce numbers.			
(iii) This will be divided among the two Councils based upon based the percentage to be determined by Local Government Mutual.			
(iv) This will be divided between Rockhampton Regional Council and Livingstone Shire Council based upon a percentage to be determined.			

31 Superannuation

This particular note has been excluded from the 31 December 2013 Special Purpose Financial Statements on the basis that the normal detail of this note will not add any benefit with regard to the purpose of the statements.

32 Trust funds

Trust funds held for outside parties:

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	2,763,885	2,210,679
	<u>2,763,885</u>	<u>2,210,679</u>

The Rockhampton Regional Council performs only a custodial role in respect of these monies and because the monies cannot be used for Council purposes, they are not brought to account in these financial statements.

Included in the trust funds held as at 31 December 2013, are trust monies of \$965,774 relating to Livingstone Shire Council.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements
For the period ended 31 December 2013

33 Reconciliation of net result attributable to Council to net cash flow from operating activities

Net result attributable to Council	48,756,298	17,395,413
Non-cash operating items:		
Depreciation and amortisation	21,523,343	58,511,284
Landfill rehabilitation		5,185,709
Change in restoration provisions expensed to finance costs	107,081	190,724
	<u>21,630,424</u>	<u>63,887,717</u>
Investing and development activities:		
Capital grants, subsidies and contributions	(39,219,035)	(44,747,784)
Capital income	(588,678)	(426,906)
Capital expenses	<u>12,866,222</u>	<u>22,518,444</u>
	<u>(26,941,491)</u>	<u>(22,656,246)</u>
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(993,908)	2,392,068
(Increase)/decrease in inventories (excluding land)	(323,284)	586,015
Increase/(decrease) in payables	(3,382,162)	(3,731,883)
Increase/(decrease) in provisions	943,312	982,092
Increase/(decrease) in other liabilities	<u>26,196</u>	<u>295,672</u>
	<u>(3,729,847)</u>	<u>523,964</u>
Net cash inflow from operating activities	<u>39,715,384</u>	<u>59,150,848</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements
For the period ended 31 December 2013

34 Contingent assets

(i) Council has an agreement with RLX Investment Company Pty Ltd for a lease over Council controlled reserves, known as the Gracemere Saleyards. The lease commenced 1 January 2010 for a period of thirty years. The lessee has agreed as part of the agreement to construct fixtures upon the land for their own purpose. It has been agreed that a sum of approximately \$14 million will be expended in additions and refurbishments over the term of the lease.

Council obtaining control of this asset is contingent upon the expiration/surrender of the lease agreement. Until such time that the fixtures revert back to Council control they will not be included in Council's non-current assets.

This contingent asset continues to rest with Rockhampton Regional Council, due to the geographic nature of the land.

35 Restructure of asset class

This particular note has been excluded from the 31 December 2013 Special Purpose Financial Statements on the basis that the normal detail of this note will not add any benefit with regard to the purpose of the statements.

36 Accounting for natural disaster events

There were nil accounting adjustments for natural disaster events processed in the period 1 July 2013 - 31 December 2013 and therefore the below adjustments relate to the period 1 July 2012 - 30 June 2013.

Prior Year

	Note	\$	\$	\$	\$
		Cost	Accumulated Depreciation	Asset Revaluation Surplus	Capital Expenses
(a) 2013 flood event:					
Asset adjustments	19 & 26	9,777,691	1,790,974	5,355,165	2,631,553
Assets held for transfer Livingstone Shire Council		(3,412,306)	(986,104)	(1,429,215)	(996,988)
Write off of assets for 2013 flood event	10	6,365,385	804,870	3,925,950	1,634,565

In January 2013, the Rockhampton area experienced an unprecedented amount of rainfall within a 24 hour period from Cyclone Oswald which led to flash flooding as well as a moderate flood in the Fitzroy River. As a result of this event, road infrastructure asset values have been adjusted to reflect their damaged condition.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the special purpose financial statements
For the period ended 31 December 2013

(b) 2011 flood event:

Asset adjustments	19 & 26	13,978,418	8,467,989	8,726,095	(3,215,667)
Assets held for transfer Livingstone Shire Council		(3,791,733)	(1,673,666)	(2,608,982)	490,916
Reduction in asset values due to 2011 flood event	10	10,186,685	6,794,323	6,117,113	(2,724,751)

In January 2011, the Rockhampton area experienced a major flood from Cyclone Yasi and in the reporting period ended 30 June 2011, similar entries were performed to that of the January 2013 event above. However, adjustments have been required to this data in the current reporting period, as below:

Corrections to revaluation adjustments posted at 30 June 2012 due to incorrect asset dimensions being used.

Reversal of asset write-offs in the year ended 30 June 2011 due to the preliminary nature of information used.

37 Financial instruments

This particular note has been excluded from the 31 December 2013 Special Purpose Financial Statements on the basis that the normal detail of this note will not add any benefit with regard to the purpose of the statements.

38 National competition policy

This particular note has been excluded from the 31 December 2013 Special Purpose Financial Statements on the basis that the normal detail of this note will not add any benefit with regard to the purpose of the statements.

ROCKHAMPTON REGIONAL COUNCIL

39 Statement of Comprehensive Income - allocated by Council
For the period ended 31 December 2013

	Note	Whole of Council Statements		RRC		LSC	
		01 July 2013 31 Dec 2013 \$	01 July 2012 30 June 2013 \$	01 July 2013 31 Dec 2013 \$	01 July 2012 30 June 2013 \$	01 July 2013 31 Dec 2013	01 July 2012 30 June 2013
Continuing operations							
Income							
Recurrent revenue							
Rates, levies and charges	3(a)	85,214,492	154,542,984	59,170,553	105,969,690	26,043,939	48,573,274
Fees and charges	3(b)	16,735,861	29,348,318	13,867,976	23,950,058	2,867,885	5,398,260
Interest received	3(c)	2,970,471	5,236,348	1,896,256	3,094,137	1,074,215	2,142,211
Sales revenue	3(d)	5,818,466	13,598,399	4,689,208	11,615,571	1,129,258	1,982,828
Other recurrent income	3(e)	3,917,032	7,918,191	3,535,088	7,114,185	381,944	804,006
Grants, subsidies and contributions	4(a)	13,818,249	17,349,646	12,344,252	12,688,322	1,273,997	4,661,324
		<u>128,274,571</u>	<u>227,993,866</u>	<u>95,503,333</u>	<u>164,431,963</u>	<u>32,771,238</u>	<u>63,561,903</u>
Capital revenue							
Grants, subsidies and contributions	4(b)	39,219,035	44,747,784	19,552,128	36,551,652	19,666,907	8,196,132
Total revenue		<u>167,493,606</u>	<u>272,741,650</u>	<u>115,055,461</u>	<u>200,983,615</u>	<u>52,438,145</u>	<u>71,758,035</u>
Capital Income	5	588,678	1,023,676	588,230	1,023,676	448	-
Total Income		<u>168,082,284</u>	<u>273,765,326</u>	<u>115,643,691</u>	<u>202,007,291</u>	<u>52,438,593</u>	<u>71,758,035</u>
Expenses							
Recurrent expenses							
Employee benefits	6	(46,285,194)	(92,940,533)	(32,920,286)	(68,193,257)	(13,364,908)	(24,747,276)
Materials and services	7	(30,984,421)	(68,262,511)	(21,058,866)	(48,838,630)	(9,925,555)	(19,423,881)
Finance costs	8	(7,699,805)	(13,540,370)	(5,247,006)	(9,095,658)	(2,419,799)	(4,444,712)
Depreciation and amortisation	9	(21,523,343)	(58,511,285)	(21,513,697)	(41,602,036)	(9,646)	(16,909,249)
		<u>(106,459,763)</u>	<u>(233,254,699)</u>	<u>(80,739,855)</u>	<u>(167,729,581)</u>	<u>(25,719,908)</u>	<u>(65,525,118)</u>
Capital expenses	10	(12,866,223)	(23,115,214)	(12,844,203)	(14,728,634)	(22,020)	(8,386,580)
Total expenses		<u>(119,325,986)</u>	<u>(256,369,913)</u>	<u>(93,584,058)</u>	<u>(182,458,215)</u>	<u>(25,741,928)</u>	<u>(73,911,698)</u>
Surplus/(deficit) for the year		<u>48,756,298</u>	<u>17,395,413</u>	<u>22,059,633</u>	<u>19,549,076</u>	<u>26,696,665</u>	<u>(2,153,663)</u>
Other comprehensive Income							
Items that will not be reclassified to net result							
Increase / (decrease) in asset revaluation surplus	26	-	(14,069,394)	-	(14,069,394)	-	-
Total other comprehensive Income for the year		<u>-</u>	<u>(14,069,394)</u>	<u>-</u>	<u>(14,069,394)</u>	<u>-</u>	<u>-</u>
Total comprehensive Income for the year		<u>48,756,298</u>	<u>3,326,019</u>	<u>22,059,633</u>	<u>5,479,682</u>	<u>26,696,665</u>	<u>(2,153,663)</u>

ROCKHAMPTON REGIONAL COUNCIL

40 Statement of Financial Position - allocated by Council
As at 31 December 2013

	Note	Whole of Council		RRC		LSC	
		31 Dec 2013 \$	30 June 2013 \$	31 Dec 2013 \$	30 June 2013 \$	31 Dec 2013	30 June 2013
Current assets							
Cash and cash equivalents	14	67,426,506	27,897,808	23,187,155	14,665,355	44,239,351	13,232,453
Investments	15	53,000,000	92,000,000	53,000,000	59,000,000	-	33,000,000
Trade and other receivables	16	22,171,974	21,178,066	18,128,159	15,970,194	4,043,815	5,207,872
Inventories	17	2,629,214	2,305,930	1,585,699	1,459,135	1,043,515	848,795
Property, plant and equipment	19	905,891,833	885,763,332	-	-	905,891,833	885,763,332
Intangible assets	19	682,871	857,764	-	-	682,871	857,764
Assets classified as held for sale	18	1,732,327	1,920,276	1,716,528	1,442,210	15,799	478,068
Total current assets		1,053,534,725	1,031,923,176	97,617,541	92,536,894	955,917,184	939,386,284
Non-current assets							
Property, plant and equipment	19	1,718,453,673	1,702,951,194	1,718,453,673	1,702,951,194	-	-
Intangible assets	20	1,758,992	1,970,532	1,758,992	1,970,532	-	-
Total non-current assets		1,720,212,665	1,704,921,726	1,720,212,665	1,704,921,726	-	-
TOTAL ASSETS		2,773,747,390	2,736,844,904	1,817,830,206	1,797,458,620	955,917,184	939,386,284
Current liabilities							
Trade and other payables	21	17,136,896	20,521,268	12,370,167	13,456,740	4,766,729	7,064,528
Provisions	22	18,595,621	18,427,783	4,108,915	3,894,839	14,486,706	14,532,944
Borrowings	23	89,596,484	92,686,500	13,331,825	13,267,455	76,264,659	79,419,045
Other liabilities	24	928,447	970,833	368,544	317,378	559,903	653,455
Total current liabilities		126,257,448	132,606,384	30,179,451	30,936,412	96,077,997	101,669,972
Non-current liabilities							
Trade and other payables	21	3,494,857	3,492,647	3,494,857	3,492,647	-	-
Provisions	22	23,856,133	22,973,577	23,856,133	22,973,577	-	-
Borrowings	23	140,891,742	147,334,972	140,891,742	147,334,972	-	-
Other liabilities	24	1,274,448	1,220,860	1,274,448	1,220,860	-	-
Total non-current liabilities		169,517,180	175,022,056	169,517,180	175,022,056	-	-
TOTAL LIABILITIES		295,774,628	307,628,440	199,696,631	205,958,468	96,077,997	101,669,972
NET COMMUNITY ASSETS		2,477,972,762	2,429,216,464	1,618,133,575	1,591,500,151	859,839,187	837,716,312
Community equity							
Retained surplus	25	2,035,621,999	1,959,789,759	-	-	-	-
Asset revaluation surplus	26	384,425,885	384,425,885	-	-	-	-
Other reserves	27	57,924,878	85,000,820	-	-	-	-
TOTAL COMMUNITY EQUITY		2,477,972,762	2,429,216,464	-	-	-	-

ROCKHAMPTON REGIONAL COUNCIL

41 Statement of Cash Flows - allocated by Council

	Note	WHOLE OF COUNCIL		RRC		LSC	
		31 Dec 2013	30 June 2013	31 Dec 2013	30 June 2013	31 Dec 2013	30 June 2013
		\$	\$	\$	\$	\$	\$
Cash flows from operating activities							
Rates, levies and charges	84,547,870	155,545,641	58,416,851	107,238,360	26,131,019	48,307,281	
Fees and charges	16,735,860	29,348,318	13,867,976	23,950,058	2,867,884	5,398,259	
Grants, subsidies and contributions	13,618,248	17,349,645	12,344,253	12,688,322	1,273,995	4,661,323	
Interest received	3,247,123	5,829,437	1,880,677	3,462,810	1,366,448	2,366,627	
Other Income	10,259,568	22,265,444	8,129,198	17,852,145	2,130,370	4,413,300	
Net GST paid	(357,578)	420,066	(609,157)	287,815	251,579	132,251	
Payments to suppliers	(35,944,964)	(66,704,374)	(23,633,048)	(46,177,578)	(12,311,916)	(20,526,796)	
Payments to employees	(45,425,418)	(92,169,777)	(31,749,720)	(67,656,715)	(13,675,898)	(24,513,062)	
Interest expense	(6,965,325)	(12,733,551)	(4,648,992)	(8,432,480)	(2,316,333)	(4,301,071)	
Net cash inflow/(outflow) from operating activities		39,715,384	59,150,849	33,998,038	43,212,737	5,717,346	15,938,112
Cash flows from investing activities							
Government subsidies and grants	10,063,286	8,407,985	6,222,222	6,353,595	3,841,064	2,054,390	
Capital contributions	6,319,957	6,969,914	2,105,035	4,685,390	4,214,922	2,284,524	
Payments for property, plant and equipment	(46,870,915)	(80,199,169)	(34,172,832)	(56,262,635)	(12,698,084)	(23,936,534)	
Payments for intangible assets	(34,830)	(1,089,821)	(34,830)	(768,324)	-	(321,497)	
Proceeds from sale of property plant and equipment	869,062	2,435,925	783,022	1,718,917	86,040	717,008	
Proceeds from sale of intangible assets	-	-	-	-	-	-	
Net movement in loans and advances	-	-	-	-	-	-	
Net cash inflow/(outflow) from investing activities		(29,653,440)	(63,475,166)	(25,097,383)	(44,273,057)	(4,556,058)	(19,202,109)
Cash flows from financing activities							
Proceeds from borrowings	-	38,400,000	-	26,864,370	-	11,535,630	
Repayment of borrowings	(9,533,245)	(18,469,477)	(6,378,855)	(12,005,160)	(3,154,390)	(6,464,317)	
Net cash (outflow)/inflow from financing activities		(9,533,245)	19,930,523	(6,378,855)	14,859,210	(3,154,390)	5,071,313
Net Increase/(decrease) in cash and cash equivalents held		528,699	15,606,206	2,521,800	13,798,890	(1,993,102)	1,807,316
Cash at beginning of reporting year*	27,897,807	68,291,602	73,665,354	59,866,465	46,232,453	44,425,135	
Investments at beginning of reporting year	92,000,000	36,000,000					
Cash at end of reporting year (including Investments)		120,426,506	119,897,808	76,187,154	73,665,355	44,239,351	46,232,451
Less investments at end of reporting year	53,000,000	(92,000,000)					
Cash as per cashflow statement		67,426,506	27,897,808				

*Cash and investments consolidated for purposes of allocation of cash between Councils

ROCKHAMPTON REGIONAL COUNCIL

Special purpose financial statementsFor the period ended 31 December 2013

Management Certificate

For the period ended 31 December 2013

These special purpose financial statements have been prepared to assist the transfer committee meet their obligations under sections 38 and 39 of the *Local Government (De-amalgamation Implementation) Regulation 2013*.

We certify that:

- (i) the prescribed requirements of the *Local Government (De-amalgamation Implementation) Regulation 2013* for the transfer of assets and liabilities (sections 38 and 39) have been complied with in all material respects;
- (ii) the assets and liabilities to be transferred to Livingstone Shire Council are stated within Note 18 (page 15);
- (iii) the special purpose financial statements, as set out on pages 1 to 32, represent a true and fair view, of the Council's transactions for the half year ended 31 December 2013 and financial position for the half year ended 31 December 2013.

E. Pardon
Rockhampton Regional Council
Chief Executive Officer

Date:

A. Ireland
Livingstone Shire Council
Chief Executive Officer

Date:

FINANCIAL SECTION UPDATE

Position Papers

Meeting Date: 29 May 2014

Attachment No: 3



POSITION PAPER:

Accounting for De-amalgamation of LSC 1 January 2014

Document Control

Document Name	File reference	Version
Position Paper: Accounting for De-amalgamation of LSC 1 January 2014	8151	Version 24/03/14

Sign-off

	Name	Position	Signature	Date
Prepared by:	Michael Clerc	Management Accounting and Treasury Supervisor		31/3/14
Reviewed by:	Gerhard Van der Walt	Revenue and Accounting Coordinator		1/4/14
Approved by:	Alicia Cutler	Finance Manager		31/3/14

Rockhampton Regional Council
Period ended: 31 December 2013

Accounting for De-amalgamation of LSC 1 January 2014

1. OVERVIEW

This position paper details Rockhampton Regional Council's process in relation to accounting for de-amalgamation of LSC on 1 January 2014 (as at 31 December 2013) and in particular, compliance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* (AASB 5), and the *Local Government (De-amalgamation Implementation) Regulation 2013* (LGDIR).

2. RELEVANT AUSTRALIAN ACCOUNTING PRONOUNCEMENTS

AASB 5 Non-current Assets Held for Sale and Discontinued Operations

Classification

6. An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Measurement

15. An entity shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

Presentation and Disclosure

30. An entity shall present and disclose information that enables users of the financial statements to evaluate the financial effects of discontinued operations and disposals of non-current assets (or disposal groups).

Definition

Disposal group - A group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

3. BACKGROUND

The de-amalgamation polls held on 9 March 2013 resulted in the residents of the former Livingstone Shire Council (LSC) area voting to de-amalgamate from the Rockhampton Regional Council (RRC). The *Local Government (De-amalgamation Implementation) Regulation 2013* (LGDIR) was enacted in April 2013, confirming the de-amalgamation of four Queensland jurisdictions, including the Rockhampton local government area, with changeover date 1 January 2014. This Regulation supplies the framework for de-amalgamation, and is supported by a *De-amalgamation Transfer Methodology* (DTM), issued during May 2013.

4. LOCAL GOVERNMENT (DE-AMALGAMATION IMPLEMENTATION) REGULATION 2013

In accordance with sections 27(a), 38(1), and 39(1) of the *Local Government (De-amalgamation Implementation) Regulation 2013* (LGDIR) and section 6.1. of the *De-amalgamation Transfer Methodology* (DTM), the Transfer Committee established to facilitate the de-amalgamation of the Livingstone Shire Council (LSC) from Rockhampton Regional Council (RRC) has the responsibility to decide the assets and liabilities (including cash and loans) that are to be transferred to LSC.

The DTM provided a proposed balance sheet allocation methodology (BSAM), prepared by QTC, that may be used to determine the separation of balance sheet items between the continuing and new

councils. The BSAM prepared by QTC was reviewed by Council officers and several amendments were recommended to the Transfer Committee to provide flexibility to negotiate the allocation of individual balance sheet items between the two councils, such as receivables and payables, and a mechanism for the other council to be compensated. After due review and consideration, the BSAM for the separation of assets between RRC and LSC was adopted by the Transfer Committee on 25 September 2013 (refer Attachment 1).

The BSAM for the separation of assets between RRC and LSC adopted by the Transfer Committee on 25 September 2013 provided the methodology to determine the separation of balance sheet items between Rockhampton Regional Council and Livingstone Shire Council as at 30 June 2013 and 31 December 2013. This has been the over-arching guiding document in determining the split of assets and liabilities between the two Councils as at changeover day. However, as the BSAM did not provide details of the timing / mechanisms for the transfer of assets and liabilities, several 'De-amalgamation Agreements' were approved by the Transfer Committee in relation to the transfer of assets and liabilities, including:

- Transfer of Cash and Loans
- Accounts Receivable
- Trade and other Payables Management

These agreements also provided guidance in regards to separation of the relevant asset and liability items.

5. ANALYSIS

Given that legislation has been passed to effect the de-amalgamation of LSC from RRC as at 1 January 2014 (the LGDIR), the requirements of AASBS have been applied to the Special Purpose Financial Report of Rockhampton Regional Council for the six month period to 31 December 2014. RRC is required to disclose within the financial report, the balances of the assets and associated liabilities as at 31 December 2013 that will be 'disposed' (transferred) to LSC as at 1 January 2014.

The Queensland Boundaries Commissioner's de-amalgamation report included a financial analysis of RRC and LSC, prepared by Queensland Treasury Corporation (QTC). As part of this analysis, QTC established opening balance sheet positions of RRC and LSC as at 1 July 2012 as a base case for testing. Whilst it is considered that the methodology used by QTC to determine the opening balance sheet positions of RRC and LSC as at 1 July 2012 is generally sound, since the publication and subsequent review of QTC's financial analysis, a number of significant adjustments in the allocation of assets and liabilities between RRC and LSC have been recommended by RRC employees. These include:

1. Updated information on the location of capital expenditure \$18M (in particular \$12.6M of capital expenditure in the LSC geographic area for the period 15 March 2008 to 30 June 2008 as well as \$6.2M of carryover capital works from 2010/11 to 2011/12 that were not identified in the original submission of financial information to QTC. The remaining variances are the result of more accurate allocation of whole of council capital expenditure.)
2. The transfer of expenditure from LSC to RRC for the section of Rockhampton to Yeppoon pipeline from Glenmore WTP to the Boundary Road reservoir – approx. \$17.6M
3. The transfer of grant funding from LSC to RRC for the section of pipeline mentioned above – approx. \$12.8M
4. Updated and improved information with respect to Developer Contributions received over the amalgamated period resulted in the transfer of funding from RRC to LSC of approx. \$4.9M
5. The correction of the allocation of Accounts Receivable – QTC had apportioned on the basis of closing balances as at 14 March 2008; on this date LSC receivables were in excess of normal end of financial year balances due to LSC's rate levy for the second half of 2007/08 close to amalgamation date. Accounts Receivable balances as at 30 June 2012 were re-allocated between the councils on the basis of geographic location which resulted in a movement of \$6.7M (increase RRC / decrease LSC) from QTC's estimate.

6. The correction of the allocation of Accounts Payable – QTC had apportioned on the basis of forecast materials and services expense 2012/13. Accounts Payable balances as at 30 June 2012 were re-allocated between the councils on the basis of geographic location which resulted in a movement of \$3.2M (increase RRC / decrease LSC) from QTC's estimate.

Following discussion with Transfer Committee, relevant adjustments were made to the opening balance sheet positions of RRC and LSC as at 1 July 2012. The adjusted balance sheets for both RRC and LSC were then 'rolled forward' to 30 June 2013, based on the actual transactions for the 2012/13 financial year for the existing RRC allocated between what would become the continuing RRC and the new LSC. This process was again repeated for the six month period from 1 July 2013 to 31 December 2013. Transactions have been allocated on the following basis:

Operating Revenue and Expenditure

Allocated by geographical area:

- 100% CRRC area; or
- 100% LSC area; or
- Shared (Default) – CRRC 70.5% / LSC 29.5%, or
- Shared - Some other supported basis of allocation

The default 'Shared' percentages were on the basis of proportion of population between the two Councils; CRRC – 70.5%, LSC – 29.5%. The default shared percentage was used where there was no other justifiable methodology to vary the % split.

Capital Revenue

Wherever possible capital revenue was allocated by geographical area in line with the related capital project expenditure. The majority of capital grants, developer contributions, and land sales were allocated 100% CRRC area or 100% LSC area. However, some Capital Revenue such as Flood Grants (for Capital Renewal) required analysis of the related capital expenditure to determine the appropriate split.

Capital Expenditure

Wherever possible capital expenditure was allocated by geographical area - 100% CRRC area or 100% LSC area - instances of shared capital expenditure would be rare.

Cash / Loans

The allocation of cash and investment funds was decided by financial transactions to 31 December 2013, the interaction with loan funding outcomes as well as the interaction with other assets and liabilities.

6. ROCKHAMPTON REGIONAL COUNCIL ACCOUNTING POLICY

Rockhampton Regional Council has considered all relevant impacts, legislation, transactions and modelling likely on its assets and liabilities as at 31 December 2013 and beyond, as a result of the de-amalgamation process. Assets to be transferred to Livingstone Shire Council are summarised in the Statement of Financial Position under "Assets classified as held for sale and transfer", while liabilities to be transferred have been summarised under "Liabilities directly associated with assets classified as held for sale and transfer". Further detail is provided in Note 18.

Accounting policy for Non-current assets classified as held for sale is set out in Note 1.17 of the 2012-2013 financial statements of Rockhampton Regional Council as follows:

Non-current assets and disposal groups are classified as held for sale and transfer if their carrying amount will be recovered principally through a sale or disposal process, rather than through continuing use. This condition is regarded as met only when the sale or disposal is highly probable and the non-current asset (or disposal group) is available for immediate sale or disposal in its present condition. Management must be committed to the sale or disposal, and/or directed by law or regulation, which should be expected to qualify for recognition as a completed sale or disposal within one year from the date of classification.

When the above commitment to a sale or disposal process exists, all appropriate assets and liabilities are classified as held for sale and transfer. Non-current assets (and disposal groups) classified as held for sale and transfer are measured at the lower of their previous carrying amount and fair value less cost to sell. Assets and liabilities impacted by the de-amalgamation of Livingstone Shire Council, with the effective date of de-amalgamation 1 January 2014, fit into this classification. Details of the de-amalgamating assets and liabilities can be found in Note 18.

7. CONCLUSION

The BSAM for the separation of assets between RRC and LSC adopted by the Transfer Committee on 25 September 2013 provided the methodology to determine the separation of balance sheet items between Rockhampton Regional Council and Livingstone Shire Council as at 30 June 2013 and 31 December 2013. Whilst the BSAM was the over-arching guiding document in determining the split of assets and liabilities between the two Councils as at changeover day, several 'De-amalgamation Agreements' were also approved by the Transfer Committee to provide guidance in regards to separation of the relevant asset and liability items.

The BSAM and the related De-amalgamation Agreements have been closely followed in determining the separation of assets and liabilities between Rockhampton Regional Council and Livingstone Shire Council as at 31 December 2013 and the compilation of the Special Purpose Financial Report for the six month period ended 31 December 2013.






POSITION PAPER:

Accounting for Carbon Tax

Document Control

Document Name	File reference	Version
Position Paper: Accounting for Carbon Tax	8151	June 2014 Version 31/03/14

Sign-off

	Name	Position	Signature	Date
Prepared by:	Michael Clerc	Management Accounting and Treasury Supervisor		10/4/14
Reviewed by:	Gerhard Van der Walt	Revenue and Accounting Coordinator		10/4/14
Approved by:	Alicia Cutler	Finance Manager		10/4/14

Rockhampton Regional Council
Year ended: 30 June 2014

Accounting for Carbon Tax

1. OVERVIEW

This position paper details Rockhampton Regional Council's process in relation to accounting for carbon tax for the financial year ended 30 June 2014.

2. BACKGROUND

In October and November 2011, the Federal Government passed the *Clean Energy Bill 2011*, along with 17 other bills that together make up the legislative framework for the Clean Energy Future Plan. The legislation establishes the framework for a carbon pricing mechanism (CPM) that commenced on 1 July 2012. Further legislative detail is yet to come in the form of regulations.

The CPM envisages an 'annual compliance period' from 1 July to 30 June. The legislation also envisages two phases for the CPM; a fixed price phase in which permits have a fixed price set by the Government; and a flexible price phase in which permits can be traded. The fixed price phase is to run from 1 July 2012 to 30 June 2015. From, 1 July 2012, entities with emissions exceeding 25,000 tonnes of carbon dioxide equivalent (CO₂-e) would need to pay a carbon tax by surrendering one permit for every tonne of CO₂-e emitted in the relevant compliance year. The price of a permit is set at \$23, with the price to be increased in real terms annually by 2.5% until 2015. During the fixed price phase the Government 'sells' permits to emitters as the means of settling their emission obligations.

Rockhampton Regional Council (RRC) has determined that only one of the landfills within its boundaries, the Lakes Creek Road landfill (LCR), will be liable for carbon tax as its emissions will exceed the threshold of 25kt CO₂-e. RRC engaged the services of Aurecon Australia Pty Ltd (Aurecon) to model the estimated Carbon Tax to be incurred due to the emissions of the LCR and the methodology to collect an equitable landfill disposal fee from users of RRC's landfills to provide for payment of carbon tax. (Refer to Aurecon's memorandum 20 February 2013)

Aurecon have forecast that LCR will generate Carbon Tax liable emissions for the financial periods 2013/14 to 2023/24. However, the LCR forecast closure date is 30 June 2016. Therefore RRC needs to collect sufficient funds between 2012/13 and 2015/16 to cover thirteen years of liability payments.

Whilst LCR was only one of three landfills within RRC's boundaries at the time of the initial assessment of Carbon Tax impacts, it was decided that to provide for an equitable landfill disposal fee for the RRC region, all RRC landfills would have a carbon price surcharge applied to the landfill gate fee from 1 July 2012. Therefore, the carbon price surcharge applied at non-liaable RRC landfills at Yeppoon and Gracemere would be aggregated and reapportioned for funds to contribute to pay the required carbon units at LCR landfill. The RRC carbon price surcharge for 2012/13 was \$7 per tonne of waste disposed to landfill and resulted in RRC collecting \$886,968 during the 2012/13 financial year (based on waste disposed in RRC landfills of 126,710 tonnes).

The RRC carbon price surcharge for 2013/14 was \$14.05 per tonne of waste disposed to landfill and was forecast to result in RRC collecting \$1,479,718 during the 2013/14 financial year (based on waste disposed in RRC landfills of 105,318 tonnes). However, with the de-amalgamation of Livingstone Shire Council (LSC) from RRC effective from 1 January 2014, LSC is not be obligated to contribute the carbon price surcharge for waste disposed at LSC landfills to RRC for the payment of carbon permits incurred for carbon emissions from the LCR landfill. The de-amalgamation of LSC will therefore necessitate a recalculation of RRC's carbon price surcharge for 2014/15 and future financial years as less tonnes of waste would be disposed at RRC landfills to spread the carbon tax expense across.

3. ANALYSIS

The carbon tax does not appear to raise any recognition, measurement, presentation or disclosure issues for emitter entities beyond that dealt with under current Australian Accounting Standards for other non-income taxes.

Under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* an entity should recognise a provision when:

- a) It has a legal or constructive present obligation arising from a past (obligating) event;
- b) An outflow of resources embodying economic benefits to settle that obligation is probable; and
- c) A reliable estimate can be made of the amount of the obligation.

It is considered that the break down of organic material within waste deposited at landfills and the subsequent generation of CO₂-e is the obligating event to recognition of a provision for the future payment of carbon tax. Material within waste deposited at landfills takes time to begin decomposing. As waste deposited in 2012/13 only began to break down and generate emissions at the start of 2013/14, Council will recognise a liability for the purchase of carbon permits for the first time in 2013/14.

Basis of calculation of the Carbon Tax provision:

Step 1 (Sheet 1 of the calculations)

The first step in determining the liability is to establish the period of time when the facility is an 'eligible facility', i.e. when the emissions are greater than 25,000 CO₂-e. As the Lakes Creek Facility has been the primary landfill facility for the region for considerable time, the current estimate of liable emissions is in the vicinity of 65,000 CO₂-e. As the facility is projected to close in 2016, the emissions will reduce over time from date of closure. It is expected that by 2024, the emissions from LCR will reduce below the 25,000 CO₂-e and thus LCR will be no longer be an eligible facility.

Step 2 (Sheet 2 of the calculations)

The second step is to calculate the tax liable emissions and enter both the amount of waste that is received as well as the general make-up of this waste. That is, the proportion of waste that is Municipal Solid Waste (MSW), Commercial Industrial Waste and Construction & Demolition Waste. This is important as each waste stream has its own profile of future emissions, e.g. MSW emits carbon at a higher rate than Commercial Industrial.

Step 3, 4, 5

These calculations simply provide a profile of emissions of 1 tonne of each of the waste types. These have been supplied by technical experts in the field.

Step 6 (Sheet 6 of the Calculations)

The final step is to combine the preceding information and then estimate the forward price of carbon to show in future dollars, Council's expected Carbon Expense. The future price of carbon used is that released on the Clean Energy website by Treasury. The total future emissions at future prices for the eligible waste that has been received at LCR is then discounted back to today's value, to calculate Council's liability.

The discount rate used is the WACC rate of 5.76%.

The next year's forecast payment is the portion estimated as the current component of the liability and the remaining liability being the non-current portion.

4. ROCKHAMPTON REGIONAL COUNCIL ACCOUNTING POLICY

As organic material within waste deposited in landfills takes over twelve months to break down and begin emitting CO₂-e (the obligating event), there is a twelve month period between the disposal of waste in landfills and the recognition of the provision for the future payment of carbon tax. Therefore, the provision for carbon tax recognised by RRC as at 30 June 2014, will relate to the waste disposed at LCR for the period 1 July 2012 to 30 June 2013.

The following is the draft RRC accounting policy in relation to Carbon Tax for the 2013/14 financial year:

Carbon Pricing

In 2011 the Australian Government introduced a Clean Energy Legislation package. One aspect of this package, which has, and will continue to, impact Council directly and indirectly is the introduction of a pricing mechanism for greenhouse gas emissions in the Australian economy.

The pricing mechanism commenced on 1 July 2012 and set a fixed price path for the first three years (\$23 per tonne of CO₂-equivalent emissions adjusted in real terms by 2.5% per annum) before moving to a flexible price mechanism from 1 July 2015. It provides a framework for setting a cap on greenhouse gas emissions by capping the number of carbon units available once the flexible price period commences, which can be adjusted over time to ensure that the government's reduction targets are met.

However, in September 2013 there was a change in the Australian Government. The incoming Government has committed to abolish the 'carbon tax' from 1 July 2014. On 14 November 2013, the Senate referred the Clean Energy Legislation (Carbon Tax Repeal) Bill 2013 and related bills to the Environment and Communications Legislation Committee. Should the Parliament pass the carbon tax repeal bills, 2013/14 will be the last financial year that the carbon tax will apply, even if the Parliament does not pass the carbon tax repeal bills until after 1 July 2014.

Council has one landfill that produces emissions that exceed the current relevant liability threshold. Council recognises a liability under the carbon pricing mechanism as the emissions from this facility occur. Organic material within waste deposited at landfills takes time to begin decomposing. Waste deposited in 2012/13 only began to break down and generate emissions at the start of 2013/14; therefore Council recognised a liability for the purchase of carbon permits for the first time this year. Although waste deposited in landfills takes over twelve months to begin emitting carbon dioxide, it also continues to generate emissions for the following 40 years.

Council's liability for carbon permits for emissions during 2013/14 is \$xx. This estimate is based on the quantity and types of refuse received, estimated future CO₂ type gas emissions (using the latest national Greenhouse Accounts Factors), estimates of likely timing of such emissions and the potential offsets by collection of emitted gases and other methods. The calculation has been based on the fixed price path.

Council has been, and will continue to be indirectly impacted through increased costs arising from the carbon pricing mechanism. The most significant of these has been electricity and fuel. As suppliers do not indicate the specific price movements that are due to the carbon tax legislation implementation, the indirect price increase experienced by Council is becoming more uncertain to quantify as we move further beyond the implementation date.

5. CONCLUSION

RRC has determined that it became liable for carbon tax in 2013/14, due to emissions from the Lakes Creek Road landfill (LCR) exceeding the threshold of 25kt CO₂-e in 2013/14. These emissions were attributable to waste deposited in 2012/13 breaking down and generating emissions from twelve months after disposal. Council has therefore recognised a liability for the purchase of carbon permits for the first time in 2013/14.






POSITION PAPER:

Accounting for Employee Benefits

Document Control

Document Name	File reference	Version
Position Paper: Accounting for Employee Benefits		June 2014 Version 03/04/14

Sign-off

	Name	Position	Signature	Date
Prepared by:	Kerry Lawrie	Management Accountant		3/4/14
Reviewed by:	Gerhard Van der Walt	Revenue and Accounting Coordinator		3/4/14
Approved by:	Alicia Cutler	Finance Manager		3/4/14

Rockhampton Regional Council
Year ended: 30 June 2014

Accounting for Employee Benefits

1. OVERVIEW

This position paper details Rockhampton Regional Council's process in relation to accounting for employee benefits for the financial year ended 30 June 2014.

2. BACKGROUND

The international equivalent of AASB 119 *Employee Benefits*, IAS 19 *Employee Benefits* has been subject to review by the International Accounting Standards Board with the revised standard published on 16 June 2011. Accordingly, the relevant changes were applied to AASB 119 *Employee Benefits* with the publication released on the 5 September 2011. Any reporting period that falls on or after 1 January 2013 will need to apply the revised standard and consider the impact on the prior period.

Employee benefits are classified into four groups under the standard with the measurement, recognition and disclosure varying for each group of benefit. These groups are defined as short-term employee benefits, post-employment benefits, other long-term benefits and termination benefits. The variations in AASB 119 *Employee Benefits* will be most evident upon the measurement of annual leave liabilities for entities due to the changes in the definition of short-term employee benefits. Other changes to the standard include additional disclosure for defined benefit superannuation plans, changes in the measurement and recognition of defined benefit superannuation plans and the measurement of termination benefits.

3. ROCKHAMPTON REGIONAL COUNCIL ACCOUNTING POLICY

Measurement and recognition of defined benefit superannuation benefits

Rockhampton Regional Council (Council) contributes to a defined benefit superannuation plan and therefore would need to consider the changes in the standard that relate to this plan. Council contributes to the Local Government Superannuation Scheme (QLD) (the scheme) which is a multi-employer plan as defined in paragraph 8 of AASB 119 *Employee Benefits*. The scheme does not account to Council for its proportionate share of the defined benefit obligation, plan assets and costs. Therefore, according to paragraph 34 of AASB 119 *Employee Benefits* Council is required to account for the plan under paragraphs 51 and 52 of the standard as well as provide disclosures under paragraph 148 of the standard. Council already provides the disclosures required in paragraph 148 of AASB 119 *Employee Benefits* in the annual financial statements and in addition recognises the defined benefit plans in accordance with paragraph 51 (b) of AASB 119 *Employee Benefits*. Consequently, the changes reflected in AASB 119 *Employee Benefits* are not expected to alter the way in which Council already accounts for and discloses information about the scheme.

Accounting and disclosure for employee benefits

The classification of annual leave employee benefits as either short term or long term has also been addressed in the changes to AASB 119 *Employee Benefits*. Prior to the implementation of the revised standard there were differing interpretations on the definition of a short term and long term employee benefit, therefore affecting the way in which these benefits were measured. Hence the revision of AASB 119 *Employee Benefits* aimed to address the ambiguity of the definition and ensure the measurement of benefits were standardised. The definition of short term benefits prior to changes in the standard made reference to when the benefit was expected to be settled however, paragraph 8 of the revised standard defines short term employee benefits as those "that are expected to be settled wholly before twelve months after the annual reporting period in which the employees render the related service". It is the "settled wholly" in the definition that may render some benefits that were previously measured as short term benefits to be now measured as long term benefits. It must be noted that the change in measurement does not affect the classification of current and non-current liabilities on the Statement of Financial Position. Any short term employee benefits are required to be measured at an undiscounted amount as per paragraph 11 of AASB 119 *Employee Benefits* whereas long term employee benefits are required to be measured by applying an actuarial valuation method.

Council have always measured long term annual leave employee benefits using an actuarial valuation method and therefore does not need to change practices for long term benefits. In the past short term annual leave benefits were considered by Council to be the equivalent of four weeks of annual leave per employee. These considerations are justified by the analysis of annual leave which shows that for the financial year ended 30 June 2013 the average days of annual leave taken per year per employee was 18.98 days which is the equivalent of 3.8 weeks. This trend is also evident in the prior financial years where the average days of annual leave taken per year per employee was calculated at 17.56 days for 30 June 2012 and 17.38 days for 30 June 2011. Given the results from the annual leave analysis the classification of short term employee benefits by council satisfies the criteria for classification in AASB 119 *Employee Benefits*. Council will continue to monitor past trends of annual leave taken. Should a material difference occur between the historic leave taken and the current four weeks equivalent applied then Council will change their practice to use annual leave taken for the purpose of measuring the current liability.

In addition the revised standard will affect the way that termination benefits are recognised and measured. Prior to the changes in AASB 119 *Employee Benefits*, termination benefits were recognised "when an entity is demonstrably committed" to terminate however as per paragraph 165 of the amended standard once an entity is either unable to withdraw the offer of benefits or a restructuring cost is recognised, then the benefit must be recognised. The measurement of termination benefits will also be subject to the classification of short-term or long-term depending upon the same criteria as annual leave in that they must be "settled wholly" within twelve months after the annual reporting period to be classified as short term. If termination benefits are classified as long term then they will be measured by applying an actuarial valuation method. Council will need to ensure these changes are taken into consideration given any event that will give rise to termination benefits.

4. CONCLUSION

Council has considered all changes that have occurred in the revision of AASB 119 *Employee Benefits* and the applicable accounting policies in relation to the standard. The current accounting practices applied by Council have been deemed as appropriate in meeting the new measurement and recognition criteria as well as the new disclosures under the revised standard. Continued evaluation of annual leave trends will be monitored in order to consider the appropriateness of existing accounting treatment.

FINANCIAL SECTION UPDATE

Shell statements 30 June 2014

Meeting Date: 29 May 2014

Attachment No: 4

ROCKHAMPTON REGIONAL COUNCIL**Financial statements**

For the year ended 30 June 2014

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ROCKHAMPTON REGIONAL COUNCIL

Statement of Comprehensive Income

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
Continuing operations			
Income			
Recurrent revenue			
Rates, levies and charges	3(a)		105,969,690
Fees and charges	3(b)		23,950,058
Interest received	3(c)		3,094,137
Sales revenue	3(d)		11,615,571
Other recurrent income	3(e)		7,114,185
Grants, subsidies and contributions	4(a)		12,688,322
			<u>164,431,963</u>
Capital revenue			
Grants, subsidies and contributions	4(b)		36,551,652
Total revenue			<u>200,983,615</u>
Capital income	5		<u>1,023,676</u>
Total income from continuing operations			<u>202,007,291</u>
Expenses			
Recurrent expenses			
Employee benefits	6		(68,193,257)
Materials and services	7		(48,838,630)
Finance costs	8		(9,095,658)
Depreciation and amortisation	9		(41,602,036)
			<u>(167,729,581)</u>
Capital expenses	10		<u>(14,728,634)</u>
Total expenses from continuing operations			<u>(182,458,215)</u>
Surplus/(deficit) for the year from continuing operations			<u>19,549,076</u>
Discontinued operations			
Surplus/(deficit) for the year from discontinued operations	13		<u>(2,153,663)</u>
Net result attributable to Council			<u>17,395,413</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase / (decrease) in asset revaluation surplus	27		(14,069,394)
Total other comprehensive income for the year			<u>(14,069,394)</u>
Total comprehensive income for the year			<u>3,326,019</u>

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

ROCKHAMPTON REGIONAL COUNCIL

Statement of Financial Position
As at 30 June 2014

		2014	2013
	Note	\$	\$
Current assets			
Cash and cash equivalents	14		14,665,355
Investments	15		59,000,000
Trade and other receivables	16		15,970,194
Inventories	17		1,459,135
			91,094,684
Assets classified as held for sale and transfer	18		940,828,494
Total current assets			1,031,923,178
Non-current assets			
Property, plant and equipment	19		1,702,951,194
Intangible assets	21		1,970,532
Total non-current assets			1,704,921,726
TOTAL ASSETS			2,736,844,904
Current liabilities			
Trade and other payables	22		13,456,740
Provisions	23		3,894,839
Borrowings	24		13,267,455
Other liabilities	25		317,378
			30,936,412
Liabilities directly associated with assets classified as held for sale and transfer	18		101,669,972
Total current liabilities			132,606,384
Non-current liabilities			
Trade and other payables	22		3,492,647
Provisions	23		22,973,577
Borrowings	24		147,334,972
Other liabilities	25		1,220,860
Total non-current liabilities			175,022,056
TOTAL LIABILITIES			307,628,440
NET COMMUNITY ASSETS			2,429,216,464
Community equity			
Retained surplus	26		1,959,789,759
Asset revaluation surplus	27		384,425,885
Other reserves	28		85,000,820
TOTAL COMMUNITY EQUITY			2,429,216,464

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

ROCKHAMPTON REGIONAL COUNCIL

Statement of Changes in Equity

For the year ended 30 June 2014

	Total		Retained surplus/(deficiency) Note 26		Asset revaluation surplus Note 27		Other reserves Note 28	
	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$
Balance at beginning of year		2,425,890,443		1,952,178,178		398,495,279		75,216,986
Net result attributable to Council		17,395,415		17,395,415		-		-
Other comprehensive income for the year								
Adjustment to asset revaluation surplus:								
Property, plant & equipment		(14,069,394)		-		(14,069,394)		-
Total comprehensive income for year		3,326,021		17,395,415		(14,069,394)		-
Transfers to and from reserves								
Transfers from general reserves		-		31,065,105		-		(31,065,105)
Transfers to general reserves		-		(40,848,939)		-		40,848,939
Total transfers to and from reserves		-		(9,783,834)		-		9,783,834
Balance at end of year		2,429,216,464		1,959,789,759		384,425,885		85,000,820

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

ROCKHAMPTON REGIONAL COUNCIL

Statement of Cash Flows

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Rates, levies and charges			155,545,641
Fees and charges			29,348,318
Grants, subsidies and contributions			17,349,645
Interest received			5,829,437
Other income			22,265,444
Net GST paid			420,066
Payments to suppliers			(66,704,374)
Payments to employees			(92,169,777)
Interest expense			(12,733,551)
Net cash inflow/(outflow) from operating activities	35		59,150,850
Cash flows from investing activities			
Government subsidies and grants			8,407,985
Capital contributions			6,969,914
Payments for property, plant and equipment			(80,199,169)
Payments for intangible assets			(1,089,821)
Net transfer from/(to) cash investments			(56,000,000)
Proceeds from sale of property plant and equipment			2,435,925
Net cash inflow/(outflow) from investing activities			(119,475,166)
Cash flows from financing activities			
Proceeds from borrowings			38,400,000
Repayment of borrowings			(18,469,477)
Net cash (outflow)/inflow from financing activities			19,930,523
Net increase/(decrease) in cash and cash equivalents held			(40,393,794)
Cash at beginning of reporting year			68,291,602
Cash at end of reporting year	14		27,897,808

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

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2014

1 Significant accounting policies

1.1 Basis of preparation

These general purpose financial statements are for the period 1 July 2013 to 30 June 2014 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain non-current assets.

1.2 Statement of compliance

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Council's operations and effective for the current reporting period. Because the Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS), to the extent these inconsistencies are applied, these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

1.3 Constitution

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

1.4 Date of authorisation

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

1.5 Currency

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

1.6 Adoption of new and revised Accounting Standards

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies. However the Application of AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* for the first time this year has resulted in greater disclosures.

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective:

	Effective for annual report periods beginning on or after:
AASB 9 <i>Financial Instruments</i> (December 2009)	1 January 2017
AASB 10 <i>Consolidated Financial Statements</i>	1 January 2014
AASB 11 <i>Joint Arrangements</i>	1 January 2014
AASB 12 <i>Disclosure of interests in other entities</i>	1 January 2014
AASB 127 <i>Separate Financial Statements</i> (replaces the existing standard together with AASB 10)	1 January 2014
AASB 128 <i>Investments in Associates and Joint Ventures</i> (replaces the existing standard)	1 January 2014
AASB 1055 <i>Budgetary Reporting</i>	1 July 2014
2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2009)	1 January 2015
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2010)	1 January 2015
AASB 2011-7 <i>Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards</i>	1 January 2014
AASB 2012-3 <i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities</i> [AASB 132]	1 January 2014

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

AASB 2013-1 Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements	1 July 2014
AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]	1 January 2014
AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]	1 January 2014
AASB 2013-6 Amendments to AASB 136 arising from Reduced Disclosure Requirements	1 January 2014
AASB 2013-7 Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders [AASB 1038]	1 January 2014
AASB 2013-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, AASB 12 & AASB 1049]	1 January 2014
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	Refer Title column
[Operative dates: Part A Conceptual Framework – 20 Dec 2013; Part B Materiality – 1 Jan 2014; Part C Financial Instruments – 1 Jan 2015]	
Interpretation 21 Levies	1 January 2014

AASB 9 Financial Instruments (effective from 1 January 2015)

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2015 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.

Consolidation Standards

The following accounting standards apply to Council from reporting periods beginning on or after 1 January 2014:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 127 Separate Financial Statements
- AASB 128 Investments in Associates and Joint Ventures
- AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
- AASB 2013-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities - Control and Structured Entities

These standards aim to improve the accounting requirements for consolidated financial statements, joint arrangements and off balance sheet vehicles.

AASB 12 contains the disclosure requirements for interests in other entities including unconsolidated structured entities. While the Council is yet to complete a review of disclosure, no significant changes are anticipated, based on those presently made.

1.7 Critical accounting judgements and key sources of estimation uncertainty

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

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

- Discontinued operations - Note 1.15 and Note 13
- Assets classified as held for sale - Note 1.16, Note 1.17 and Note 18
- Valuation of property, plant and equipment - Note 1.19(c) and Note 19
- Impairment of property, plant and equipment - Note 1.21 and Note 19
- Provisions - Note 1.24 (e), Note 1.26 and Note 23
- Contingencies - Note 31 and Note 36

ROCKHAMPTON REGIONAL COUNCIL**Notes to the financial statements**

For the year ended 30 June 2014

1.8 Reporting entities

The financial statements include the value of all revenues, expenses, assets, liabilities and equity of the Council.

The following controlled entities are not consolidated with the Council's financial statements as the transactions and balances are not material to the Council's operations.

The Rockhampton Art Gallery Trust

The Rockhampton Art Gallery Trust's operations are audited by the Auditor-General of Queensland. The financial statements receive a qualified audit opinion, as is normal for organisations of this type, because it cannot demonstrate that it has identified and recorded all revenue from donations. The results for the 2013/14 financial year are as follows:

Art Gallery		
	\$	\$
	2014	2013
Receipts		28,695
Disbursements		(55,345)
Net surplus/deficit		(26,650)
Assets		65,854
Liabilities		-
Net assets		65,854

Mayoress Regional Charity Foundation Limited

The company did not trade as a commercial enterprise and had no employees at any stage during the 2013/14 financial year.

1.9 Revenue

Rates, levies, grants and other revenue are recognised as revenue on receipt of funds or earlier upon unconditional entitlement to the funds.

(a) Rates, levies and charges

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

(b) Grants and subsidies

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. An equivalent amount is transferred from retained earnings to the relevant reserve until the funds are expended. Unspent non-reciprocal capital grants are placed in the unspent or constrained grants reserve.

Where grants are received that are reciprocal in nature, revenue is recognised over the term of the funding arrangements. Council does not currently have any reciprocal grants.

(c) Non-cash contributions

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

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

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

(d) Cash Contributions

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

Developers may also make cash contributions towards the cost of constructing existing and proposed water supply and sewerage headworks in accordance with Council's planning scheme policies. (Headworks include pumping stations, treatment works, mains, sewers and water pollution control works). Cash contributions in relation to water supply and sewerage headworks are not within the scope of AASB Interpretation 18 because there is no performance obligation associated with these contributions. Consequently, these cash contributions are recognised as income when received.

For new development applications, since the 3rd January 2012, developers pay infrastructure charges for trunk infrastructure, such as pumping stations, treatment works, mains, sewers and water pollution control works. These infrastructure charges are not within the scope of AASB Interpretation 18 because there is no performance obligation associated with them. Consequently, those infrastructure charges are recognised as income when received.

(e) Interest received

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

(f) Sales revenue

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

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

(g) Fees and charges

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

(h) Other recurrent income

Other revenue is recognised as a receivable when it is probable that it will be received and the amount is known, otherwise the amount is recognised upon receipt. Rental revenue is recognised as income on a periodic straight line basis over the lease term.

1.10 Financial assets and financial liabilities

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

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

Financial assets

Cash and cash equivalents (Note 1.11)

Investments (Note 1.12)

Trade and other receivables - measured at amortised cost (Note 1.13)

Financial liabilities

Payables - measured at amortised cost (Note 1.23)

Borrowings and borrowing costs - measured at amortised cost (Note 1.25)

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

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

The fair value of financial instruments is determined as follows:

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

The fair value of borrowings, as disclosed in Note 24 to the accounts, is determined by reference to published price quotations in an active market and/or by reference to pricing models and valuation techniques. It reflects the value of the debt if the Council repaid it in full at balance date. As it is the intention of the Council to hold its borrowings for their full term, no adjustment provision is made in these accounts.

The fair value of trade receivables approximates the amortised cost less any impairment. The fair value of payables approximates the amortised cost.

Rockhampton Regional Council does not recognise financial assets or financial liabilities at fair value in the Statement of Financial Position.

All other disclosures relating to the measurement and financial risk management of financial instruments are included in Note 39.

1.11 Cash and cash equivalents

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

1.12 Investments

Term deposits in excess of three months are reported as investments, with deposits of less than three months being reported as cash equivalents.

1.13 Trade and other receivables

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

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

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

Because Council has the power to sell an owner's property to recover outstanding rate debts, Council will only impair rate receivables when outstanding debt exceeds unimproved capital values.

Loans and advances are recognised in the same way as other receivables. Security is not normally obtained.

1.14 Inventories

Stores and raw materials held for resale are valued at the lower of cost and net realisable value and include, where applicable, direct material, direct labour and an appropriate portion of variable and fixed overheads. Costs are assigned on the basis of weighted average cost.

Inventories held for distribution (internal consumption) are:

- goods to be supplied at no, or nominal, charge, and
- goods to be used for the provision of services at no, or nominal, charge.

Inventory for distribution is valued at cost, adjusted when applicable for any loss of service potential.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

1.15 Discontinued operations

The de-amalgamation of Livingstone Shire Council from Rockhampton Regional Council occurred as at 1 January 2014 as per the *Local Government (De-amalgamation Implementation) Regulation 2013*. In line with AASB 5 the revenue and expense of the discontinued operations have been separated. Note 13 supplies a summary of the operational results of the discontinued operations and Note 34 supplies a summary of the assets and liabilities in the disposal. The methodology used for this separation was geographical separation where appropriate. Where this was not possible population distribution was used, while other estimates were used as a last resort.

1.16 Land held for resale

Land acquired with the intention of reselling it (with or without further development) is classified as inventory. As inventory this land is valued at the lower of cost or net realisable value. Inventory land is treated as a current asset except where it is anticipated that a material portion of land value will not be sold within 12 months.

Profit arising upon sale of land is recognised in the Statement of Comprehensive Income on the signing of a valid unconditional contract of sale. Details of land held for sale can be found in Note 18.

1.17 Other assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale or disposal process, rather than through continuing use. This condition is regarded as met only when the sale or disposal is highly probable and the non-current asset (or disposal group) is available for immediate sale or disposal in its present condition. Management must be committed to the sale or disposal, and/or directed by law or regulation, which should be expected to qualify for recognition as a completed sale or disposal within one year from the date of classification.

When the above commitment to a sale or disposal process exists, all appropriate assets and liabilities are classified as held for sale. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less cost to sell.

1.18 Investment property

Investment property is property held for the primary purpose of earning rentals and/or capital appreciation. This includes land held by Council for a currently undetermined future use.

Investment property is measured using the fair value model. This means all investment property is initially recognised at cost (including transaction costs) and then subsequently revalued annually at the balance sheet date. Where investment property is acquired at no or nominal cost it is recognised at fair value.

Property that is being constructed or developed for future use as investment property is classified as investment property. Investment property under construction is measured at fair value, unless fair value cannot be reliably determined for an individual property (in which case the property concerned is measured at cost until fair value can be reliably determined).

Gains or losses arising from changes in the fair value of investment property are included in the Statement of Comprehensive Income for the period in which they arise. Investment property is not depreciated and is not tested for impairment.

1.19 Property, plant and equipment

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. Items of plant and equipment with a total value of less than \$5,000, and infrastructure assets, site improvements, airport assets and buildings with a total value of less than \$10,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

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

Land
 Site Improvements
 Buildings
 Plant and Equipment
 Infrastructure Assets:
 Road and Drainage Network
 Bridge Network
 Water Assets
 Sewerage Assets
 Airport Assets
 Heritage and Cultural Assets
 Work in Progress

(a) Acquisition of assets

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect's fees and engineering design fees and all other establishment costs.

Property, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

(b) Capital and operating expenditure

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

(c) Valuation

Land, site improvements, buildings, heritage and cultural and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB116 *Property, Plant and Equipment*. Other plant and equipment is measured at cost.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 5 years. This process involves the valuer physically sighting Council's assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

In the intervening years, Council uses mostly internal resources to assess the condition and cost assumptions associated with all property, plant and equipment assets, the results of which are considered in combination with the Australian Bureau of Statistics indexes for Queensland, and other measures deemed suitable. For the 2013/14 year management has engaged independent, professionally qualified valuers to determine suitable indices for the buildings, airport, bridge and heritage and cultural asset classes. Together these are used to form the basis of a management valuation for property, plant and equipment asset classes in each of the intervening years.

The Producer Price Indexes for Queensland provided by Australian Bureau of Statistics that are used for property, plant and equipment assets are:

Buildings - Index Number : 30 Building construction Queensland ;

Water and Sewerage - Index Number : 3020 Non-residential building construction Queensland ;

Road and Drainage Network, Bridge Network and Airport - Index Number : 3101 Road and bridge construction Queensland ; and

Site Improvements used the combination of indices above.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

An analysis performed by management has indicated that, on average, the variance between an indexed asset value and the valuation by a valuer when performed is not significant and the indices used by Council are sound.

Any revaluation increment arising on the revaluation of an asset is credited to the appropriate class of the asset revaluation surplus, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense to the extent it exceeds the balance, if any, in the revaluation surplus to that asset class.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

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

Details of valuers and methods of valuations are disclosed in Note 19.

(d) Capital work in progress

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

(e) Depreciation

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

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

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

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

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

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the annual valuation process for assets measured at depreciated current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in Note 19.

(f) Land under roads

Land under roads acquired before 30 June 2008 is recognised as a non-current asset where the Council holds title or a financial lease over the asset. The Rockhampton Regional Council currently does not have any such land holdings.

Land under the road network within the Council area that has been dedicated and opened for public use under the *Land Act 1994* or the *Land Title Act 1994* is not controlled by Council but is controlled by the state pursuant to the relevant legislation. Therefore this land is not recognised in these financial statements.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

1.20 Intangible assets

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

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

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

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

Amortisation methods, estimated useful lives and residual values are reviewed at the end of each reporting period and adjusted where appropriate. Details of the estimated useful lives assigned to each class of intangible assets are shown in Note 21.

1.21 Impairment of non-current assets

Each non-current physical and intangible asset and group of assets is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

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

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

1.22 Leases

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

(a) Operating leases

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

1.23 Payables

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

1.24 Liabilities - employee benefits

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

(a) Salaries and wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 22 as a payable.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

(b) Annual leave

A liability for annual leave is recognised. Amounts expected to be settled within 12 months (the current portion) are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months (the non-current portion) are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense and is reported in Note 22 as a payable.

(c) Sick leave

Council has an obligation to pay sick leave on termination to certain employees and therefore a liability has been recognised for this obligation. This liability represents an accrued expense and is reported in Note 22 as a payable.

(d) Superannuation

The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 32.

(e) Long service leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. This liability is reported in Note 23 as a provision.

1.25 Borrowings and borrowing costs

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at book value at date of reporting.

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

All borrowing costs are expensed in the period in which they are incurred. No borrowing costs are capitalised on qualifying assets.

Borrowings are classified as current liabilities except for the principal amount that is due and payable, under the contractual terms of the loan agreement, 12 months after the end of the reporting period. This amount is classified as a non-current amount. Further details are provided in Note 24.

1.26 Restoration provision

A provision is made for the cost of restoration of landfill facilities and quarries where it is probable the Council will be liable, or required, to incur such a cost on the cessation of use of these facilities. Further details can be found in Note 23.

Landfill restoration

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

The provision is measured at the expected cost of the work required, discounted to current day values using an appropriate rate. The Commonwealth Government guaranteed securities, with a maturity date corresponding to the anticipated date of restoration, is considered an appropriate rate.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

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

Quarry rehabilitation

The provision represents the present value of the anticipated future costs associated with the closure of the quarries and rehabilitation of these sites. The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. The provision recognised for quarry rehabilitation is reviewed at least annually and updated based on the facts and circumstances available at the time. Management estimates that the restoration will occur on an ongoing basis.

The provision is measured at the expected cost of the work required, discounted to current day values using an appropriate rate. The Commonwealth Government guaranteed securities, with a maturity date corresponding to the anticipated date of restoration, is considered an appropriate rate.

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

1.27 Asset revaluation surplus

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

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

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

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

1.28 Reserves held for future capital expenditure

These are cash backed reserves and represent funds that are accumulated within the Council to meet anticipated future capital assets needs. In each case the amount relates to a perceived future requirement which is not currently a liability.

(a) Unspent grants reserve

This reserve is credited with all grants and subsidies received during the reported period and constrained for the purpose of funding specific capital expenditure. As the expenditure is incurred on specified capital assets the equivalent funds are transferred from the reserve to the capital account. The closing balance reported at the period end represents funds not yet expended and must be retained until expended in the manner for which the grant was received.

(b) Constrained grants and contributions reserve

This reserve is credited with all contributions of monetary revenue received during the reported period and constrained for the purpose of funding specific capital expenditure. As the expenditure is incurred on specified capital assets the equivalent funds are transferred from the reserve to the capital account. The closing balance reported at the period end represents funds not yet expended and must be retained until expended in the manner specified by the contributor.

(c) Airport development reserve

This reserve was created to set aside funds for future Airport capital upgrades and expansion.

(d) Capital works reserve

This reserve was created to provide funds for the future replacement of assets.

(e) Plant reserve

This reserve was created to provide funds for the future replacement of plant and equipment.

(f) Water reserve

This reserve was created to provide funds for the future replacement of water infrastructure.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

(g) Sewerage reserve

This reserve was created to provide funds for the future replacement of sewerage infrastructure.

(h) Waste management reserve

This reserve was created to provide funds for the future replacement of waste assets.

(i) Year-end uncompleted works reserve

This reserve was created to assist with the management of the transition of uncompleted works between financial years in a transparent and timely manner.

1.29 Reserves held for funding future recurrent expenditure

These are cash backed reserves and represent funds that are accumulated within the Council to meet anticipated future recurrent or operating expenditure needs. In each case the amount relates to a perceived future requirement which is not currently a liability.

(a) Operating projects reserve

This reserve was created to set aside funds for specific recurrent expenditure, including unspent operational grants.

(b) Asset maintenance reserve

This reserve was created to meet unexpected asset maintenance expenditure.

1.30 Retained surplus

This represents the amount of Council's net funds not set aside in reserves to meet specific future needs.

1.31 National competition policy

The Council has reviewed its activities to identify its business activities. Details of these activities are disclosed in Note 40.

1.32 Rounding and comparatives

Amounts included in the financial statements have been rounded to the nearest \$1.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

1.33 Trust funds held for outside parties

Funds held in the trust account on behalf of outside parties include those funds from the sale of land for arrears in rates recovery, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) paid into the trust account by the Council. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

The monies are disclosed in the notes to the financial statements for information purposes only in Note 33.

1.34 Carbon pricing

In 2011 the Australian Government introduced a Clean Energy Legislation package. One aspect of this package, which has, and will continue to, impact Council directly and indirectly is the introduction of a pricing mechanism for greenhouse gas emissions in the Australian economy.

The pricing mechanism commenced on 1 July 2012 and set a fixed price path for the first three years (\$23 per tonne of CO₂-equivalent emissions adjusted in real terms by 2.5% per annum) before moving to a flexible price mechanism from 1 July 2015. It provides a framework for setting a cap on greenhouse gas emissions by capping the number of carbon units available once the flexible price period commences, which can be adjusted over time to ensure that the government's reduction targets are met.

However, in September 2013 there was a change in the Australian Government. The incoming Government has committed to abolish the 'carbon tax' from 1 July 2014. On 14 November 2013, the Senate referred the Clean Energy Legislation (Carbon Tax Repeal) Bill 2013 and related bills to the Environment and Communications Legislation Committee. Should the Parliament pass the carbon tax repeal bills, 2013/14 will be the last financial year that the carbon tax will apply, even if the Parliament does not pass the carbon tax repeal bills until after 1 July 2014.

ROCKHAMPTON REGIONAL COUNCIL**Notes to the financial statements**For the year ended 30 June 2014

Council has one landfill that produces emissions that exceed the current relevant liability threshold. Council recognises a liability under the carbon pricing mechanism as the emissions from this facility occur. Organic material within waste deposited at landfills takes time to begin decomposing. Waste deposited in 2012/13 only began to break down and generate emissions at the start of 2013/14; therefore Council recognised a liability for the purchase of carbon permits for the first time this year. Although waste deposited in landfills takes over twelve months to begin emitting carbon dioxide, it also continues to generate emissions for the following 40 years.

Council's liability for carbon permits for emissions during 2013/14 is \$xx. This estimate is based on the quantity and types of refuse received, estimated future CO₂ type gas emissions (using the latest national Greenhouse Accounts Factors), estimates of likely timing of such emissions and the potential offsets by collection of emitted gases and other methods. The calculation has been based on the fixed price path.

Council has been, and will continue to be indirectly impacted through increased costs arising from the carbon pricing mechanism. The most significant of these has been electricity and fuel. As suppliers do not indicate the specific price movements that are due to the carbon tax legislation implementation, the indirect price increase experienced by Council is becoming more uncertain to quantify as we move further beyond the implementation date.

1.35 Taxation

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

The Council pays payroll tax to the Queensland Government on certain activities.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

2 Analysis of results by function**(a) Components of council functions**

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

Resourcing

Includes recognition and allocation of general rate and grant revenue as well as interest revenue and expenses not allocated to business units.

Office of CEO

Incorporates the offices of the Mayor, Councillors and the Chief Executive Officer. Includes governance and Council innovation as well as marketing engagement functions.

Infrastructure Services

Includes roadworks, street lighting, stormwater drainage, recoverable works, depot and workshop operations, engineering administration and engineering planning. Also includes development assessment, development compliance and strategic planning.

Corporate Services

Includes communication and information technology, administration services, financial services, workforce and strategy, asset management, rationalisation and realisation of land and building assets, organisational development services and fleet and plant services. Also includes caravan parks and Gracemere saleyards.

Community Services

Includes libraries, art services, theatre and venue management, heritage preservation, child care, aged services, and community assistance. Management, maintenance and operation of Council facilities, reserves and parks. Maintenance and beautification of entrances into the region and road reserves where these are Council controlled. Local law enforcement (dog registration and regulation of parking) within Council boundaries. Manages operations of public health, environmental health, health planning and natural resource management.

Airports

Encompasses Rockhampton Airport operations.

Waste & Recycling

Includes waste collection and disposal, recycling collection, and management of Council's landfill facilities.

Fitzroy River Water

Council's commercialised water and sewerage business. Fitzroy River Water (FRW) has responsibility for provision of water and sewerage services to the residents of Rockhampton Regional Council including operation of the barrage, water treatment plant, reservoirs, water distribution network, water quality control, sewerage treatment plants, trunk sewers, sewerage pump stations, sewerage mains and services.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

2 Analysis of results by function

(b) Revenue, expenses and assets have been attributed to the following functions:

Functions	Income		Total	Total	Net	Assets
	Recurring					
	Grants	Other	Income	Expenses	Result	
	2014	2014	2014	2014	2014	2014
	\$	\$	\$	\$	\$	\$
Resourcing						
Office of CEO						
Infrastructure						
Services						
Corporate Services						
Community Services						
Airports						
Waste & Recycling						
Fitzroy River Water						
Total						

Prior Year

Functions	Income		Total income	Total expenses	Net Result	Assets
	Recurring					
	Grants	Other	Income	Expenses	Result	
	2013	2013				
	\$	\$	2013	2013	2013	2013
			\$	\$	\$	\$
Resourcing	8,262,488	82,457,559	90,720,047	(26,267,318)	116,987,365	270,405,451
Office of CEO	-	5,869,186	5,869,186	17,334,162	(11,464,976)	11,112
Infrastructure Services	11,859,685	37,722,886	49,582,571	78,659,268	(29,076,697)	1,402,152,323
Corporate Services	627,275	2,684,867	3,312,142	21,636,985	(18,324,844)	55,745,711
Community Services	4,309,078	8,592,993	12,902,071	56,286,237	(43,384,167)	178,226,711
Airports	48,000	12,908,779	12,956,779	12,924,086	32,693	78,023,453
Waste & Recycling	-	21,538,697	21,538,697	27,035,082	(5,496,385)	42,490,185
Fitzroy River Water	172,662	76,114,397	76,287,059	68,164,637	8,122,422	709,789,956
Total	25,279,187	247,889,364	273,168,552	255,773,139	17,395,413	2,736,844,902

The amounts as per the analysis of results by function were maintained for the total Rockhampton Regional Council, ie. with the inclusion of the amounts relating to the future de-amalgamating Livingstone region, as this was deemed to give the most informative position for Rockhampton Regional Council for the current and comparative years. This note should be read in conjunction with Note 13 and Note 18 in order to form an opinion on how Note 2 may be impacted in future years due to the de-amalgamation of Livingstone Shire Council.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2014

		2014	2013
	Note	\$	\$
3 Revenue analysis			
(a) Rates, levies and charges			
General rates			40,720,834
Separate rates			14,596,561
Special rates			214,500
Water			26,227,465
Sewerage			21,891,618
Garbage charges			12,244,406
Rates and utility charge revenue			115,695,384
Less: Discounts			(8,804,968)
Less: Pensioner remissions			(1,120,726)
Net rates and utility charges			105,969,690
(b) Fees and charges			
Airport fees			9,043,264
Waste and recycling fees			4,602,613
Venues, events, tourism and cultural fees			2,987,565
Building, plumbing and development fees			3,888,374
Local laws and health licencing fees			898,109
Irrigator and commercial water fees			1,560,020
Other fees			970,113
			23,950,058
(c) Interest received			
Investments			2,628,905
Overdue rates and utility charges			465,232
			3,094,137
(d) Sales revenue			
Recoverable and private works			11,615,571
			11,615,571
The amount recognised as revenue from contract works during the period is the amount receivable in respect of invoices issued during the period.			
The contract work carried out is not subject to retentions.			
(e) Other recurrent income			
Rental / lease income			3,766,098
Commission and collection fees			370,320
Other income			2,977,766
			7,114,185

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

		2014	2013
	Note	\$	\$
4 Grants, subsidies and contributions			
(a) Recurrent - grants, subsidies and contributions are analysed as follows:			
General purpose grants			6,533,263
Government subsidies and grants			5,817,757
Contributions			337,302
Total recurrent revenue			<u>12,688,322</u>
(b) Capital - grants, subsidies, and contributions are analysed as follows:			
(i) Monetary revenue designated for capital funding purposes:			
Government subsidies and grants			6,353,595
Contributions			4,695,157
			<u>11,048,752</u>
(ii) Non-monetary revenue received is analysed as follows:			
Developer assets contributed by developers at fair value			24,793,945
Other physical assets contributed at fair value			708,955
	19		<u>25,502,900</u>
Total Capital Revenue			<u>36,551,652</u>
Contributions recognised as income during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:			
Non-reciprocal grants for expenditure on recurrent Government subsidies and grants			210,128
Non-reciprocal grants for expenditure on capital Government subsidies and grants			32,735
			<u>242,863</u>
5 Capital income			
Gain from assets not previously recognised	19		452,966
Quarry rehabilitation - change from revision of future restoration expenditure	23		66,971
Quarry rehabilitation - reduction in rehabilitation provision for future costs, due to a change in discount rate	23		23,185
Landfill restoration - change from revision of future restoration expenditure			170,948
Landfill restoration - reduction in rehabilitation provision for future costs, on land not controlled by Council, due to a change in discount rate	23		309,606
Total capital income			<u>1,023,676</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

		2014	2013
	Note	\$	\$
6 Employee benefits			
Total staff wages and salaries			58,299,658
Councillors' remuneration			1,107,197
Annual, sick and long service leave entitlements			8,145,566
Superannuation	32		7,218,355
			<u>74,770,776</u>
Other employee related expenses			2,986,085
			<u>77,756,861</u>
Less: Capitalised employee expenses			<u>(9,563,604)</u>
			<u>68,193,257</u>
Councillor remuneration represents salary and other allowances paid in respect of carrying out their duties.			
Total Council employees at the reporting date:			
Elected members			11
Administration staff			668
Depot and outdoors staff			515
Total full time equivalent employees			<u>1,194</u>
7 Materials and services			
Audit of annual financial statements by the Auditor-General of Queensland			208,978
Advertising and marketing			609,905
Administration supplies and consumables			829,582
Communications and IT			1,828,086
Consultants			2,330,251
Contractors			7,518,320
Donations paid			1,494,845
Insurance			1,717,451
Electricity			5,555,896
Repairs and maintenance			22,909,570
Rentals - operating leases			139,873
Other materials and services			<u>3,695,873</u>
			<u>48,838,630</u>
8 Finance costs			
Finance costs charged by the Queensland Treasury Corporation			8,432,480
Bank charges			279,351
Impairment of receivables			265,036
Quarry rehabilitation - change in present value over time	23		13,689
Landfill sites - change in present value over time	23		<u>105,102</u>
			<u>9,095,658</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

		2014	2013
	Note	\$	\$
9 Depreciation and amortisation			
(a) Depreciation of non-current assets			
Site improvements			1,730,734
Buildings			5,895,165
Heritage and Cultural assets			-
Plant and equipment			5,944,424
Road and drainage network			15,035,957
Bridge network			414,984
Water			5,125,699
Sewerage			5,333,815
Airport			1,580,528
Total depreciation of non-current assets	19		41,061,306
(b) Amortisation of intangible assets			
Computer software			540,730
Total amortisation of intangible assets	21		540,730
Total depreciation and amortisation			41,602,036
10 Capital expenses			
Loss on the disposal non-current assets	11		569,454
Write off of non-current assets	12		10,661,938
Flood Events			
Flood event 2013 asset adjustments	37(a)		1,634,565
Flood event 2011 asset adjustments	37(b)		(2,724,751)
Landfill Rehabilitation			
Closure cost now recognised	12		4,587,428
Total capital expenses			14,728,634
11 Loss on the disposal non-current assets			
(a) Proceeds from disposal of land			(5,388)
Less: Book value of land disposed			40,276
			34,888
(b) Proceeds from disposal of plant and equipment			(2,430,537)
Less: Book value of plant and equipment disposed			2,965,103
			534,566
(c) Proceeds from sale of site improvements			-
Less: Book value of site improvements disposed			-
			-
Total loss on the disposal of non-current assets			569,454

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2014

		2014	2013
	Note	\$	\$
12 Write off of non-current assets			
Heritage and cultural			414,000
Intangible assets			3,749
Buildings			925,625
Plant and equipment			221,021
Site improvements			3,601,320
Road and drainage network			5,046,645
Water			387,396
Sewer			62,150
Airport			32
Land			-
	10		10,661,938
Additional information regarding landfill rehabilitation assets			
Landfill rehabilitation asset			
Site improvements write off above - Landfill closure cost previously capitalised written off in line with the recognition of only the future landfill closure costs as assets			3,581,739
Additional site and closure recognition for landfill rehabilitation			
Capital closure cost transferred to rehabilitation asset			7,716,851
Additional site closure costs for ongoing maintenance and environment rehabilitation			(3,129,423)
	10		4,587,428
Landfill rehabilitation asset establishment			
Future landfill closure costs recognised as rehabilitation asset			11,749,718
Future landfill ongoing maintenance and environment costs recognised as an asset			3,129,423
	19		14,879,141

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

13 Discontinued operations

The de-amalgamation of Livingstone Shire Council from Rockhampton Regional Council occurred as at 1 January 2014 as per the *Local Government (De-amalgamation Implementation) Regulation 2013*. Rockhampton Regional Council have considered all relevant impacts, legislation, transactions and modelling on its assets and liabilities as at 31 December 2013 and beyond, as a result of the de-amalgamation process. In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, all revenue and expenses for the de-amalgamating Livingstone Shire Council have been separated for the six months ended 31 December 2013, and summarised as per Note 13.

	2014	2013
	\$	\$
Income		
Revenue		
Recurrent revenue		
Rates, levies and charges		48,573,274
Fees and charges		5,398,260
Interest received		2,142,211
Sales revenue		1,982,828
Other recurrent income		804,006
Grants, subsidies and contributions		4,661,324
		<u>63,561,903</u>
Capital revenue		
Grants, subsidies and contributions		8,196,132
Total revenue		<u>71,758,035</u>
Capital income		-
Total income		<u>71,758,035</u>
Expenses		
Recurrent expenses		
Employee benefits		(24,747,276)
Materials and services		(19,423,881)
Finance costs		(4,444,712)
Depreciation and amortisation		(18,909,249)
		<u>(65,525,118)</u>
Capital expenses		
Grants, subsidies and contributions		(8,386,580)
Total expenses		<u>(73,911,698)</u>
Surplus/(deficit) from discontinued operations		<u>(2,153,663)</u>
Restatement of prior year		
Revenue		
Interest received		(27,878)
Sales revenue		284,745
Grants, subsidies and contributions		(327,098)
Total movement in revenue		<u>(70,231)</u>
Expenses		
Employee benefits		2,025,114
Materials and services		(3,089,117)
Total movement in expenses		<u>(1,064,003)</u>
Net movement due to restatement		<u>(1,134,234)</u>
Cash flows from discontinued operations		
Net cash inflows from operating activities		15,938,114
Net cash (outflows) from investing activities		(19,202,109)
Net cash (outflows) from financing activities		5,071,313
Net cash (outflows)		<u>1,807,318</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2014

	Note	2014 \$	2013 \$
14 Cash and cash equivalents			
Cash in operating bank account			1,113,447
Cash in other banks and on hand			27,350
Deposits and investments held with QTC			13,524,558
Balance as per statement of financial position			14,665,355
Component of cash held by Livingstone Shire Council			13,232,453
Balance as per statement of cash flows			27,897,808
Cash at bank funds are held with the Commonwealth Bank. Deposits at call consist of funds held in a Queensland Treasury Corporation Cash Fund, which has a short term credit rating of xx and a long term rating of xxx, with a floating interest rate (xxx for 30 June 2014).			
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:			
Unspent government grants and subsidies			1,047,861
Unspent developer contributions			26,131,295
Total unspent restricted cash for capital projects			27,179,156
15 Investments			
Term Deposits			59,000,000
			59,000,000
Term deposits at fixed interest rates are held with the following financial institutions: xx. Maturity ranges from x to x months and bear interest rates from x% to x%.			
16 Trade and other receivables			
Current			
Rateable revenue and utility charges			6,252,617
Less: impairment			(23,546)
			6,229,071
Water charges yet to be levied			50,092
GST recoverable			579,682
Other debtors			8,134,710
Less: impairment			(427,675)
			8,336,809
Prepayments			1,404,314
			15,970,194

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
Interest is charged on outstanding rates at a rate of x% per annum. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.			
Community loans arise from time to time and are subject to negotiated interest rates.			
Movement in accumulated impairment losses (trade and other receivables) is as follows:			
Opening balance			327,398
Impairment debts written off during the year			(131,355)
Additional impairments recognised			255,177
Closing balance			451,220
17 Inventories			
Inventories held for sale			
Other trading stocks			279,028
			279,028
Inventories held for internal use:			
Quarry and road materials			162,027
Stores and materials			1,018,080
			1,180,107
Valued at cost, adjusted when applicable for any loss of service potential.			1,459,135

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
18 Assets classified as held for sale and transfer			
Land held for sale	(a)		1,442,210
Assets held for transfer to Livingstone Shire Council	(b)		939,386,285
			<u>940,828,495</u>
Liabilities held for transfer to Livingstone Shire Council	(b)		<u>101,669,972</u>

(a) Council has decided to sell vacant land. It has been placed with real estate agents and is expected to be sold within one year. These assets are measured at the lower of the assets' carrying amounts and their fair values less costs to sell. These assets are not depreciated or amortised.

(b) The de-amalgamation of Livingstone Shire Council from Rockhampton Regional Council occurred as at 1 January 2014 as per the *Local Government (De-amalgamation implementation) Regulation 2013*. Rockhampton Regional Council have considered all relevant impacts, legislation, transactions and modelling on its assets and liabilities as at 31 December 2013 and beyond, as a result of the de-amalgamation process. Assets and liabilities transferred to the Livingstone Shire Council as at 1 January 2014 are as follows:

Cash, investments and cash equivalents		46,232,455
Trade and other receivables		5,207,872
Inventories		846,795
Property, plant and equipment		885,763,332
Intangible assets		857,764
Land held for sale		478,068
Assets of Livingstone Shire Council classified as held for sale and transfer	(b)	<u>939,386,286</u>
Trade and other payables		7,064,528
Provisions		14,532,944
Loans		79,419,045
Other liabilities		653,455
Liabilities of Livingstone Shire Council classified as held for sale and transfer	(b)	<u>101,669,972</u>
		<u>-</u>
Net assets and liabilities to be transferred		<u>837,716,314</u>
Restatement of prior year (movement in balances)		
Assets		
Cash, investments and cash equivalents		2,686,176
Trade and other receivables		71,852
Total change in assets		<u>2,758,028</u>
Net movement due to restatement		<u>2,758,028</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2014

19 (a) Property, plant and equipment

	Note	Land	Site improvements	Buildings	Plant and equipment	Road and drainage network	Bridge network	Water	Sewerage	Airport	Heritage and cultural assets	Work in Progress	Total
Basis of measurement		Valuation	Valuation	Valuation	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	
Asset values		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2013 - RRC													
Opening gross value as at 1 July 2013 - LSC													
Additions at cost													
Contributed assets at valuation													
Assets not previously recognised													
Transfers between classes													
Disposals													
Assets classified as held for sale - land													
Write offs													
Transfer to intangible assets													
Assets transferred to Livingstone Shire Council													
Closing gross value as at 30 June 2014													
Accumulated depreciation and impairment													
Opening balance as at 1 July 2013 - RRC													
Opening balance as at 1 July 2013 - LSC													
Depreciation provided in period													
Depreciation on disposals													
Depreciation on write offs													
Assets transferred to Livingstone Shire Council													
Accumulated depreciation as at 30 June 2014													
Net value at 30 June 2014													
Residual value													
Range of estimated useful life in years													
Additions comprise:													
Continuing operations		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Renewals													
Other additions													
Total additions													

ROCKHAMPTON REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2014

19 (b) Property, plant and equipment - prior year

Basis of measurement	Note	Land	Site improvements	Buildings	Plant and equipment	Road and drainage network	Bridge network	Water	Sewerage	Airport	Heritage and cultural assets	Work in Progress	Total
		Valuation	Valuation	Valuation	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2012		146,492,138	79,685,973	270,686,164	80,095,722	1,636,734,979	61,077,663	663,883,048	429,735,761	65,568,698	19,606,354	73,447,201	3,527,013,701
Adjustment to opening value		-	-	-	-	-	-	-	-	-	-	-	-
Additions at cost		46,804	2,821,582	4,117,533	9,407,806	19,259,186	32,412	7,448,515	5,608,991	233,796	25,909	27,100,747	76,103,281
Contributed assets at valuation	4(b)(ii)& 13	42,521	35,900	-	67,595	22,922,869	-	2,525,637	3,376,525	-	708,955	-	29,680,002
Assets not previously recognised		-	-	131,302	18,320	281,580	-	-	-	-	50,318	-	481,520
Establishment of future landfill closure and maintenance asset	12	-	24,534,788	-	-	-	-	-	-	-	-	(7,716,851)	16,817,937
Transfers between classes		10,681	3,290,316	1,059,898	326,549	18,794,153	94,676	13,237,191	8,162,492	2,304	6,794	(44,985,054)	-
Disposals		(402,640)	-	-	(8,452,772)	-	-	-	-	-	-	-	(8,855,412)
Assets classified as held for sale - land	18	6,178,288	-	-	-	-	-	-	-	-	-	-	6,178,288
Revaluation adjustment to asset revaluation surplus	26	-	-	5,098	-	510,388	-	-	-	-	1,666,582	-	2,182,068
Flood event 2013 asset adjustments	36(a)	-	-	-	-	(9,777,691)	-	-	-	-	-	-	(9,777,691)
Flood event 2011 asset adjustments	36(b)	-	-	-	-	(13,978,418)	-	-	-	-	-	-	(13,978,418)
Write offs	10 & 13	-	(3,872,472)	(1,671,150)	(1,233,285)	(14,899,187)	(80,700)	(6,496,990)	(2,224,358)	(14,000)	(414,000)	-	(30,906,142)
Impairment and reversal of impairment	26	-	-	-	-	-	-	4,266,912	-	-	-	-	4,266,912
Transfer to intangible assets	20	-	-	-	-	-	-	-	-	-	-	(1,089,821)	(1,089,821)
Assets held for transfer to Livingstone Shire Council		(50,774,106)	(29,769,721)	(39,182,819)	(18,756,814)	(583,452,462)	(28,689,388)	(237,382,288)	(109,891,720)	-	(330,990)	(12,809,340)	(1,111,039,648)
Closing gross value as at 30 June 2013		101,593,686	76,726,366	235,146,026	61,473,121	1,076,395,397	32,434,663	447,482,025	334,767,691	65,790,798	21,319,922	33,946,882	2,487,076,577
Accumulated depreciation and impairment													
Opening balance as at 1 July 2012		-	24,904,503	112,200,508	32,158,363	323,721,949	15,064,796	253,164,923	189,643,419	20,583,335	-	-	971,441,796
Adjustment to opening value		-	-	-	-	-	-	-	-	-	-	-	-
Depreciation provided in period	9(a) & 13	-	2,372,413	7,019,177	7,792,001	22,684,608	767,498	8,419,090	7,154,473	1,580,528	-	-	57,789,788
Depreciation on disposals		-	-	-	(5,487,669)	-	-	-	-	-	-	-	(5,487,669)
Revaluation adjustment to asset revaluation surplus	26	-	-	-	-	-	-	-	-	-	3,932,800	-	3,932,800
Flood event 2013 asset adjustments	36(a)	-	-	-	-	(1,790,974)	-	-	-	-	-	-	(1,790,974)
Flood event 2011 asset adjustments	36(b)	-	-	-	-	(8,467,989)	-	-	-	-	-	-	(8,467,989)
Depreciation on write offs	9 & 13	-	(271,151)	(745,526)	(1,012,264)	(3,149,817)	(71,792)	(3,742,784)	(1,513,063)	(13,968)	-	-	(10,520,365)
Impairment and reversal of impairment	26	-	-	-	-	-	-	2,504,313	-	-	-	-	2,504,313
Transfers between classes		-	-	-	-	-	-	-	-	-	-	-	-
Assets held for transfer to Livingstone Shire Council		-	(6,379,585)	(16,195,238)	(7,743,675)	(74,122,598)	(6,493,639)	(90,162,284)	(24,179,297)	-	-	-	(225,276,316)
Accumulated depreciation as at 30 June 2013		-	20,626,180	102,278,921	25,706,756	258,975,179	9,266,863	170,183,258	171,105,532	22,149,895	3,932,800	-	784,125,384
Net value at 30 June 2013		101,593,686	56,100,186	132,867,105	35,766,365	817,520,218	23,167,800	277,298,767	163,662,159	43,640,903	17,387,122	33,946,882	1,702,951,193
Residual value		-	-	-	16,619,622	297,271,914	-	-	-	22,294,349	-	-	336,185,885
Range of estimated useful life in years		Not depreciated	4 - 145	10 - 80	2 - 40	4 - 130	10 - 100	10 - 150	20 - 100	12 - 120	Buildings only 15 - 75	-	-
Additions comprise:													
Continuing operations		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Renewals		-	255,095	3,290,071	6,615,835	9,105,552	-	3,750,796	1,939,684	114,302	-	5,994,374	31,065,659
Other additions		46,069	1,530,355	375,048	635,391	4,637,058	-	572,119	2,447,452	119,494	25,909	18,904,010	29,292,906
Total additions		46,069	1,785,450	3,665,119	7,251,226	13,742,610	0	4,322,855	4,387,146	233,796	25,909	24,898,384	60,358,565

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2014

20 Fair value measurements

(a) Recognised fair value measurements

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

- Property, plant and equipment
 - Land
 - Site Improvements
 - Buildings
 - Road and drainage network
 - Bridge network
 - Water
 - Sewerage
 - Airport
 - Heritage and cultural assets

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

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

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in Note 24 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flows at balance date (level 2).

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

Council also has assets measured at fair value on a non-recurring basis as a result of being reclassified as assets held for sale. This comprises land held for sale as disclosed in Note 18. A description of the valuation techniques and the inputs used to determine the fair value of this land is included below under the heading "Land (level 2)".

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

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

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

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

The table presents the Council's assets and liabilities measured and recognised at fair value at 30 June 2014. Comparative information has not been provided as allowed by the transitional provisions of AASB 13 *Fair Value Measurement*.

At 30 June 2014	Note	Level 2 (Significant other observable inputs) \$	Level 3 (Significant unobservable inputs) \$	Total \$
Recurring fair value measurements - Assets:				
Land				
Site Improvements	19			
Buildings	19			
Road, drainage and bridge network	19			
Bridge network	19			
Water	19			
Sewerage	19			
Airport	19			
Heritage and cultural assets	19			
Non-recurring fair value measurements - Assets:				
Land held for sale	18			

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2014

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

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

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

Council adopted AASB13 *Fair Value Measurement* for the first time this financial year and has reviewed each valuation to ensure compliance with the requirements of the new standard. There have been no changes in valuation techniques as a result of this review.

Specific valuation techniques used to value Council assets comprise:**Land (level 3) - Recurring fair value measurements**

Land fair values were determined by independent valuer, APV Valuers & Asset Management effective 30 April 2014. Level 2 valuation inputs were used to value land in freehold title as well as land used for special purposes, which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Where there was no observable market evidence for a land asset due to its configuration, council zoning restrictions, contamination or similar factors that result in there being no directly comparable market evidence Level 3 valuation inputs were used. For these assets significant assumptions needed to be made to determine the fair value. These were subsequently valued at the level 3 valuation input hierarchy by using the professional judgment of a Registered Valuer who adjusted the price per square metre of sales from sites not in close proximity which provided only a low level of comparability.

The following table provides a summary of the unobservable inputs and an assessment of the sensitivity of these to the fair value measurement.

Valuation Technique: Significant unobservable input	Sensitivity to		Amount of potential impact	
	Lower	Upper	Lower	Upper
Replacement Cost approach: Price per square metre	%	%	\$	\$

Land held for sale (level 2) - Non Recurring fair value measurements

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

**Buildings (Level 3)
Current replacement cost (CRC)**

The fair value of buildings was determined by independent valuer, AssetVal as an indexation assessment performed as at 30 June 2014. The comprehensive revaluation was also undertaken by AssetVal as at 30 June 2012. The application of indexation is considered a Level 3 input. The indexation report is based on a culmination of the work AssetVal has completed for the greater Brisbane locality within the last 12 months. Information has been derived from a number of observable and unobservable sources and determined by valuer interpretation of the material. Information has been sourced from such places as: published indices data; internal unit rates database; Rawlinson's construction rates and local construction market survey.

The processes adopted utilise the replacement costs, as maintained by Council and apply an indexation based on available data. The index is considered a Level 3 input. Useful lives of the assets have been applied which estimate the total service capacity in years for that type of asset. The remaining useful life of the asset is then applied, which indicates the remaining service capacity of the asset, and is determined using the life information for the assets. This directly relates to the depreciation which is applied in order to determine Fair value. No residuals have been adopted.

The valuation techniques used in the determination of fair values maximise the use of observable data where it is available and relies as little as possible on entity specifics. The disclosure of valuation estimates is designed to provide users with an insight into the judgements that have been made in the determination of fair values.

Accumulated depreciation

Estimated useful lives and residual values are disclosed in Note 19.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2014**Sensitivity of valuation to unobservable inputs**

The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Significant unobservable input	Index	Fair value movement	
	Movement Swing by 1 point	\$	%
Replacement cost index			

Site Improvements (level 3)**Current replacement cost (CRC)**

Site Improvements fair values were determined by independent valuers, Cardno (Qld) Pty Ltd effective 30/4/2014. Current Replacement Cost was calculated based on expected replacement costs.

Cardno's cost models were derived from the following sources:

Schedule rates for construction of asset or similar assets

Building Price Index tables

Recent contract and tender data

Rawlinson's Rates for building and construction, and

Suppliers' quotations

Valuation unit rates (replacement costs) were increased by 15% to allow for project overheads including survey, environmental and investigation costs, engineering design, planning, and project management.

Accumulated depreciation

Accumulated depreciation was based on one of the following 3 methods:

1. Condition based:

Site inspections were undertaken on 50% of the site improvements. For the inspected assets a condition rating was allocated which determined the remaining useful life as per the following table:

Condition rating	Condition description	Remaining useful life %
0	As new/ excellent	100% of useful life
1	Very Good	80% of useful life
2	Good	60% of useful life
3	Fair	40% of useful life
4	Poor	20% of useful life
5	Unserviceable	0% of useful life

2. Age based:

Where site inspections were not conducted, the remaining useful life was calculated based on age

3. Extrapolated Condition

Where assets have not been inspected and did not have a construction date, an average condition rating based on the 50% inspected assets was extrapolated to those assets and remaining useful life calculated accordingly.

Sensitivity of valuation to unobservable inputs

The method used to value council site improvement assets utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon years of experience, different judgements could result in a different valuation. The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

ROCKHAMPTON REGIONAL COUNCIL

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For the year ended 30 June 2014

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Number of labour hours	2-100hrs/linear metre, sqm, or item	The higher the labour hours, the higher the fair value
Standard material usage quantities	Varies depending upon the type of material	The higher the usage quantities, the higher the fair value
Condition rating (useful life)	0 – 5 as specified above	The higher the condition rating, the lower the fair value.
Remaining useful life	2-100 years	The longer the remaining useful life, the higher the fair value.

Infrastructure assets (level 3)

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

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

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on a "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks. The CRC was determined using methods relevant to the asset class as described under individual asset categories below.

(i) Road and drainage network**Roads****Current replacement cost (CRC)**

Council categorises its road infrastructure according to the NAASRA functional road classifications and then categorises these into sealed and unsealed. Both urban and rural roads are managed in segments of varying lengths. This can be dependent on construction type, environment and surroundings. All road segments are then componentised into formation, pavement and surface (where applicable). Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is constructed to the same standard and uses consistent unit rates.

CRC was calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations. Council assumes that formation, pavement and surfaces are constructed to the standard drawings set out in the Capricorn Municipal Design Guidelines. For internal construction estimates, material and services prices are based on existing supplier contract rates or supplier price lists and labour wage rates were based on Council's Enterprise Bargaining Agreement (EBA). All direct costs were allocated to assets at standard usage quantities according to recently completed similar projects. Where construction is outsourced, CRC was based on the average unit rates of completed similar projects over the last few years.

The last full valuation of road and drainage infrastructure was undertaken effective 30 June 2012 by suitably qualified officers of Rockhampton Regional Council. A review of indices using the ABS Producers' Price Index "Roads and Bridges Construction - Queensland (3101) A2333727L" found that there was no material movement in values, and as a result no valuation adjustment was undertaken.

Accumulated depreciation

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

ROCKHAMPTON REGIONAL COUNCIL

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For the year ended 30 June 2014

Council utilise PARMMS (a well established pavement management system) to manage the road network, providing Council with a list of roads to be resealed or resurfaced, reconstructed or rehabilitated over a forecasted period of 15 -20 years with the recommended priorities for later years more susceptible to change than those nominated in earlier years. All road segments are evaluated at least every three years, the intervention points are:

- 1) Pavement roughness (NRM): The intervention level used is 125NRM, while 50 is good, 100 average and 150 poor.
- 2) Pavement rutting (mm): The intervention level used is 10mm, while 3 is good, 8 is average and 15 is poor.
- 3) Structural cracking (% of surface area): The intervention level is 15%, while 5% is good, 15% average and 25% poor. A larger percentage cracking and annual rainfall combined with high traffic levels causes a migration of base and sub base material resulting in damage to the underlying pavement from the ingress of water.
- 4) Environmental cracking (% of the surface): The intervention level used is 22%, while 5% is good, 15% is average and 25% is considered to be poor. The index covers surface distresses caused by ravelling and stripping, leading to the loss of stone, which affects the waterproofing provided by the road surface.

Estimated useful lives and residual values are disclosed in Note 19.

Drainage infrastructure**Current replacement cost**

Consistent with roads, Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment and that a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials. Where drainage assets are located underground and physical inspection is not possible, the age, size and type of construction material, together with current and planned maintenance records are used to determine the fair value at reporting date. Construction estimates were determined on a similar basis to roads.

Accumulated depreciation

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

Estimates of expired service potential and remaining useful lives were determined on a straight line basis based on industry standard practices and past experience, supported by maintenance programs.

Estimated useful lives and residual values are disclosed in Note 19.

Road and drainage sensitivity of valuation to unobservable inputs

As detailed above Council's road and drainage network has been valued using written down current replacement cost. This method utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon years of experience, different judgements could result in a different valuation. The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Significant unobservable input	Range of inputs	Relationship of unobservable
Number of Labour hours		The higher the labour hours, the higher the fair value
Standard material usage quantities		The higher the usage quantities, the higher the fair value
Condition rating (useful life)		The higher the condition rating, the lower the fair value.
Remaining useful life		The longer the remaining useful life, the higher the fair value.
Residual value		The higher the residual value the higher the fair value.

(ii) Bridges**Current replacement cost**

The fair value of bridges was determined by independent valuer, AssetVal as an indexation assessment performed as at 30 June 2014. The comprehensive revaluation was also undertaken by AssetVal as at 30 June 2012. The application of indexation is considered a Level 3 input.

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For the year ended 30 June 2014

Infrastructure assets were indexed using five asset Index categories which are based on inputs from producer price, local government and construction indices and currency fluctuations. These indices are, Civil, Mechanical, Imported Mechanical, Electrical and the Road and bridge index. These indices were linearly forecasted forward one quarter to 30 April 2014. Local market activity was gauged with discussions with local construction contractors and supported the regional view of negligible to small increases in costs.

These indices were then compared to the wage index and non-residential Building construction index for reasonableness.

Accumulated depreciation

Estimated useful lives and residual values are disclosed in Note 19.

Sensitivity of valuation to unobservable inputs

The valuation techniques used in the determination of fair values maximise the use of observable data where it is available and relies as little as possible on entity specifics. The disclosure of valuation estimates is designed to provide users with an insight into the judgements that have been made in the determination of fair values.

The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Significant unobservable input	Index Movement	Fair value movement
Double road and bridge index		\$ %
Double civil index		
Double mechanical index		
Double electrical index		

(iii) Water and Sewerage Calculation of written down current replacement cost**Water and Sewerage****Current replacement cost (CRC)**

Water and sewerage infrastructure fair values were determined by independent valuers, AssetVal effective 30 April 2014. The water and sewer assets were segregated into active and passive assets; passive assets were not further componentised and consisted of mains, hydrants, manholes and water meters. Unit rates were applied based on similar recent project costs, unit rate databases, indices, Rawlinson's Construction rates and quotations.

The remaining active assets consisted of treatment, pumping and storage assets. These assets were componentised and valued independently, with allowances for complexity, size, function and site factors. These are generally totalled to a lump sum item and compared against recent similar projects and in-house databases to check for relativity, appropriateness and sensibility.

Due to the predominantly specialised nature of the assets the Cost approach (Depreciated replacement cost) has been adopted which is deemed a level 3 input.

Where there is no market, the net current value of an asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset. Published/available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost of the asset, including allowances for preliminaries and professional fees. This is considered a Level 2 input.

Accumulated depreciation

A condition assessment is applied, which is based on factors such as the age of the asset, overall condition as noted by the Valuer during inspection, economic and/or functional obsolescence. The condition assessment directly translates to the level of depreciation applied.

In determining the level of accumulated depreciation for major assets, the assets have been disaggregated into significant components which exhibit different patterns of consumption (useful lives). Residual value is also factored which is the value at the time the asset is considered to be no longer available. The condition assessment is applied on a component basis.

ROCKHAMPTON REGIONAL COUNCIL

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For the year ended 30 June 2014

All active water and sewer assets have been inspected as part of the valuation process.
The condition rating inputs can be defined in the following table:

Description	Rating	Percentage of life remaining
Brand new or rehabilitated to new	10	1%
Near new with no visible deterioration	9	90%
Excellent overall condition early stages of deterioration	8	80%
Very good overall condition with obvious deterioration evident	7	70%
Good overall condition, obvious deterioration, serviceability impaired very slightly	6	60%
Fair overall condition, obvious deterioration, some serviceability loss	5	50%
Fair to poor overall condition, obvious deterioration, some serviceability loss	4	40%
Poor overall condition, obvious deterioration, some serviceability loss, high maintenance costs	3	30%
Very poor overall condition, severe deterioration, very high maintenance costs. Consider renewal	2	20%
Extremely poor condition, severe serviceability problems, renewal required immediately	1	10%
Failed asset, no longer serviceable. Should not remain in service	0	0%

Sensitivity of valuation to unobservable inputs

The valuation techniques used in the determination of fair values maximise the use of observable data where it is available and relies as little as possible on entity specifics. The disclosure of valuation estimates is designed to provide users with an insight into the judgements that have been made in the determination of fair values.

The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Water

Significant unobservable input	Percentage movement in Fair Value	Dollar Movement in Fair Value
Change condition rating by 1 point		
Change residuals by 10%		
Change replacement cost by 10%		

The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Sewer

Significant unobservable input	Percentage movement in Fair Value	Dollar Movement in Fair Value
Change condition rating by 1 point		
Change residuals by 10%		
Change replacement cost by 10%		

Airport (level 3)**Current replacement cost**

The fair value of Airport was determined by independent valuer, AssetVal as an indexation assessment performed as at 30 June 2014. The comprehensive revaluation was also undertaken by AssetVal as at 30 June 2012. The application of indexation is considered a Level 3 input.

Infrastructure assets were indexed using five asset Index categories which are based on inputs from producer price, local government and construction indices and currency fluctuations. These indices are, Civil, Mechanical, Imported Mechanical, Electrical and the Road and bridge index. These indices were linearly forecasted forward one quarter to 30 April 2014. Local market activity was gauged with discussions with local construction contractors and supported the regional view of negligible to small increases in costs.

These indices were then compared to the wage index and non-residential Building construction index for reasonableness.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2014**Accumulated depreciation**

Estimated useful lives and residual values are disclosed in Note 19.

Airport network – Sensitivity of valuation to unobservable inputs

The valuation techniques used in the determination of fair values maximise the use of observable data where it is available and relies as little as possible on entity specifics. The disclosure of valuation estimates is designed to provide users with an insight into the judgements that have been made in the determination of fair values.

The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Significant unobservable input	Index Movement	Fair value movement	
		\$	%
Replacement cost index			

Heritage and Cultural Assets (level 3)**Current replacement cost**

The fair value of Heritage buildings and collections was determined by independent valuer, AssetVal, as an indexation assessment performed as at 30 June 2014. The comprehensive revaluation was also undertaken by AssetVal as at 30 June 2013. The fair value of artworks was determined by independent valuer, byjoel as an indexation performed as at 30 June 2014 with the comprehensive revaluation being undertaken by byjoel as at 30 June 2013. The application of indexation is considered a Level 3 input.

Accumulated depreciation

Heritage buildings - Estimated useful lives and residual values are disclosed in Note 19.

Sensitivity of valuation to unobservable inputs

The valuation techniques used in the determination of fair values maximise the use of observable data where it is available and relies as little as possible on entity specifics. The disclosure of valuation estimates is designed to provide users with an insight into the judgements that have been made in the determination of fair values.

The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

(a) Heritage and cultural assets - Buildings and collections

Significant unobservable input	Index Movement	Fair value movement	
		\$	%
Replacement cost index	Swing by x		
Index			

(b) Artworks

	Index Movement	Fair value movement	
		\$	%
Index			

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

There have been no transfers between level 1,2 or 3 measurements during the year.

(d) Valuation processes

The council engages external, independent and qualified valuers to determine the fair value of the land, site improvements, buildings, infrastructure, airport and heritage and cultural assets on a regular basis within a five year cycle. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period and reviewed by Finance, Chief Executive officer and Audit and Business Improvement Committee.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
21 Intangible assets			
Net carrying value at period end:			
Computer software			1,970,532
			<u>1,970,532</u>
Computer software			
Opening gross carrying value			5,034,161
Add assets held for transfer to Livingstone Shire Council as at 30 June 2013			-
Adjustment to opening value			-
Transfer from work in progress	19		1,089,821
Value of asset write off in the period			(492,479)
Assets transferred to Livingstone Shire Council as at 31 December 2013	18		(1,700,999)
			<u>3,930,504</u>
Accumulated amortisation			
Opening balance			2,570,440
Add assets held for transfer to Livingstone Shire Council as at 30 June 2013			-
Adjustment to opening value			-
Amortisation in the period	9(b)		721,497
Amortisation written off in the period			(488,730)
Assets transferred to Livingstone Shire Council as at 31 December 2013	18		(843,235)
			<u>1,959,972</u>
Net carrying value at period end			<u>1,970,532</u>
Estimated useful life in years - 4 to 10 years			
Straight line amortisation has been used with no residual value.			

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
22 Trade and other payables			
Current			
Creditors and accruals			8,252,425
Annual leave			4,222,860
Sick leave			20,079
Other entitlements			961,377
			<u>13,456,741</u>
Non-current			
Annual leave			3,375,926
Sick leave			116,722
			<u>3,492,648</u>

Employee benefit expenses are calculated at current pay levels and adjusted for inflation and likely future changes in salary level.

The non-current portion of annual leave and long service leave is discounted to the present value. Further details on employee entitlements are reported in Note 1.24.

23 Provisions

Current			
Quarry rehabilitation			49,287
Landfill restoration			2,116,193
Carbon tax			-
Long service leave			1,729,359
			<u>3,894,839</u>
Non-current			
Quarry rehabilitation			410,935
Landfill restoration			12,762,949
Carbon tax			-
Long service leave			9,799,693
			<u>22,973,577</u>

Details of movements in provisions:

Quarry rehabilitation			
Balance at beginning of financial year			761,261
Add back liabilities held for transfer to Livingstone Shire Council as at 30 June 2013			
Increase in provision due to change in time			19,417
Increase (decrease) in provision due to change in discount rate			(32,886)
Increase (decrease) in estimate of future cost			(94,995)
Liabilities transferred to Livingstone Shire Council as at 31 December 2013	18		(192,575)
Balance at end of financial year			<u>460,222</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
This is the present value of the estimated cost of restoring the quarry sites to a usable state at the end of their useful life. The projected cost is xxxx and this cost is expected to be incurred over the period xxxx.			
Landfill restoration			
Balance at beginning of financial year			5,622,111
Add back liabilities held for transfer to Livingstone Shire Council as at 30 June 2013			-
Additional sites and closure cost recognitions			19,530,968
Increase in provision due to change in time			171,307
Increase (decrease) in provision due to change in discount rate			(533,345)
Increase (decrease) in estimate of future cost			(256,253)
Liabilities transferred to Livingstone Shire Council as at 31 December 2013			(9,655,647)
Balance at end of financial year			14,879,141
This is the present value of estimated future closure, maintenance and monitoring cost of landfill sites to the end of their useful lives and regulated periods. The projected cost is xxxx and this cost is expected to be incurred over the period xxxx.			
Carbon tax liability			
Balance at beginning of financial year			-
Carbon tax liability			-
Balance at end of financial year			-
Long service leave			
Balance at beginning of financial year			15,231,683
Add back liabilities held for transfer to Livingstone Shire Council as at 30 June 2013			-
Long service leave entitlement arising			3,094,275
Long service entitlement extinguished			(1,129,923)
Long service entitlement paid			(982,260)
Liabilities transferred to Livingstone Shire Council as at 31 December 2013			(4,684,723)
Balance at end of financial year			11,529,052

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
24 Borrowings			
(a) Bank overdraft			
The Council does not have a bank overdraft facility.			
(b) Unsecured borrowings			
Unsecured borrowings are provided by the Queensland Treasury Corporation. All borrowings are in Australian dollar denominated amounts and carried at amortised cost, interest being expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary between 1 November 2015 to 25 April 2033.			
There have been no defaults or breaches of the loan agreement during the period. Principal and interest repayments are made quarterly in arrears.			
Details of borrowings at balance date are:			
Current			
Queensland Treasury Corporation			19,396,425
Liabilities transferred to Livingstone Shire Council			(6,128,970)
			<u>13,267,455</u>
Non-current			
Queensland Treasury Corporation			201,559,454
Liabilities transferred to Livingstone Shire Council			(73,290,075)
			<u>128,269,379</u>
Details of movements in borrowings:			
Queensland Treasury Corporation			
Opening balance			220,090,948
Add liabilities held for transfer to Livingstone Shire Council as at 30 June 2013			-
Loans raised			38,400,000
Principal repayments			(18,469,477)
			<u>240,021,471</u>
Liabilities transferred to Livingstone Shire Council as at 31 December 2013			(79,419,045)
Book value at year end			<u>160,602,426</u>

The QTC loan market value for all loans at the reporting date was xxx. This represents the value of the debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
25 Other liabilities			
Current			
Unearned revenue			317,378
			<u>317,378</u>
Non-current			
Developer contributions			1,220,860
			<u>1,220,860</u>
The developer contribution liability reflects cash contributions from developers for which the related service obligations have yet to be fulfilled by Council.			
26 Retained surplus/(deficiency)			
Movement in the retained surplus			
Retained surplus/(deficit) at beginning of the year			1,952,178,181
Net result attributable to Council			<u>17,395,415</u>
			<u>1,969,573,596</u>
Transfers (to)/from reserves for future capital funding purposes:			
(i) Unspent capital grants reserve			3,327,194
(ii) Constrained grants and contributions reserve			(2,414,654)
(iii) Airport development reserve			(159,083)
(iv) Capital works reserve			(113,216)
(v) Plant reserve			(194,293)
(vi) Water reserve			134,587
(vii) Sewerage reserve			-
(viii) Year end uncompleted works reserve			(9,780,209)
Transfers (to)/from reserves for future general funding purposes:			
(i) Operating projects reserve			(584,160)
Balance at the end of financial year			<u>1,959,789,762</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
27 Asset revaluation surplus			
Movements in the asset revaluation surplus were as follows:			
Balance at beginning of the year			398,495,279
Net adjustment to non-current assets to reflect a change in current fair value:			
Water - impairment and reversal of previous impairment			1,762,599
Road and drainage network - flood and other adjustments			(13,570,873)
Land - revaluation			-
Site improvements - revaluation			-
Water - revaluation			-
Sewerage - revaluation			-
Buildings - revaluation			5,098
Bridge network - revaluation			-
Airport - revaluation			-
Heritage and cultural assets - revaluation			(2,266,218)
Balance at end of the year			<u>384,425,885</u>
Asset revaluation surplus analysis			
The closing balance of the asset revaluation reserve is comprised of the following asset categories:			
Land			22,797,377
Site improvements			1,868,048
Buildings			28,353,361
Road and drainage network			228,087,621
Bridge network			2,048,224
Water			10,410,435
Sewerage			69,508,882
Airport			16,940,328
Heritage and cultural assets			4,411,609
			<u>384,425,885</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

28 Other reserves

Note	\$	\$	\$
(a) Other reserves - current year			
	Balance at beginning of financial year	Transfers to/from retained earnings	Balance at the end of financial year
Movements in capital reserves are analysed as follows:			
(i) Unspent capital grants reserve			
(ii) Constrained grants and contributions reserve			
(iii) Airport development reserve			
(iv) Capital works reserve			
(v) Plant reserve			
(vi) Water reserve			
(vii) Sewerage reserve			
(viii) Waste management reserve			
(ix) Year end uncompleted works reserve			
Movements in operating reserves are analysed as follows:			
(i) Operating projects reserve			
(ii) Asset maintenance reserve			
Total other reserves			
(b) Other reserves - prior year			
	Balance at beginning of financial year	Transfers to/from retained earnings	Balance at the end of financial year
Movements in capital reserves are analysed as follows:			
(i) Unspent capital grants reserve	4,375,064	(3,327,194)	1,047,870
(ii) Constrained grants and contributions reserve	25,563,778	2,414,654	27,978,432
(iii) Airport development reserve	3,775,721	159,083	3,934,804
(iv) Capital works reserve	6,309,323	113,216	6,422,539
(v) Plant reserve	2,073,713	194,293	2,268,006
(vi) Water reserve	2,594,893	(134,587)	2,460,306
(vii) Sewerage reserve	2,125,029	-	2,125,029
(viii) Waste management reserve	1,067,176	-	1,067,176
(ix) Year end uncompleted works reserve	17,298,134	9,780,209	27,078,343
	65,182,831	9,199,674	74,382,505
Movements in operating reserves are analysed as follows:			
(i) Operating projects reserve	9,637,944	584,160	10,222,104
(ii) Asset maintenance reserve	396,211	-	396,211
	10,034,155	584,160	10,618,315
Total other reserves	75,216,986	9,783,834	85,000,820

These reserves are cash backed as per cash and investments held in Notes 14, 15 and 18.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
29 Commitments for expenditure			
Operating leases			
Minimum lease payments in relation to non-cancellable operating leases are as follows:			
Within one year			9,557
One to five years			40,593
Greater than five years			
			<u>50,150</u>
Contractual commitments			
Contractual commitments at end of financial year but not recognised in the financial statements are as follows:			
Airport			967,829
Waste and Recycling			19,041,080
Fitzroy River Water			1,018,725
Communities			910,015
De-amalgamation			906,061
Other			817,936
			<u>23,661,646</u>
30 Events after the reporting period			
31 Contingent liabilities			
Details and estimates of maximum amounts of contingent liabilities are as follows:			
(i) Under approval from Queensland Treasury, Council has guaranteed loans to Diggers Memorial Bowls Club (xxxx) and Rockhampton Basketball Inc (xxxx) as at 30 June 2014.			<u>276,665</u>
(ii) Local Government Workcare			
The Rockhampton Regional Council is a member of the Queensland local government workers compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee as at 30 June 2014:			<u>3,106,328</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
(iii) Local Government Mutual			
<p>The Council is a member of the local government mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or it is unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution is to the total pool contributions in respect to any year that a deficit arises.</p> <p>The financial statements for 30 June 2011 reported an accumulated surplus and it is not anticipated any liability will arise.</p> <p>(iv) As at 30 June 2014, the following cases were filed in the courts naming the Rockhampton Regional Council as defendant:</p>			
		Number of cases	Number of cases
			1

32 Superannuation

The Rockhampton Regional Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB119 *Employee Benefits*.

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

The scheme has three elements referred to as:

The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund

The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments; and The Accumulation Benefits Fund (ABF).

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

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

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

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

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

	2014	2013
Note	\$	\$

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

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

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2012. The actuary indicated that "the Regional DBF is currently in a satisfactory but modest financial position and remains vulnerable to adverse short and medium term experience."

Following the previous actuarial assessment in 2009, councils were advised by the trustee of the scheme, following advice from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of Regional DBF members. In the 2012 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

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

There are currently 71 councils contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 71 councils.

The next actuarial investigation will be conducted as at 1 July 2015.

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

	9,228,333
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33 Trust funds

Trust funds held for outside parties:

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities

2,210,679

2,210,679

The Rockhampton Regional Council performs only a custodial role in respect of these monies and because the monies cannot be used for Council purposes, they are not brought to account in these financial statements.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
34 Disposal due to the de-amalgamation of Livingstone Shire Council			
Analysis of assets and liabilities over which control was lost			
Current assets			
Cash, investments and cash equivalents		-	-
Trade and other receivables		-	-
Inventories		-	-
Land held for sale		-	-
Non-current assets			
Property, plant and equipment		-	-
Intangible assets		-	-
Current liabilities			
Trade and other payables		-	-
Provisions		-	-
Loans		-	-
Other liabilities		-	-
Non-current liabilities			
Trade and other payables		-	-
Provisions		-	-
Loans		-	-
Other liabilities		-	-
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
Due to the specific conditions of the <i>Local Government (De-amalgamation Implementation) Regulation 2013</i> there was no consideration received, no loss or gain on disposal and no net cash inflow from disposal.			
35 Reconciliation of net result attributable to Council to net cash flow from operating activities			
Net result attributable to Council		<u>17,395,413</u>	
Non-cash operating items:			
Depreciation and amortisation		58,511,284	
Landfill rehabilitation		5,185,709	
Change in restoration provisions expensed to finance costs		<u>190,724</u>	
		<u>63,887,717</u>	
Investing and development activities:			
Capital grants, subsidies and contributions		(44,747,784)	
Capital income		(426,906)	
Capital expenses		<u>22,518,444</u>	
		<u>(22,656,246)</u>	
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables		2,392,068	
(Increase)/decrease in inventories (excluding land)		586,015	
Increase/(decrease) in payables		(3,731,883)	
Increase/(decrease) in provisions		982,092	
Increase/(decrease) in other liabilities		<u>295,672</u>	
		<u>523,964</u>	
Net cash inflow from operating activities		<u><u>59,150,848</u></u>	

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2014

36 Contingent assets

(i) Council has an agreement with RLX Investment Company Pty Ltd for a lease over Council controlled reserves, known as the Gracemere Saleyards. The lease commenced 1 January 2010 for a period of thirty years. The lessee has agreed as part of the agreement to construct fixtures upon the land for their own purpose. It has been agreed that a sum of approximately \$14 million will be expended in additions and refurbishments over the term of the lease.

Council obtaining control of this asset is contingent upon the expiration/surrender of the lease agreement. Until such time that the fixtures revert back to Council control they will not be included in Council's non-current assets.

This contingent asset continues to rest with Rockhampton Regional Council, due to the geographic nature of the land.

37 Accounting for natural disaster events**2013 flood event**

In January 2013, the Rockhampton area experienced an unprecedented amount of rainfall within a 24 hour period from Cyclone Oswald which led to flash flooding as well as a moderate flood in the Fitzroy River. As a result of this event, road infrastructure asset values have been adjusted to reflect their damaged condition.

2011 flood event

In January 2011, the Rockhampton area experienced a major flood from Cyclone Yasi and in the reporting period ended 30 June 2011, similar entries were performed to that of the January 2013 event above. However, adjustments have been required to this data in the current reporting period, as below:

Corrections to revaluation adjustments posted at 30 June 2012 due to incorrect asset dimensions being used.

Reversal of asset write-offs in the year ended 30 June 2011 due to the preliminary nature of information used.

	Note	\$	\$	\$	\$
(a) Current Year					
		Cost	Accumulated Depreciation	Asset Revaluation Surplus	Capital Expenses
(i) 2013 flood event:					
Asset adjustments	19 & 26				
Assets transferred Livingstone Shire Council					
Write off of assets for 2013 flood event	10				
(ii) 2011 flood event:					
Asset adjustments	19 & 26				
Assets transferred Livingstone Shire Council					
Reduction in asset values due to 2011 flood event	10				

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2014

(b) Prior Year

		Cost	Accumulated Depreciation	Asset Revaluation Surplus	Capital Expenses
(i) 2013 flood event:					
Asset adjustments	19 & 26	9,777,691	1,790,974	5,355,165	2,631,553
Assets held for transfer Livingstone Shire Council		(3,412,306)	(986,104)	(1,429,215)	(996,988)
Write off of assets for 2013 flood event	10	<u>6,365,385</u>	<u>804,870</u>	<u>3,925,950</u>	<u>1,634,565</u>
(ii) 2011 flood event:					
Asset adjustments	19 & 26	13,978,418	8,467,989	8,726,095	(3,215,667)
Assets held for transfer Livingstone Shire Council		(3,791,733)	(1,673,666)	(2,608,962)	490,916
Reduction in asset values due to 2011 flood event	10	<u>10,186,685</u>	<u>6,794,323</u>	<u>6,117,113</u>	<u>(2,724,751)</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2014

38 Correction of error

(a) Correction of error by asset class:

Land	Site Improvements	Buildings	Plant and Equipment	Road and drainage network	Bridge network	Water	Sewerage	Airport	Total
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Note 38(c) 38(c) 38(o) 38(o) 38(o) 38(o) 38(c) 38(c) 38(o)

Asset values

(i) Assets not previously recognised

38(o) & (c)

(ii) Contributed assets - prior years

38(o) & (c)

(iii) Assets previously recognised incorrectly

38(o) (c) & (d)

(iv) Disposals (renewals) not previously recorded

38(o) (c) & (d)

Total asset values

19(o)

Accumulated depreciation

(v) Assets previously recognised incorrectly

38(o) (c) & (d)

(vi) Disposals (renewals) not previously recorded

Total accumulated depreciation

19(o)

Net asset movement

19(o)

(b) As identified as part of the ongoing asset improvement processes

As part of a continual asset data integrity and completeness improvement process, commenced in 2010/11, the identification of existing assets not previously recorded, assets recorded in error and contributed assets that have not previously been recognised have been recorded in the current year. This encompasses the reconciliation of information within the asset systems, asset register and graphical information system, and physical verification where appropriate.

(c) As identified in the 2013/14 year as part of the valuation process

During the process of valuing Council's assets at 30 June 2014, additional assets not previously recognised, recognised incorrectly and contributed were identified and brought to account. Disposals of assets that had been renewed in prior years were identified and processed in the current year. These asset classes previously underwent a comprehensive revaluation in June 2009 upon amalgamation with an asset improvement process commenced in the 2010/11 year. Council is committed to, and recognises that asset data improvement is an ongoing process.

(d) Details of the net value of assets previously recognised incorrectly and disposal of renewals :

Assets previously recognised incorrectly
Disposal of renewals not previously recorded
Total

Asset Value	Accumulated Depreciation	Net Value

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

39 Financial instruments

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

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

The Council minimised its exposure to financial risk in the following ways:

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

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

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

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

(i) Credit risk

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

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

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

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

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

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

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

	Note	2014 \$	2013 \$
Financial assets			
Cash and cash equivalents	14		17,351,530
Investments	15		59,000,000
Receivables - rates	16		6,279,162
Receivables - other	16		8,358,569
Other credit exposures			
Guarantee	31		4,153,454
			<u>95,142,715</u>

Past due or impaired

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

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

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

30-Jun-14

	Fully performing	Less than 30 days	Past due			Less impairment	Total
	\$	\$	30-60 days	61-90 days	Over 90 days	\$	\$
Receivables							
Net receivables							

30-Jun-13

	Fully performing	Less than 30 days	Past due			Less impairment	Total
	\$	\$	30-60 days	61-90 days	Over 90 days	\$	\$
Receivables	9,001,443	1,187,897	93,862	525,302	4,280,448	(451,220)	14,637,732
Net receivables	9,001,443	1,187,897	93,862	525,302	4,280,448	(451,220)	14,637,732

(ii) Liquidity risk

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

The Council manages its exposure to liquidity risk by maintaining sufficient undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in the borrowings Note 24.

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

	0 to 1 year	1 to 5 years	Over 5 years	Total	Carrying amount
	\$	\$	\$	\$	\$
2014					
Trade and other payables					
Loans - QTC					
2013					
Trade and other payables	8,252,425			8,252,425	8,252,425
Loans - QTC	21,999,697	80,225,681	124,920,476	227,145,854	160,602,427
	30,252,122	80,225,681	124,920,476	235,398,279	168,854,852

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

(iii) Interest rate risk

The Council is exposed to interest rate risk through its finance lease borrowings, borrowings from the Queensland Treasury Corporation and investments held with financial institutions.

The risk in borrowing is effectively managed by borrowing from financial institutions which provide access to a mix of floating and fixed funding sources such that the desired interest rate risk exposure can be constructed. Interest rate risk in other areas is minimal.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

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

Interest rate sensitivity analysis

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

	Net carrying amount		Profit/Loss		Equity	
	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$
Financial assets		76,324,180		763,242		763,242
Financial liabilities		(160,602,427)		(1,606,024)		(1,606,024)
Net total		(84,278,247)		(842,782)		(842,782)

For those councils that have previously complied with AASB7 para 27B, a comparative table for the previous reporting period must also be provided.

Councils must also provide the disclosures in AASB 7 para 27B(b) - (e) to the extent that these apply to Council's circumstances.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

40 National competition policy

(a) Type 1 and type 2 activities

Definitions of type 1 and 2 activities :

Before the end of each financial year, the Minister for Local Government must decide for the financial year, the expenditure amounts (the "threshold amounts") for identifying a "significant business activity" that should be a type 1 or 2 business activity

Type 1.

A significant business activity where the threshold expenditure has been set by the Minister for the year ended 30 June 2014 follows :-

(a) for water and sewerage combined activities - \$42,640,000

(b) for other activities - \$25,540,000

Type 2.

(a) for water and sewerage combined activities - \$12,770,000

(b) for other activities - \$8,550,000

The Council has resolved to commercialise the following activities which fall into the expenditure guidelines above.

Waste and Recycling
Airport

(b) Activities to which the code of competitive conduct is applied

A "business activity" of a local government is any activity that involves trading in goods or services.

The code of competitive conduct (CCC) **must** be applied to the following business activities:

(a) A building certifying activity that:

- (i) involves performing building certifying functions within the meaning of the Building Act, section 8; and
- (ii) is prescribed under a regulation*.

*Section 38 of the *Local Government Regulation 2012* lists the local government's whose activities are prescribed building certifying activities.

(b) A roads activity, other than a roads activity for which business is conducted only through a sole supplier arrangement, that involves:

- (i) the construction or maintenance of state controlled roads for which the local government submits an offer to carry out work in response to a tender invitation.
- (ii) construction or road maintenance on another local government's roads which the local government has put out to tender.

Each local government **may** elect to apply a Code of Competitive Conduct (CCC) to any other identified business activities. However, for any with **current expenditure of \$300,000 or more**, the local government must decide, by resolution each year, whether to apply the CCC to that activity.

In general, applying the competitive code of conduct means that the competitive neutrality principle is applied to the business activity.

Under the competitive neutrality principle, an entity that is conducting a business activity in competition with the private sector should not enjoy a net advantage over competitors only because the entity is in the public sector.

The competitive neutrality principle may be applied by commercialisation or full cost pricing. This includes removing any competitive advantage or disadvantage, where possible, and charging for goods and services at full cost.

In addition the cost of performing community service obligations, less any revenue received from carrying out those obligations, must be treated as revenue for the business activity.

A community service obligation is an obligation the local government imposes on a business activity that is not in its commercial interest. For example, giving a concession to pensioners.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2014

A local government's financial statements must contain an activity statement for each business activity to which the CCC applies.

The Rockhampton Regional Council applies the competitive code of conduct to the following activities:

Building Certification

This requires the application of full cost pricing, identifying the cost of community service obligations (CSO) and eliminating the advantages and disadvantages of public ownership within that activity.

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

The following activity statements are for activities subject to the competitive code of conduct:

(c) Financial performance of activities subject to competition reforms:

Revenue for services provided to the Council
Revenue for services provided to external clients
Community service obligations

Less : expenditure
Surplus/(deficiency)

Building Certification	
2014	2013
\$	\$
	-
	161,473
	92,295
	253,768
	253,768
	-

(d) Community Service Obligations were paid during the reporting period to the following activities:

Activities	CSO description	Actual
Building Certification	Non-commercial private certification services	\$
Fitzroy River Water	Combined Lines Charges (Capital) Combined Line Charges (Operational) Manholes/Access Chambers (Capital) Remissions to Community & Sporting Bodies Storage of Water Allocations	
Rockhampton Airport	Capricorn Rescue Helicopter Service and Royal Flying Doctor Service	
Waste and Recycling	Non commercial community services	

ROCKHAMPTON REGIONAL COUNCIL

Financial statementsFor the year ended 30 June 2014

Management Certificate

For the year ended 30 June 2014

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

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

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

M.F. Strelow
Mayor

E.A. Pardon
Chief Executive Officer

ROCKHAMPTON REGIONAL COUNCIL
 Current-year Financial Sustainability Statement
 For the year ended 30 June 2014

Measures of Financial Sustainability

Council's performance at 30 June 2014 against key financial ratios and targets:	How the measure is calculated	Actual - Council	Target
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)		Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.		greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)		not greater than 60%

Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the Financial Management (Sustainability) Guideline 2013. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2014.

Certificate of Accuracy
 For the year ended 30 June 2014

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

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

 M.F. Strelow
 Mayor

 E.A. Pardon
 Chief Executive Officer

ROCKHAMPTON REGIONAL COUNCIL
Long-Term Financial Sustainability Statement
Prepared as at 30 June 2014

Reported as at 30 June 2014

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2014	Projected for the years ended								
				30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
Consolidated												
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and greater than 90%	0.0%	0.5%	2.7%	4.5%	5.0%	5.7%	6.3%	6.8%	7.6%	8.2%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense		0.0%	115.8%	97.8%	85.9%	94.3%	96.2%	96.5%	98.2%	97.5%	97.7%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	0.0%	65.8%	77.1%	73.0%	67.2%	60.9%	54.7%	48.5%	42.1%	35.3%

Council's Financial Management Strategy

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

Certificate of Accuracy

For the long-term financial sustainability statement prepared as at 30 June 2014

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

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

M.F. Strelow
Mayor

E.A. Pardon
Chief Executive Officer

9.2 LOSS / THEFT ITEMS REPORTED TO AUDITOR GENERAL - SEP 2013 TO APR 2014

File No: 3911
Attachments: 1. Loss / Theft Report - 1 Sep 13 to 30 Apr 14
Authorising Officer: Ross Cheesman - General Manager Corporate Services
Author: Drew Stevenson - Manager Corporate and Technology

SUMMARY

Reporting on Loss/Theft items including those reported the Auditor General for the period 1 September 2013 to 30 April 2014.

OFFICER'S RECOMMENDATION

THAT the Committee 'receives' the Loss/Theft Report for the period 1 September 2013 to 30 April 2014.

COMMENTARY

Under s307A of the Local Government Regulation 2012, local governments must immediately give written notice to the Auditor-General if they become aware that property of, or received by the local government is missing and the property has a total value of \$1,000 or more.

Attached are summary details of the Loss/Theft reports for this reporting period received by the Property & Insurance Unit. Notification has been provided to the Auditor-General on all items valued at \$1,000 or greater.

**LOSS / THEFT ITEMS REPORTED TO
AUDITOR GENERAL - SEP 13 TO
APR 14**

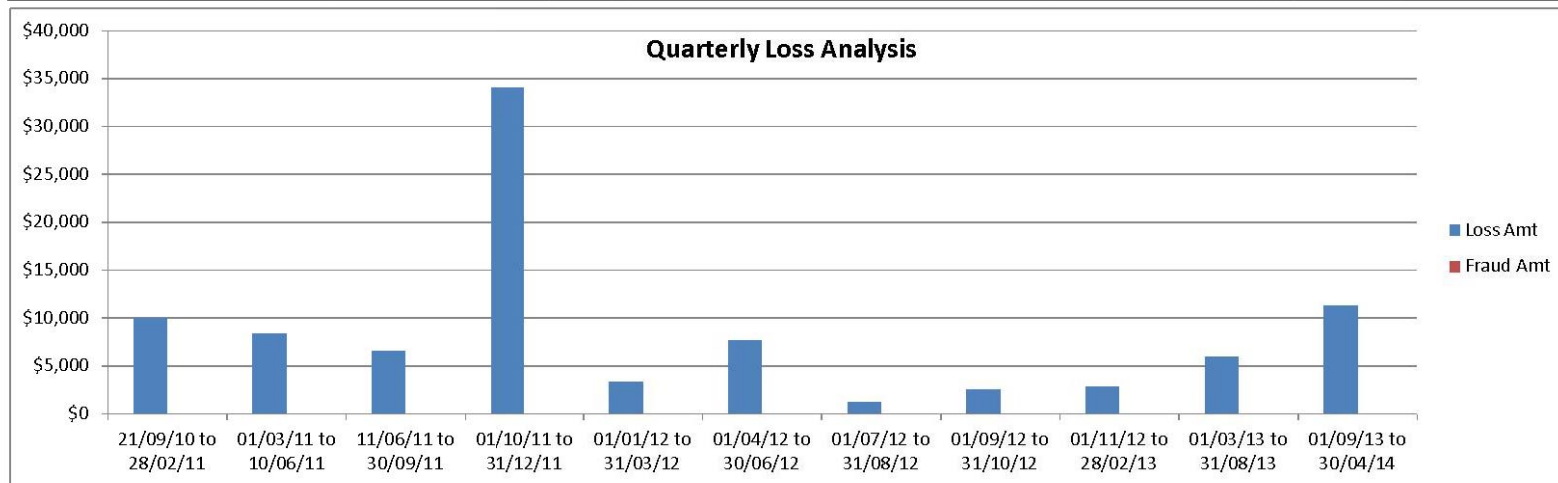
**Loss / Theft Report - 1 Sep 13 to
30 Apr 14**

Meeting Date: 29 May 2014

Attachment No: 1

Loss Theft Report - 1 Sep 2013 to 30 Apr 2014

Date of Loss	PW No.	Department	Items Lost	Police Report No.	Valued Amount	Fraud reported to Property & Insurance?
25.09.2013	299121	FRW	Vandalised glass bricks on Belmont Rd Lift Station		\$1,000	No
13.09.2013	299854	FRW	Makita cordless drill (serial # 0654992)		\$800	No
02.10.2013	301610	Parks	Shindaiwa Hedge Trimmer		\$600	No
27.10.2013	307731	Parks	Bobcat C93350 windscreen damaged		\$500	No
31.10.2013	308082	FRW	Hired porta toilet damaged		\$550	No
6.11.2013	310198	Waste	Stolen cash float, taking & CCTV recorder	QP1301371181	\$3,500	No
19.11.2013	312509	Records	Stolen Dell Laptop	QP1301411336	\$1,200	No
11.11.2013	312804	Parks	Broken window - truck (754LEY)		not specified	No
29.11.2013	315205	Parks/Local Laws	Broken window - Ford Ranger (458SQZ)		\$687	No
20.12.2013 - 14.01.2014	324225	Civil Operations	Freestanding tool box and a quantity of loose tools		\$416	No
02.03.2014 - 03.03.201	333984	FRW	Cordless grinder, cordless drill, cordless impact driver, drill case, 3 x 18V Batteries, 18V Charger	QP1400301019	\$700	No
18.12.2013 - 03.02.2014	340187	Civil Operations - Urban	Stand pipe no. R99014805	QP1400447531	\$1,400	No



10 NOTICES OF MOTION

Nil

11 URGENT BUSINESS/QUESTIONS

Urgent Business is a provision in the Agenda for members to raise questions or matters of a genuinely urgent or emergent nature, that are not a change to Council Policy and can not be delayed until the next scheduled Council or Committee Meeting.

12 CLOSED SESSION

In accordance with the provisions of section 275 of the *Local Government Regulation 2012*, a local government may resolve to close a meeting to the public to discuss confidential items, such that its Councillors or members consider it necessary to close the meeting.

RECOMMENDATION

THAT the meeting be closed to the public to discuss the following items, which are considered confidential in accordance with section 275 of the *Local Government Regulation 2012*, for the reasons indicated.

13.1 ERM Status Report and Proposed Sample of Risk Register Reporting 2014

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

13.2 Internal Audit Report - Payroll Reconciliation

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

13.3 Annual Audit Plan - Progress Update

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

13.4 Status of Audit Recommendations Progress

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

13.5 2014-2: Business Process Improvement Review of - Local Laws Annual Animal Registrations (Stage-I)

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

13.6 2013-08: Engineering Records - Agreed Upon Procedures

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

13.7 Carols By Candlelight Event Process Review

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

13.8 IA-2014-2 Compliance Review of De-Amalgamation Regulation

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

13 CONFIDENTIAL REPORTS

13.1 ERM STATUS REPORT AND PROPOSED SAMPLE OF RISK REGISTER REPORTING 2014

File No: 8780

Attachments:

1. Proposed Quarterly Risk Register Reporting Examples - Graphs
2. Proposed Quarterly Risk Register Reporting Examples - Very High and High Listing
3. Proposed Quarterly Risk Register Reporting Examples - All Risks Requiring Further Treatment

Authorising Officer: Drew Stevenson - Manager Corporate and Technology
Ross Cheesman - General Manager Corporate Services

Author: Kisane Ramm - Risk Management Officer

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage .

SUMMARY

Reporting on the status of the ERM implementation and proposed quarterly risk status reports.

13.2 INTERNAL AUDIT REPORT - PAYROLL RECONCILIATION**File No:** 5207**Attachments:** Nil**Authorising Officer:** Ross Cheesman - General Manager Corporate Services**Author:** Alicia Cutler - Manager Finance

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage .

SUMMARY

This report is in response to the request by Audit Committee of 13 September 2013 to provide details on the payroll reconciliation.

13.3 ANNUAL AUDIT PLAN - PROGRESS UPDATE**File No:** 5207**Attachments:** 1. Audits Completed vs Planned**Authorising Officer:** Evan Pardon - Chief Executive Officer**Author:** John Wallace - Chief Audit Executive

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage .

SUMMARY

The Progress of audits planned vs completed is provided for the information of the Committee.

13.4 STATUS OF AUDIT RECOMMENDATIONS PROGRESS**File No:** 5207**Attachments:** 1. Audit Recommendations Status**Authorising Officer:** Evan Pardon - Chief Executive Officer**Author:** John Wallace - Chief Audit Executive

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage .

SUMMARY

The attached report is provided to the audit committee as required by the Local Government Regulation 2012, Section 207 (3).

**13.5 2014-2: BUSINESS PROCESS IMPROVEMENT REVIEW OF - LOCAL LAWS
ANNUAL ANIMAL REGISTRATIONS (STAGE-I)****File No:** 5207**Attachments:**
1. IA-BUSINESS IMPROVEMENT PROPOSAL
2. Stage-I Business Improvement Report**Authorising Officer:** Evan Pardon - Chief Executive Officer**Author:** John Wallace - Chief Audit Executive

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage .

SUMMARY

This review was undertaken by J Wallace, together with the Local Laws Section and JET, as part of the Annual Internal Audit Plan.

13.6 2013-08: ENGINEERING RECORDS - AGREED UPON PROCEDURES**File No:** 5207**Attachments:** 1. 2013-08: Engineering Records - Agreed Upon Procedures Review**Authorising Officer:** Evan Pardon - Chief Executive Officer**Author:** John Wallace - Chief Audit Executive

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage .

SUMMARY

This review was completed by Kisane Ramm and John Wallace, based on agreed-upon-procedures and was requested by the CEO.

13.7 CAROLS BY CANDLELIGHT EVENT PROCESS REVIEW**File No:** 5207**Attachments:** 1. 2013-06: Carols Event Process Review**Authorising Officer:** Evan Pardon - Chief Executive Officer**Author:** John Wallace - Chief Audit Executive

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage .

SUMMARY

This review was undertaken by K Ramm as a planned review as part of the Internal Audit Plan.

13.8 IA-2014-2 COMPLIANCE REVIEW OF DE-AMALGAMATION REGULATION**File No:** 5207**Attachments:**

1. IA-2014-2 Report
2. Regulation 2013 - Conclusions
3. Transfer Methodology (V1.0) - Conclusions

Authorising Officer: Evan Pardon - Chief Executive Officer**Author:** John Wallace - Chief Audit Executive

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage .

SUMMARY

This review was undertaken by J Wallace on request from the CEO.

14 CLOSURE OF MEETING