



AUDIT AND BUSINESS IMPROVEMENT COMMITTEE MEETING

AGENDA

31 AUGUST 2015

Your attendance is required at a meeting of the Audit and Business Improvement Committee to be held via teleconference on 31 August 2015 commencing at 11:00am for transaction of the enclosed business.

A handwritten signature in black ink, appearing to be "C. R.", is positioned above the printed name of the Chief Executive Officer.

CHIEF EXECUTIVE OFFICER
26 August 2015

Next Meeting Date: 09.10.15

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
Councillor C E Smith
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 19 June 2015

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 Meeting**

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

Meeting Date: 31 August 2015

Attachment No: 1

Date	Report Title	Resolution	Responsible Officer	Due Date	Notes
20 March 2015	Committee Annual Self-Assessment	(1) THAT the committee considers the short 2-page template attached to this report for completion of its 2014 self-assessment. This is the same template used previously for this purpose.	John Wallace	09/10/2015	Some responses received – these will be reported on at next opportunity - 9 October 2015.

7 PUBLIC FORUMS/DEPUTATIONS

Nil

8 OFFICERS' REPORTS

Nil

9 STRATEGIC REPORTS

9.1 FINANCIAL STATEMENTS 2015-16

File No: 8151

Attachments:

1. **Financial Statements 2014/15**
2. **Memo - Position Paper Road Infrastructure Valuation**

Authorising Officer: Ross Cheesman - General Manager Corporate Services

Author: Alicia Cutler - Manager Finance

SUMMARY

Draft Financial Statements to be presented to the Auditor General to commence their Audit.

OFFICER'S RECOMMENDATION

THAT the Financial Statements 2015-16 report be received.

2015/16 FINANCIAL STATEMENTS

The first draft set of financial statements for 2014-15 are now completed for review. Tropical Cyclone Marcia has had a significant impact upon Council's financial position as well as the processes to come to this position. This report will cover this in some detail. There is no doubt that apart from expenditures and liabilities created from this event, the revaluation of Council's roads is also a matter to bring to your attention. Apart from this and with the natural disaster issues the completion of the statements did progress well within agreed timeframes.

Members should be aware that there have been a number of developments in respect of the Road Revaluation that will now result in a changed set of Financial Statements to incorporate the movements. A four week extension has been sought from the Minister of Local Government to accommodate these changes and it is likely the Audit Committee planned for the October, may also need to be deferred, or a subsequent meeting held to review the Audited Financial Statements.

The following is a summary of the situation with respect to the Roads Revaluation:

- A draft revaluation report was received from Pavement Management Services late June which had a number of issues contained within it that required resolution. The decision was made on 22 July to not implement the revaluation and to work through these issues without the pressures of year-end deadlines. The attached memo was provided to the External Auditors which gives some analysis of the issues and valuation movement.
- A submission to LGAQ was prepared on 5 August, 2015, regarding the shortcomings in their unit rates provided through the Roads Alliance Valuation Project. They have since responded to us with some guidance and will make their main consultant, Mr Graeme Jordan available in October (his earliest available date as he is on extended leave).
- After consideration and analysis of the various information and discussions with QAO, Deloitte & QAO subsequently provided indication on 18 August that as there was potential substantial material movement in the asset values, the issues would need to be completed and implemented to avoid 'potential' Audit Qualification.
- As a result of the advice, the issues will now be progressed prior to the visit from the LGAQ consultant, but with the assistance from Pavement Management Services to allow ourselves the ability to obtain an Unqualified Financial Report.

Once the decision was made to not implement the road revaluation, the preparation of the Financial Report continued and was near to ready for final review and circulation, before the change in approach again. We have asked Deloitte to proceed with the normal part of the audit, but make a subsequent allocation of time for addressing the road valuation. Deloitte & QAO have indicated that they expect the additional costs to be between \$20,000 to \$40,000 (depending on the direction taken and potential changes to timetable).

We apologise for any inconvenience to Committee members this may cause. Information is now provided about other information contained within the Draft Financial Statements (attached).

STATEMENT OF COMPREHENSIVE INCOME

Overall the main impact upon the Financial Statements and the results for 30 June 2015, is the impact of Tropical Cyclone Marcia. Council's Operating Result was a deficit of \$10.3 million compared an operating surplus in 2014 of \$20.5 million. A summary of the reasons for the impact are listed below:

- Expenditure towards the Disaster Co-ordination and Emergent Works for the year were \$30.4 million, with only \$5.4 million revenue. There is still further revenue expected during the 2015/16 year which will be reimbursement for some of these expenditures, however as they are unreliable they have not been recorded in the Financial Statement.
- A restoration provision expense of \$7.2 million (included in the \$30.4 million above) has been recorded in regards to Kershaw Gardens and the underlying closed landfill where some remediation will be required.
- A reduction in fee revenue which was the result development and building activity in the region.
- A reduction in sales revenue which is mostly contrived of Main Roads contracts, which has also seen a drop off of activity in the region.
- A review of the approaches in spreading administrative overheads to Capital, which resulted in approximately \$1.6 million more costs being recorded as Operational Expenditure rather than capital.

When compared against Budget, Council had at the outset budgeted for a \$4.6million surplus which following TC Marcia, was revised to a \$5 million deficit which provided for all the adjustments, bar the provision for restoration of Kershaw Gardens.

It is important to note that there was also some Capital Expense incurred as a result of the TC Marcia, which was the result of write-offs of Asset Balances where major damage was incurred. This amount was estimated at \$790,000. In addition assets with minor to moderate damage, as well as those assets that are not accessible within Kershaw Gardens were impaired. This adjustment amounted to \$1.9 million. Full details in respect of these adjustments are detailed in Note 31 of the Financial Statements.

MOVEMENTS IN ASSET REVALUATION RESERVE

Currently a \$13 million increase has been recorded against the Asset Revaluation Reserve, which is the net result of increase that resulted from the indexation of the Buildings assets and all the write-downs of assets that resulted from Cyclone Marcia and impairment. This part of the statements is expected to change when the results of the Road Revaluation are implemented.

COMPARATIVE BALANCES

It is important to note when reading these financial statements that the comparative 2014 year contained the adjustments that resulted from the de-amalgamation of Livingstone Shire Council on 1 January 2014.

RESTATEMENT OF COMPARATIVES AND OPENING BALANCES

Adjustments have again been made to previous year's financial statements for the following asset adjustments:

- Assets not previously recognised
- Contributed assets – prior years
- Assets previously recognised incorrectly
- Disposals (renewals) not previously recorded

A total amount of adjustments of \$7.2 million, which when compared against the total PPE is not material, however as the respective adjustments are also recorded against the Capital Expense and Income areas on the Statement of Comprehensive Income, they have been restated.

Members will note that these adjustments and the continuation of their appearance in these financial statements are symptomatic of the High Risk audit issue that has been raised for the past few years. This year has seen further improvement of asset data in respect of culverts and footpaths but it is difficult to guarantee or assure there will be no further movements. The completion of this audit point remains at the end of the rolling revaluation of the Road and Drainage Asset Class in 2017.

SUSTAINABILITY INDICATORS

Near to the end of the Draft Financial Statements, shows a Current-year Financial Sustainability Statement which shows the following indicators:

Council's performance at 30 June 2015 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)	-5.5%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	81.6%	Greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	59.4%	Not Greater than 60%

Note that the Operating Surplus ratio is not within the guidelines due to the impact of TC Marcia on the Operational result, which is outlined earlier in this report.

The Asset Sustainability ratio is again below the guideline of 90% which was expected. The overall Capital Expenditure is well in excess of depreciation, however the weighing of priorities between renewal works and upgrade projects continues to be a feature of Councils Budget processes. Continued working through the consequences of service levels in Asset Management Planning will assist Council to know the future impact of these decisions.

The Net Financial liabilities ratio just meets the target (even though it was not budgeted to do so). This is the result of increased cash holdings at 30 June which is the result of approximately \$15 unspent Capital Works program from the year. This has been transferred to the 15/16 budget, however the works program is now under review in terms of the levels that can be achieved.

CONCLUSION

With the exception of the Road Revaluation, the preparation of the Financial Statements for this financial year has progressed well in accordance with expected timeframes.

Further information may be available in respect of the Road Revaluation by the time of the telephone meeting, in which case further verbal updates will be provided.

FINANCIAL STATEMENTS 2015-16

Financial Statements 2014/15

Meeting Date: 31 August 2015

Attachment No: 1

ROCKHAMPTON REGIONAL COUNCIL**Financial statements - unaudited**

For the year ended 30 June 2015

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ROCKHAMPTON REGIONAL COUNCIL

Statement of Comprehensive Income

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
Continuing operations			
Income			
Recurrent revenue			
Rates, levies and charges	3(a)	121,552,306	116,994,729
Fees and charges	3(b)	25,646,755	25,510,203
Interest received	3(c)	3,631,344	3,671,158
Sales revenue	3(d)	8,046,934	12,201,532
Other recurrent income	3(e)	9,478,197	7,129,349
Grants, subsidies and contributions	4(a)	17,604,985	14,476,055
		<u>185,960,521</u>	<u>179,983,026</u>
Capital revenue			
Grants, subsidies and contributions	4(b)	30,931,613	51,762,850
Total revenue		<u>216,892,134</u>	<u>231,745,876</u>
Capital income	5	728,055	187,437
Total income from continuing operations		<u>217,620,189</u>	<u>231,933,313</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(68,016,659)	(63,056,569)
Materials and services	7	(74,282,168)	(43,393,227)
Finance costs	8	(9,015,711)	(9,653,666)
Depreciation and amortisation	9	(44,929,775)	(43,430,070)
		<u>(196,244,313)</u>	<u>(159,533,532)</u>
Capital expenses	10	(8,083,433)	(9,464,289)
Loss on restructure of local government	28	-	(859,080,932)
Total expenses from continuing operations		<u>(204,327,746)</u>	<u>(1,028,078,753)</u>
Surplus/(deficit) for the year from continuing operations		<u>13,292,443</u>	<u>(796,145,440)</u>
Discontinued operations			
Surplus/(deficit) for the year from discontinued operations	11	-	25,997,851
Net result attributable to Council		<u>13,292,443</u>	<u>(770,147,589)</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase in asset revaluation surplus	22	13,233,212	67,139,608
Total other comprehensive income for the year		<u>13,233,212</u>	<u>67,139,608</u>
Total comprehensive income for the year		<u>26,525,655</u>	<u>(703,007,981)</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 2015

		2015	Restated 2014
	Note	\$	\$
Current assets			
Cash and cash equivalents	12	48,701,188	29,899,637
Investments	13	30,000,000	57,000,000
Trade and other receivables	14	18,502,090	18,407,067
Inventories		1,784,242	1,730,165
		<u>98,987,520</u>	<u>107,036,869</u>
Assets classified as held for sale and transfer	15	321,454	14,100,261
Total current assets		<u>99,308,974</u>	<u>121,137,130</u>
Non-current assets			
Property, plant and equipment	16	1,878,326,921	1,839,716,189
Intangible assets		1,692,788	2,048,277
Total non-current assets		<u>1,880,019,709</u>	<u>1,841,764,466</u>
TOTAL ASSETS		<u>1,979,328,683</u>	<u>1,962,901,596</u>
Current liabilities			
Trade and other payables	18	20,278,748	33,556,769
Provisions	19	18,744,441	12,167,403
Borrowings	20	15,227,724	14,407,449
Other liabilities		583,666	533,319
Total current liabilities		<u>54,834,579</u>	<u>60,664,940</u>
Non-current liabilities			
Provisions	19	11,651,427	13,153,563
Borrowings	20	140,952,561	143,495,888
Other liabilities		2,249,966	2,472,710
Total non-current liabilities		<u>154,853,954</u>	<u>159,122,161</u>
TOTAL LIABILITIES		<u>209,688,533</u>	<u>219,787,101</u>
NET COMMUNITY ASSETS		<u>1,769,640,150</u>	<u>1,743,114,495</u>
Community equity			
Retained surplus	21	1,298,941,932	1,285,649,489
Asset revaluation surplus	22	470,698,218	457,465,006
TOTAL COMMUNITY EQUITY		<u>1,769,640,150</u>	<u>1,743,114,495</u>

Council has made a retrospective restatement as a consequence of correction of prior period error(s) and therefore, in accordance with AASB 101 has presented restated comparative information in the prior reporting period. Details are disclosed in Note 32.

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 2015

	Total		Retained surplus Note 21		Asset revaluation surplus Note 22	
	2015 \$	Restated 2014 \$	2015 \$	Restated 2014 \$	2015 \$	2014 \$
Balance at beginning of year	1,743,114,495	2,438,863,945	1,285,649,489	2,048,538,547	457,465,006	390,325,398
Adjustment to opening balance	-	7,258,531	-	7,258,531	-	-
Restated balances	1,743,114,495	2,446,122,476	1,285,649,489	2,055,797,078	457,465,006	390,325,398
Net result attributable to Council	13,292,443	(770,147,589)	13,292,443	(770,147,589)	-	-
Other comprehensive income for the year						
Adjustment to asset revaluation surplus:						
Property, plant & equipment	13,233,212	67,139,608	-	-	13,233,212	67,139,608
Total comprehensive income for year	26,525,655	(703,007,981)	13,292,443	(770,147,589)	13,233,212	67,139,608
Balance at end of year	1,769,640,150	1,743,114,495	1,298,941,932	1,285,649,489	470,698,218	457,465,006

Council has made a retrospective restatement as a consequence of correction of prior period error(s) and therefore, in accordance with AASB 101 has presented restated comparative information in the prior reporting period. Details are disclosed in Note 32.

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 2015

	Note	2015 \$	2014 \$
Cash flows from operating activities			
Rates, levies and charges		122,110,967	141,850,260
Fees and charges		25,646,755	28,378,088
Grants, subsidies and contributions		17,604,985	15,750,053
Interest received		3,806,861	4,819,030
Other income		17,401,002	21,000,424
Net GST (recoverable)/paid		(553,758)	191,442
Payments to suppliers		(67,323,719)	(49,626,140)
Payments to employees		(68,111,885)	(75,939,211)
Interest expense		(8,350,822)	(11,318,546)
Net cash inflow from operating activities	29	<u>42,230,386</u>	<u>75,105,400</u>
Cash flows from investing activities			
Government subsidies and grants		7,540,276	16,040,634
Capital contributions		4,541,726	10,417,141
Payments for property, plant and equipment		(65,219,191)	(86,554,353)
Payments for intangible assets		(231,503)	(644,590)
Net transfer from cash investments		27,000,000	35,000,000
Proceeds from sale of property plant and equipment		4,662,908	1,875,404
Transfer on restructure of local government	28	(10,381,261)	(33,003,070)
Net cash outflow from investing activities		<u>(32,087,045)</u>	<u>(56,868,834)</u>
Cash flows from financing activities			
Proceeds from borrowings		12,678,534	10,306,321
Repayment of borrowings		(14,401,585)	(16,159,797)
Net cash outflow from financing activities		<u>(1,723,051)</u>	<u>(5,853,476)</u>
Net increase in cash and cash equivalents held		<u>8,420,290</u>	<u>12,383,090</u>
Cash at beginning of reporting year		40,280,898	27,897,808
Cash at end of reporting year	12	<u><u>48,701,188</u></u>	<u><u>40,280,898</u></u>

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 2015

1 Significant accounting policies**1.1 Basis of preparation**

These general purpose financial statements are for the period 1 July 2014 to 30 June 2015 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 following:

- financial assets and liabilities, certain classes of property, plant and equipment which are measured at fair value;
- assets held for sale which are measured at fair value less cost of disposal.

Recurrent/capital classification

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

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

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

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

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

1.2 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.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

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.

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 2018
AASB 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
AASB 15 <i>Revenue from Contracts with Customers</i>	1 January 2017
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	1 January 2018
AASB 2013-9 <i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i>	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]	
AASB 2014-1 <i>Amendments to Australian Accounting Standards</i>	Part D - 1 January 2016; Part E - 1 January 2018
AASB 2014-4 <i>Amendments to Australian Accounting Standards-Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	1 January 2017
AASB 2014-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i>	1 January 2018
AASB 2014-8 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)- Application of AASB 9 (December 2009) and AASB 9 (December 2010)</i>	1 January 2015
AASB 2015-1 <i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle</i> [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]	1 January 2016
AASB 2015-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i> [AASB 7, AASB 101, AASB 134 & AASB 1049]	1 January 2016
AASB 2015-3 <i>Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality</i>	1 July 2015
AASB 2015-5 <i>Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception</i> [AASB 10, AASB 12 & AASB 128]	1 January 2016
AASB 2015-6 <i>Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</i> [AASB 10, AASB 124 & AASB1049]	1 July 2016

Due to its recent release, Council is still reviewing the way that revenue is measured and recognised to identify whether AASB 15 *Revenue from Contracts with Customers* will have a material impact. To date no impact has been identified.

AASB 15 is effective from 1 January 2017 and will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

From 1 July 2016 AASB 124 *Related Party Disclosures* will apply to Council. This means that Council will disclose more information about related parties and transactions with those related parties. Council is currently preparing for this change by identifying related parties. Related parties will include the Mayor, councillors and some council staff. In addition the close family members of those people and any organisations that they control or are associated with will be classified as related parties.

The amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have a material impact on the financial statements.

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 11
 Assets classified as held for sale - Note 1.16 and Note 15
 Valuation of property, plant and equipment - Note 1.17 (c) and Note 16
 Impairment of property, plant and equipment - Note 1.19 and Note 16
 Depreciation - Note 1.17 (e) and Note 9
 Provisions - Note 1.22 (e), Note 1.24 and Note 19
 Contingencies - Note 25 and Note 30
 Capital income - Note 5
 Capital expenses - Note 10

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 2014/15 financial year are as follows:

Art Gallery		
	2015	2014
	\$	\$
Receipts	31,947	51,290
Disbursements	(34,544)	(48,433)
Net (deficit)/surplus	(2,597)	2,857
Assets	66,115	68,712
Liabilities	-	-
Net assets	66,115	68,712

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statementsFor the year ended 30 June 2015

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. 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.

(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.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

Council generates revenue 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 1.21)

Borrowings and borrowing costs - measured at amortised cost (Note 1.23)

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

The fair value of financial instruments is determined as follows:

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

The fair value of borrowings, as disclosed in Note 20 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 33.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

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.

As Council has the power under the *Local Government Act 2009* 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.

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 *Non-Current Assets Held for Sale and Discontinued Operations* the revenue and expense of the discontinued operations have been separated. Note 11 supplies a summary of the operational results of the discontinued operations and Note 28 supplies a summary of the assets and liabilities in the disposal which have been recorded in accordance with AASB 3 *Business Combinations*.

1.16 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.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

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. Details of land held for sale can be found in Note 15.

1.17 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.

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

Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are treated as capital expenditure. Assets under construction are not depreciated until they are completed and commissioned, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity and useful life 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.

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

(c) Valuation

Land, site improvements, buildings, airport, heritage and cultural and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*. Other plant and equipment and work in progress are measured at cost.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

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 (internal/external) 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, measured on the revaluation basis, the results of which are considered in combination with the Australian Bureau of Statistics Indexes for Queensland, and other measures deemed suitable. Together these are used to form the basis of a management valuation for property, plant and equipment asset classes, measured on the revaluation basis, 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.

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 debited to the appropriate revaluation surplus of that asset class. Should this revaluation surplus be exhausted, then the remainder of the revaluation decrease is charged as an expense.

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.

(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 and other 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.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

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.

Landfill rehabilitation assets are depreciated on a straight line basis over the period remaining until the forecast date of closure of the landfill area. Council annually assesses the remaining life of landfill cells and accordingly, depreciation rates are adjusted to reflect these estimates.

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 Councils asset management processes, 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 16.

The determination that residual value should reflect the consideration receivable for an asset at the end of the useful life contained in AASB Action Alert Issue No. 172 on 29 May 2015 requires a change to previous estimates. Previously, cost savings from the re-use of in-situ materials were incorporated in the residual values. In line with this change residuals values have been amended in the current year with the full analysis to be undertaken in the following year with current financial indications that there should not be a material impact on depreciation.

(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.

1.18 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 and estimated useful lives are reviewed at the end of each reporting period and adjusted where appropriate.

1.19 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.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

1.20 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.

1.21 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.

1.22 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 or that Council does not have an unconditional right to defer settlement of the liability for at least 12 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 18 as a payable.

(b) Annual leave

A liability for annual leave is recognised. Amounts expected to be settled within 12 months are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense and is reported in Note 18 as a payable. As Council does not have an unconditional right to defer this liability beyond 12 months annual leave is classified as a current liability.

(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 18 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 26.

(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 19 as a provision.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

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

1.23 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 amortised cost 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. Further details are provided in Note 20.

1.24 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. Lakes Creek Road landfill facility is expected to close 31 December 2016 and Gracemere landfill is expected to close 30 June 2016. Further details can be found in Note 19.

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.

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.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statementsFor the year ended 30 June 2015

1.25 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.

1.26 Retained surplus**(a) Surplus funds**

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

(b) Capital and operational reserves

Both the capital and operational reserves represent funds that are accumulated within Council to meet future requirements.

1.27 National competition policy

The Council has reviewed its activities to identify its business activities. Details of these activities are disclosed in Note 34.

1.28 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.

1.29 Trust funds held for outside parties

Funds held in the trust account on behalf of outside parties include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) paid into the trust account by 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 27.

1.30 Carbon pricing

In 2011 the Australian Government introduced a Clean Energy Legislation package which introduced a pricing mechanism for greenhouse gas emissions in the Australian economy from 1 July 2012. This legislation was repealed on the 17 July 2014 to effectively remove Carbon Pricing from 1 July 2014.

For Rockhampton Regional Council, the Lakes Creek Landfill was above the emissions threshold and as such was liable for Carbon Tax on the emissions during the period in which the legislation was effective.

1.31 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 2015

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

The objective of Resourcing is to provide a function for the recognition and allocation of general rate and grant revenue as well as interest revenue and expense not allocated to commercial business units.

Office of CEO

The goals of the Office of CEO are to provide leadership, corporate oversight and strategic direction, and grow a strong, resilient and diversified economy. The Office of CEO incorporates the offices of the Mayor, Councillors and the Chief Executive Officer and includes regional development, internal audit and governance sections.

Regional Services

Regional Services' goals are to achieve safe, secure and reliable road and drainage infrastructure and plan for liveable and distinctive communities that we are proud to be part of. Regional Services provides roadworks, street lighting, stormwater drainage, engineering planning and administration. Also provides regulatory and compliance services for development assessment and development compliance in line with statutory requirements and best practice. Maintains a disaster management response capability able to meet community needs when required.

Corporate Services

Corporate Services provides professional financial and information services across all of Council. This function includes communication and information technology, administration services, financial services, workforce and strategy, asset management, organisational development services and fleet and plant services. The goal of Corporate Services is to provide accurate, timely and appropriate information and services to all areas of Council to support sound decision making and to meet statutory requirements.

Community Services

The goals of Community Services are to achieve a healthy and liveable environment for everyone to enjoy and a safe, caring and healthy community. Community Services provides well managed and maintained community facilities, and ensures the effective delivery of cultural, environmental and recreational services. Services provided include libraries, art services, theatre and venue management, heritage preservation, child care, aged services, and community assistance. Community Services undertakes the management, maintenance and operation of Council facilities such as reserves and parks and provides compliance and regulatory services in line with legislation and community standards. Manages operations of public health, environmental health, health planning and natural resource management.

Airport

The key objectives of Rockhampton Airport are to safely deliver aeronautical and related non-aeronautical services that are ancillary to the operation of a modern Airport. As a commercialised business unit, Rockhampton Airport works with Council to conduct operations in accordance with commercial principles and provides the strategic direction and operations of the Airport's service delivery for Council.

Waste & Recycling

The key objectives of Waste and Recycling are to deliver commercially viable waste and recycling services that satisfy adopted customer service standards. Waste and Recycling is a commercial business unit of Rockhampton Regional Council and is responsible for the operation and maintenance of waste management facilities and waste and recycling collection services throughout the Rockhampton Region.

Fitzroy River Water

Fitzroy River Water's aim is to enhance the community's quality of life by providing sustainable water, sewerage and environmental services, through innovation, technical expertise, business efficiency, excellence in customer service and commitment to the environment. Fitzroy River Water is a commercial business unit of Rockhampton Regional Council and is responsible for operating and maintaining water and sewerage assets throughout the region.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2015

2 Analysis of results by function

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

Functions	Income		Total Income	Total Expenses	Net Result	Assets
	Recurring					
	Grants	Other				
	2015 \$	2015 \$				
Resourcing	6,961,109	60,301,071	67,262,180	(22,294,027)	89,556,207	207,301,012
Office of CEO	9,000	115,239	124,239	6,061,595	(5,937,356)	48,147
Regional Services	12,761,267	21,690,840	34,452,107	51,533,448	(17,081,341)	903,815,299
Corporate Services	506,967	1,781,977	2,288,944	16,030,649	(13,741,705)	44,010,252
Community Services	3,715,128	10,709,682	14,424,810	64,110,039	(49,685,229)	174,147,003
Airport	5,909	16,020,544	16,026,453	15,251,520	774,933	82,998,337
Waste & Recycling	4,318	16,612,798	16,617,116	14,897,467	1,719,649	33,882,172
Fitzroy River Water	1,045,058	65,379,282	66,424,340	58,737,055	7,687,285	533,126,461
Total	25,008,756	192,611,433	217,620,189	204,327,746	13,292,443	1,979,328,683

Prior Year	Restated		Restated	Restated	Restated	Restated
Functions	Income		Total Income	Total Expenses	Net Result	Assets
	Recurring					
	Grants	Other				
	2014 \$	2014 \$				
Resourcing	3,258,489	74,192,294	77,450,783	830,877,710	(753,426,927)	225,386,070
Office of CEO	-	34,721	34,721	5,511,110	(5,476,389)	31,606
Regional Services	17,403,907	53,617,679	71,021,586	59,198,406	11,823,180	885,161,518
Corporate Services	915,189	3,005,242	3,920,431	16,886,747	(12,966,316)	42,758,454
Community Services	6,821,104	8,646,203	15,467,307	52,411,266	(36,943,959)	169,248,788
Airport	25,976	13,991,295	14,017,271	13,665,344	351,927	79,461,159
Waste & Recycling	539,745	16,774,304	17,314,049	18,368,392	(1,054,343)	30,226,253
Fitzroy River Water	2,529,528	81,917,419	84,446,947	56,901,709	27,545,238	530,627,748
Total	31,493,938	252,179,157	283,673,095	1,053,820,684	(770,147,589)	1,962,901,596

The analysis of results by function for the prior year reflects the restructure of local government. This loss on restructure is included in the total expenses for Resourcing. This note should be read in conjunction with Note 11, Note 15 and Note 28.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2015

	Note	2015 \$	2014 \$
3 Revenue analysis			
(a) Rates, levies and charges			
General rates		49,583,583	47,296,140
Separate rates		16,956,818	16,021,095
Special rates		144,885	109,701
Water		27,897,123	27,475,150
Sewerage		25,185,822	23,681,427
Garbage charges		13,644,954	13,667,728
Rates and utility charge revenue		133,413,185	128,251,241
Less: Discounts		(10,394,204)	(9,809,308)
Less: Pensioner remissions		(1,466,675)	(1,447,204)
Net rates and utility charges		<u>121,552,306</u>	<u>116,994,729</u>
(b) Fees and charges			
Airport fees		11,667,126	10,183,557
Waste and recycling fees		4,336,996	4,723,052
Venues, events, tourism and cultural fees		3,778,610	3,612,948
Building, plumbing and development fees		2,092,182	3,248,618
Local laws and health licencing fees		1,205,921	1,071,971
Irrigator and commercial water fees		1,491,186	1,549,947
Other fees		1,074,734	1,120,110
		<u>25,646,755</u>	<u>25,510,203</u>
(c) Interest received			
Investments		3,161,450	3,229,240
Overdue rates and utility charges		469,894	441,918
		<u>3,631,344</u>	<u>3,671,158</u>
(d) Sales revenue			
Recoverable and private works		8,046,934	12,201,532
		<u>8,046,934</u>	<u>12,201,532</u>
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		2,822,207	2,963,257
Commission and collection fees		1,871,011	1,920,670
Other income		4,784,979	2,245,422
		<u>9,478,197</u>	<u>7,129,349</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2015

	Note	2015 \$	2014 \$
4 Grants, subsidies and contributions			
(a) Recurrent - grants, subsidies and contributions are analysed as follows:			
General purpose grants		6,961,109	2,743,390
Government subsidies and grants		10,507,371	11,454,479
Contributions		136,505	278,186
Total recurrent revenue		<u>17,604,985</u>	<u>14,476,055</u>
(b) Capital - grants, subsidies, and contributions are analysed as follows:			
(i) Monetary revenue designated for capital funding purposes:			
Government subsidies and grants		7,540,276	12,957,824
Contributions		4,764,470	4,950,369
		<u>12,304,746</u>	<u>17,908,193</u>
(ii) Non-monetary revenue received is analysed as follows:			
Developer assets contributed by developers at fair value		18,209,847	23,867,849
Other physical assets contributed at fair value		417,020	9,986,808
	16	<u>18,626,867</u>	<u>33,854,657</u>
Total capital revenue		<u>30,931,613</u>	<u>51,762,850</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		456,720	1,049,775
Non-reciprocal grants for expenditure on capital Government subsidies and grants		542,027	82,222
		<u>998,747</u>	<u>1,131,997</u>
5 Capital income			
Gain on the disposal of non-current assets			
(a) Proceeds from disposal of land		3,479,060	541,989
Less: Book value of land disposed		(3,086,003)	(195,769)
		<u>393,057</u>	<u>346,220</u>
(b) Proceeds from disposal of plant and equipment		1,183,848	1,126,810
Less: Book value of plant and equipment disposed		(1,326,642)	(1,335,827)
		<u>(142,794)</u>	<u>(209,017)</u>
(c) Proceeds due to damage to buildings		483,740	-
Less: Book value of building assets damaged		(114,544)	-
		<u>369,196</u>	<u>-</u>
(d) Proceeds from disposal of site improvements		-	120,565
Less: Book value of site improvements disposed		(2,644)	(70,331)
		<u>(2,644)</u>	<u>50,234</u>
Quarry rehabilitation - change from revision of future restoration expenditure	19	50,027	-
Landfill restoration - change from revision of future restoration expenditure	19	61,213	-
Total capital income		<u>728,055</u>	<u>187,437</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2015

	Note	2015 \$	2014 \$
6 Employee benefits			
Total staff wages and salaries		57,696,603	56,425,284
Councillors' remuneration		1,075,861	1,015,410
Annual, sick and long service leave entitlements		8,204,533	7,376,533
Superannuation	26	6,920,566	6,754,242
		<u>73,897,563</u>	<u>71,571,469</u>
Other employee related expenses		2,137,163	2,407,134
		<u>76,034,726</u>	<u>73,978,603</u>
Less: Capitalised employee expenses		(8,018,067)	(10,922,034)
		<u>68,016,659</u>	<u>63,056,569</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		8	8
Administration staff		462	459
Depot and outdoors staff		342	349
Total full time equivalent employees		<u>812</u>	<u>816</u>
		2015 \$	Restated 2014 \$
7 Materials and services			
Audit of annual financial statements by the Auditor-General of Queensland		222,895	218,962
Advertising and marketing		933,646	696,452
Administration supplies and consumables		919,927	896,722
Communications and IT		2,717,118	2,561,293
Consultants		3,561,582	2,932,570
Contractors		15,758,142	6,870,712
Donations paid		1,154,588	1,126,166
Insurance		2,589,424	1,989,929
Electricity		6,419,502	6,156,652
Repairs and maintenance		32,943,994	18,817,117
Rentals - operating leases		265,603	250,777
Other materials and services		6,795,747	875,875
		<u>74,282,168</u>	<u>43,393,227</u>
		2015 \$	2014 \$
8 Finance costs			
Finance costs charged by the Queensland Treasury Corporation		8,350,822	9,002,213
Bank charges		407,252	385,193
Impairment of receivables		(53,659)	115,617
Quarry rehabilitation - change in present value over time	19	15,228	24,845
Landfill sites - change in present value over time	19	296,068	125,798
		<u>9,015,711</u>	<u>9,653,666</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2015

	Note	2015 \$	2014 \$
9 Depreciation and amortisation			
(a) Depreciation of non-current assets			
Site improvements		2,854,447	2,868,291
Buildings		6,254,200	5,957,811
Heritage and cultural assets		156,793	156,533
Plant and equipment		4,840,313	5,472,810
Road and drainage network		16,121,430	15,393,920
Bridge network		490,380	410,360
Water		7,349,153	5,643,705
Sewerage		4,945,729	5,412,311
Airport		1,347,837	1,376,417
Total depreciation of non-current assets	16	<u>44,360,282</u>	<u>42,692,158</u>
(b) Amortisation of intangible assets			
Computer software		569,493	737,912
Total amortisation of intangible assets		<u>569,493</u>	<u>737,912</u>
Total depreciation and amortisation		<u>44,929,775</u>	<u>43,430,070</u>
10 Capital expenses			
Write off of non-current assets			
Intangible assets		17,498	3,828
Buildings		304,744	273,355
Plant and equipment		38,846	3,695
Site improvements		31,746	211,570
Road and drainage network		4,508,346	7,170,223
Bridge network		438,640	481,596
Water		785,200	747,944
Sewer		1,152,320	523,580
Airport		2,553	-
Quarry rehabilitation - change from revision of future restoration expenditure	19	-	29,779
Quarry rehabilitation - increase in rehabilitation provision for future costs, due to a change in discount rate	19	13,778	18,719
Disaster events asset adjustments	31	<u>789,762</u>	<u>-</u>
Total capital expenses		<u>8,083,433</u>	<u>9,464,289</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
 For the year ended 30 June 2015
11 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 11.

Revenue and expenses were mainly apportioned on the basis of geographical location. Where a geographical apportionment was not possible, a population based distribution method was used, while other allocation methodologies were only used where they provided meaningful separation.

	2014
	\$
Income	
Revenue	
Recurrent revenue	
Rates, levies and charges	26,043,939
Fees and charges	2,867,885
Interest received	1,133,657
Sales revenue	1,129,258
Other recurrent income	381,944
Grants, subsidies and contributions	1,273,997
	<u>32,830,680</u>
Capital revenue	
Grants, subsidies and contributions	18,908,651
Total revenue	<u>51,739,331</u>
Capital income	448
Total income	<u>51,739,779</u>
Expenses	
Recurrent expenses	
Employee benefits	(13,364,908)
Materials and services	(9,925,555)
Finance costs	(2,419,799)
Depreciation and amortisation	(9,646)
	<u>(25,719,908)</u>
Capital expenses	(22,020)
Total expenses	<u>(25,741,928)</u>
Surplus from discontinued operations	<u>25,997,851</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2015

	Note	2015 \$	2014 \$
12 Cash and cash equivalents			
Cash in operating bank account		3,792,506	1,882,256
Cash in other banks and on hand		27,030	27,500
Deposits and investments held with QTC		44,881,652	27,989,881
Balance as per statement of financial position		48,701,188	29,899,637
Component of cash held for transfer to Livingstone Shire Council		-	10,381,261
Balance as per statement of cash flows		48,701,188	40,280,898

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 (2.80% for 30 June 2015).

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

Unspent government grants and subsidies	914,721	372,693
Unspent developer contributions	16,184,042	16,434,564
Cash balance to be transferred to Livingstone Shire Council	-	10,381,261
Total unspent restricted cash	17,098,763	27,188,518

13 Investments

Opening balance	57,000,000	59,000,000
Add back assets held for transfer to Livingstone Shire Council	-	33,000,000
Transfers to operating bank account	(27,000,000)	(2,000,000)
Amount transferred on restructure of local government	-	(33,000,000)
Closing balance of term deposits	30,000,000	57,000,000

Term deposits at fixed interest rates are held with the following financial institutions: National Australia Bank (A1+), Suncorp (A1) and The Rock (A3). Maturity ranges from 6 months to 1 year and bear interest rates from 3.05% to 3.65%.

14 Trade and other receivables**Current**

Rateable revenue and utility charges	6,939,057	7,277,106
Less: impairment	(12,802)	(30,940)
	6,926,255	7,246,166
Water charges yet to be levied	69,737	308,487
GST recoverable	1,193,578	639,820
Other debtors	9,219,425	9,085,367
Less: impairment	(81,383)	(483,683)
	10,401,357	9,549,991
Prepayments	1,174,478	1,610,910
	18,502,090	18,407,067

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2015

	Note	2015 \$	2014 \$
Interest is charged on outstanding rates at a rate of 11% per annum for both the current and prior year. 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		514,623	451,220
Impairment adjustment in the year		(378,204)	(12,638)
Impairment debts written off during the year		(11,056)	(63,582)
Impairments recognised		(31,178)	139,623
Closing balance		<u>94,185</u>	<u>514,623</u>
15 Assets classified as held for sale and transfer			
Land held for sale	(a)	321,454	3,719,000
Assets held for transfer to Livingstone Shire Council	(b)	-	10,381,261
		<u>321,454</u>	<u>14,100,261</u>

(a) On an intermittent basis Council decides to sell vacant land and where this land is expected to be sold within the year it is classified under assets held for sale and transfer. 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. Note 17 describes the valuation techniques that were used to determine the fair value of the land which is categorised as a level 2 and 3 valuation.

(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*. Assets transferred to the Livingstone Shire Council are as follows:

Cash, investments and cash equivalents		10,381,261
Assets of Livingstone Shire Council classified as held for sale and transfer	(b)	10,381,261
Net assets to be transferred		<u>10,381,261</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

16 (a) Property, plant and equipment

		No	Land	Site improvements	Buildings	Plant and equipment	Road and drainage network	Bridge network	Water	Sewerage	Airport	Heritage and cultural assets	Work in Progress	Total
			Fair value	Fair value	Fair value	Cost	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Cost	
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Basis of measurement														
Asset values														
Opening gross value as at 1 July 2014			127,625,458	85,766,064	239,115,911	62,177,228	1,123,620,266	36,389,276	530,479,772	297,754,681	65,663,149	21,568,767	42,904,997	2,633,055,569
Additions at cost			167,003	1,611,848	4,509,056	6,231,280	11,681,300	1,439,868	3,668,506	4,085,107	85,490	42,909	27,530,236	61,052,605
Contributed assets at valuation		4(b)(ii)	42,500	49,929	130,962	-	13,725,860	-	2,322,737	2,246,068	-	108,815	-	18,626,871
Reassessment of landfill restoration cost		19	-	(525,725)	-	-	-	-	-	-	-	-	-	(525,725)
Transfers between classes			7,609	1,437,549	15,735,497	764,023	9,277,510	4,504,229	2,635,684	1,516,882	(3,056,698)	-	(32,822,285)	-
Disposals			-	(3,000)	(733,312)	(4,075,611)	-	-	-	-	-	-	-	(4,811,923)
Assets classified as held for sale - land		15	311,543	-	-	-	-	-	-	-	-	-	-	311,543
Revaluation adjustment to asset revaluation surplus		22	-	-	21,015,209	-	-	-	-	-	-	-	-	21,015,209
Disaster event 2013 asset adjustments		31	-	-	-	-	4,403,308	-	-	-	-	-	-	4,403,308
Disaster event 2015 asset adjustments		31	-	(2,332,031)	(974,690)	-	(1,216,277)	(205,700)	-	-	-	(148,800)	-	(4,877,488)
Write offs		10	-	(77,460)	(911,540)	(329,915)	(6,825,215)	(596,573)	(2,890,438)	(3,681,476)	(32,651)	-	-	(15,345,266)
Impairment and reversal of impairment			-	-	-	-	-	-	(90,744)	-	-	-	-	(90,744)
Transfer to intangible assets			-	-	-	-	-	-	-	-	-	-	(231,503)	(231,503)
Closing gross value as at 30 June 2015			128,154,113	85,927,174	277,887,095	64,767,005	1,154,666,752	41,531,100	536,216,261	301,830,518	62,659,290	21,561,691	37,381,445	2,712,582,444
Accumulated depreciation and impairment														
Opening gross value as at 1 July 2014			-	26,338,668	106,703,282	27,776,006	270,884,880	9,465,314	192,604,965	131,965,367	23,511,565	4,089,333	-	793,339,380
Depreciation provided in period		9	-	2,854,447	6,254,200	4,840,313	16,121,430	490,380	7,349,153	4,945,729	1,347,837	156,793	-	44,360,282
Depreciation on disposals			-	(356)	(618,768)	(2,748,969)	-	-	-	-	-	-	-	(3,368,093)
Revaluation adjustment to asset revaluation surplus		22	-	-	9,774,157	-	-	-	-	-	-	-	-	9,774,157
Disaster event 2013 asset adjustments		31	-	-	-	-	423,080	-	-	-	-	-	-	423,080
Disaster event 2015 asset adjustments		31	-	(930,506)	(544,640)	-	(525,976)	(20,563)	-	-	-	(119,516)	-	(2,141,201)
Depreciation on write offs		10	-	(45,714)	(606,796)	(291,069)	(2,316,869)	(157,933)	(2,105,237)	(2,529,156)	(30,080)	-	-	(8,082,854)
Impairment and reversal of impairment			-	-	-	-	-	-	-	(49,228)	-	-	-	(49,228)
Transfers between classes			-	(289,326)	190,522	15	166,651	455,601	-	3,580	(527,043)	-	-	-
Accumulated depreciation as at 30 June 2015			-	27,927,213	121,151,957	29,576,296	284,753,196	10,232,799	197,848,881	134,336,292	24,302,279	4,126,610	-	834,255,523
Net value at 30 June 2015			128,154,113	57,999,961	156,735,138	35,190,709	869,913,556	31,298,301	338,367,380	167,494,226	38,357,011	17,435,081	37,381,445	1,878,326,921
Residual value			-	-	-	11,213,177	-	-	-	-	-	-	-	11,213,177
Range of estimated useful life in years			Not depreciated	10 - 102	10 - 80	2 - 40	4 - 130	10 - 110	15 - 120	15 - 100	12 - 120	Buildings only 15 - 75		
Additions comprise:														
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Renewals			-	431,699	1,082,786	5,992,485	7,045,822	212,564	2,001,523	2,935,437	55,744	-	15,859,688	35,617,748
Other additions			167,003	1,180,150	3,426,274	238,798	4,635,485	1,227,304	1,666,983	1,149,670	29,745	42,909	14,114,979	27,879,300
Total additions			167,003	1,611,849	4,509,060	6,231,283	11,681,307	1,439,868	3,668,506	4,085,107	85,489	42,909	29,974,667	63,497,048

ROCKHAMPTON REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2015

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

Note	Restated 2014		Restated 2014		Restated 2014		Restated 2014		Restated 2014		Restated 2014		Restated 2014	
	Land	Site improvements	Buildings	Plant and equipment	Road and drainage network	Bridge network	Water	Sewerage	Airport	Heritage and cultural assets	Work in Progress	Total		
	Fair value	Fair value	Fair value	Cost	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Cost			
Asset values	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Basis of measurement														
Opening gross value as at 1 July 2013 - Rockhampton Regional Council	104,130,460	67,227,197	235,678,918	61,462,121	1,076,032,170	32,903,029	460,593,592	320,926,015	65,513,798	21,319,922	33,946,882	2,479,734,104		
Add assets held for transfer to Livingstone Shire Council	50,774,106	29,769,721	39,182,819	16,756,814	583,452,462	28,689,388	237,362,288	109,891,720	-	330,990	12,809,340	1,111,039,648		
Opening gross value as at 1 July 2013	154,904,566	96,996,919	274,861,738	80,218,936	1,659,484,633	61,592,417	697,975,880	430,817,735	65,513,798	21,650,912	46,756,222	3,590,773,756		
Adjustment to opening value	32	(72,559)	(304,356)	-	2,055,036	3,830,527	62,069	-	-	64,253	-	5,634,970		
Additions at cost	58,488	923,167	2,294,192	6,232,708	16,657,308	575,639	6,444,438	8,493,673	27,246	23,028	42,438,074	84,167,962		
Contributed assets at valuation	4(b)(i) & 11	3,000	-	110,191	38,063,427	71,278	3,654,895	3,344,440	-	149,764	-	45,396,994		
Reassessment of landfill restoration cost	-	(714,734)	-	-	-	-	-	-	-	-	-	(714,734)		
Transfers between classes	2,931	8,209,131	3,065,905	181,045	5,235,711	26,142	2,600,062	2,277,322	122,105	-	(21,720,354)	-		
Disposals	(195,769)	(161,480)	-	(4,828,172)	-	-	-	-	-	-	-	(5,185,421)		
Assets classified as held for sale - land	15	(1,814,521)	-	-	-	-	-	-	-	-	-	(1,814,521)		
Revaluation adjustment to asset revaluation surplus	22	25,517,410	10,501,709	-	-	-	61,507,089	(34,222,052)	-	-	-	63,304,156		
Flood event 2011 asset adjustments	31(b)(i)	-	-	-	1,089,030	-	-	-	-	-	-	1,089,030		
Write offs	10 & 11	-	(1,753,224)	(1,244,305)	(245,145)	(9,769,684)	(663,061)	(3,288,748)	(2,528,574)	-	-	(19,492,741)		
Transfer to intangible assets	-	-	-	-	-	-	-	-	-	-	(644,590)	(644,590)		
Assets transferred to Livingstone Shire Council	28	(50,850,647)	(28,162,865)	(39,557,263)	(19,492,335)	(589,195,195)	(29,043,666)	(238,475,913)	(110,427,863)	-	(329,190)	(23,924,355)	(1,129,459,292)	
Closing gross value as at 30 June 2014		127,625,458	85,766,064	239,115,911	62,177,228	1,123,620,266	36,389,276	530,479,772	297,754,681	65,663,149	21,558,767	42,904,997	2,633,055,569	
Accumulated depreciation and impairment														
Opening gross value as at 1 July 2013 - Rockhampton Regional Council	-	19,007,226	101,742,049	25,698,739	258,572,048	9,266,863	163,590,938	163,189,616	22,135,147	3,932,800	-	767,135,426		
Add 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	-	-	-	225,276,317		
Opening balance as at 1 July 2013	-	25,386,812	117,937,289	33,442,414	332,694,646	15,760,502	253,753,222	187,368,915	22,135,148	3,932,800	-	992,411,748		
Adjustment to opening value	32	(24,542)	(27,459)	-	(1,571,560)	-	-	-	-	-	-	(1,623,561)		
Depreciation provided in period	9(a)	2,868,367	5,957,811	5,482,220	15,394,080	410,360	5,643,705	5,412,311	1,376,417	156,533	-	42,701,804		
Depreciation on disposals	-	(91,149)	-	(3,406,753)	-	-	-	-	-	-	-	(3,497,903)		
Revaluation adjustment to asset revaluation surplus	22	5,762,214	-	-	-	-	25,887,471	(34,631,567)	-	-	-	(2,981,882)		
Flood event 2011 asset adjustments	31(i)	-	-	-	235,460	-	-	-	-	-	-	235,460		
Depreciation on write offs	10 & 11	(1,541,654)	(970,949)	(241,450)	(2,577,442)	(181,466)	(2,540,804)	(2,004,995)	-	-	-	(10,058,780)		
Assets transferred to Livingstone Shire Council	28	(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 30 June 2014	-	26,338,668	106,703,282	27,776,006	270,884,880	9,465,314	192,604,965	131,965,367	23,511,565	4,089,333	-	793,339,380		
Net value at 30 June 2014		127,625,458	59,427,396	132,412,629	34,401,222	852,735,386	26,923,962	337,874,807	165,789,314	42,151,584	17,469,434	42,904,997	1,839,716,189	
Residual value	-	5,999,626	-	-	11,213,177	308,161,245	-	9,536,208	5,206,471	22,340,805	-	-	362,457,532	
Range of estimated useful life in years	Not depreciated	10 - 102	10 - 80	3 - 40	4 - 130	10 - 100	15 - 120	15 - 100	12 - 120	Buildings only 15 - 75				
Additions comprise:														
Continuing operations	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Renewals	-	248,944	640,465	4,201,020	12,325,082	575,639	3,280,978	2,178,527	22,559	-	4,954,481	28,427,895		
Other additions	58,488	668,713	1,599,434	1,153,980	4,305,394	-	3,163,461	6,315,146	4,687	23,028	25,981,084	43,273,415		
Total additions	58,488	917,657	2,239,899	5,355,000	16,630,476	575,639	6,444,439	8,493,673	27,246	23,028	30,935,565	71,701,310		

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

17 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 20 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 15. 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)" and "Land (level 3)".

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 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.

ROCKHAMPTON REGIONAL COUNCIL

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For the year ended 30 June 2015

The table presents the Council's assets and liabilities measured and recognised at fair value at 30 June 2015.

	Note	Level 2		Level 3		Total	
		(Significant other observable inputs)		(Significant unobservable inputs)			
		2015	2014	2015	Restated 2014	2015	Restated 2014
		\$	\$	\$	\$	\$	\$
Recurring fair value measurements:							
Land	16	78,249,000	78,569,000	-	-	78,249,000	78,569,000
Land - no active markets	16	-	-	49,905,113	49,056,458	49,905,113	49,056,458
Site improvements	16	-	-	57,999,961	59,427,396	57,999,961	59,427,396
Buildings	16	-	-	156,735,138	132,412,629	156,735,138	132,412,629
Road and drainage	16	-	-	869,913,556	852,735,386	869,913,556	852,735,386
Bridge network	16	-	-	31,298,301	26,923,962	31,298,301	26,923,962
Water	16	-	-	338,367,380	337,874,807	338,367,380	337,874,807
Sewerage	16	-	-	167,494,226	165,789,314	167,494,226	165,789,314
Airport	16	-	-	38,357,011	42,151,584	38,357,011	42,151,584
Heritage and cultural assets	16	-	-	17,435,081	17,469,434	17,435,081	17,469,434
Total recurring fair value measurements		78,249,000	78,569,000	1,727,505,767	1,683,840,970	1,805,754,767	1,762,409,970
Non-recurring fair value measurements:							
Land held for sale	15	320,000	2,524,000	1,454	1,195,000	321,454	3,719,000

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

Specific valuation techniques used to value Council assets comprise:

Land (level 2) / land held for sale (level 2)

Land fair values were determined by independent valuer, APV Valuers & Asset Management effective, 30 April 2014. A review of the land market was carried out by Herron Todd White (Central Qld) Pty Ltd at 31 March 2015 which found no material movements in value, and as a result no valuation adjustment was undertaken.

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.

Land (level 3) / land held for sale (level 3)

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 highest and best alternate use was utilised in the determination of the replacement cost where there was no directly comparable market evidence for the current use.

Where land is used for community benefit purposes there is generally a difference between the current use and highest and best use, including cemeteries, parks, sporting facilities and the showgrounds.

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 level 2 and 3 methods described in the preceding paragraphs.

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

Sensitivity of valuation to unobservable inputs

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Price per square metre	\$0.10 - \$1,000	The higher the price per square metre, the higher the fair value.

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Buildings (level 3)

The fair value of buildings is measured at written down current replacement cost. The last comprehensive revaluation was undertaken by AssetVal Pty Ltd, Registered Valuers, under AASB 116 *Property Plant & Equipment*, as at 30 June 2012. Indexation was applied to the depreciated replacement cost values in line with the movement in the Producer Price Index (6427) from the Australian Bureau of Statistics; Table 17 - Index number 30 - Building Construction for Queensland from June 2012 (last valuation) to 31 March 2015.

Current replacement cost (CRC)

Where Council buildings are of a specialist nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential. Published or available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost, including allowances for preliminaries and professional fees.

Accumulated depreciation

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit different useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component. An assessment of the economic life and remaining economic life of the various assets has been derived from valuer experience.

Estimated useful lives are disclosed in Note 16.

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	Range of inputs	Relationship of unobservable inputs to fair value
Replacement cost per square metre	\$64 - \$6,131	The higher the replacement cost per square metre, the higher the fair value.
Remaining useful life	1 - 80	The longer the remaining useful life, the higher the fair value.

Site improvements (level 3)

The fair value of site improvements were determined by Cardno (Qld) Pty Ltd, Registered Valuer, as at 30 April 2014, at written down current replacement cost. A review of indices was carried out at 30 June 2015 which found no material movements in value, and as a result no valuation adjustment was undertaken.

Where site improvement assets are of a specialist nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential. The unit rates (labour and materials) and quantities applied to determine the CRC of an asset are based on the full replacement cost, including components that may not need to be replaced. The unit rates were derived from valuer databases and cost curves, scheduled rates for construction of assets or similar assets, published cost guides and supplier quotations and calibrated where applicable. 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.

In determining the level of accumulated depreciation, the asset has been disaggregated into significant components which exhibit different useful lives. Allowance has been made for the consumed or expired future economic benefits of the asset by reference to the useful life and condition of the asset. The condition assessments were made using a six point scale with a scale of 0 indicating an asset with a very high level of remaining service potential; whereas a rating of 5 indicates a condition of an asset at the end of its useful life.

Infrastructure assets (level 3)

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

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

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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 depreciated replacement cost was determined using methods relevant to the asset class as described under individual asset categories below.

Road and drainage network (level 3)**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 under AASB116 *Property, Plant and Equipment*. A review of indices as at 30 June 2015 using the ABS Producers' Price Index "Roads and Bridges Construction - Queensland (3101) A233727L" found that there was no material movement in values, and as a result no valuation adjustment was undertaken for the remaining assets not subject to valuation in the current year.

Accumulated depreciation

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

Assessment of expired service potential and remaining useful lives was undertaken based on a straight line basis derived from the associated benchmark life for the type of asset or condition information where reliable information is available.

Estimated useful lives are disclosed in Note 16.

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 inputs to fair value
Number of labour hours	Varies depending on type of assets	The higher the labour hours, the higher the fair value.
Number of plant hours and type of plant used	Varies depending on type of assets	The higher the plant hours and more costly the plant used in the process, the higher the fair value.
Standard material usage quantities	Varies depending on type of assets	The higher the usage quantities, the higher the fair value.
Remaining useful life	1 - 120	The longer the remaining useful life, the higher the fair value.

Bridge network (level 3)

The fair value of the bridge network is measured at written down current replacement cost. The last comprehensive revaluation was undertaken by AssetVal Pty Ltd, Registered Valuers, under AASB 116 *Property Plant & Equipment*, as at 30 June 2012. A review of indices was carried out at 30 June 2015 which found no material movements in value, and as a result no valuation adjustment was undertaken.

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For the year ended 30 June 2015

Where Council bridges are of a specialist nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential. Published or available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost, including allowances for preliminaries and professional fees.

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit different useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component. An assessment of the economic life and remaining economic life of the various assets has been derived from valuer experience.

Water and sewerage (level 3)

The fair value of water and sewerage assets were determined by AssetVal Pty Ltd, Registered Valuer, as at 30 April 2014, at written down current replacement cost. The historic evaluation of the ABS Producer Price Index 6427, Table 17; 3020 non-residential building construction Queensland, revealed a greater than 5% movement for water and sewer assets since the last valuation. However a local assessment of the major components of plant, wages and materials indicated a more stagnant localised position as at 30 June 2015, accordingly as no material movements were found, no valuation adjustment was undertaken.

Current replacement cost (CRC)

The water and sewer assets are segregated into active and passive assets. For passive assets (water and sewer mains; water meters) unit rates were applied based on similar recent project costs, unit rate databases, indices, Rawlinson's construction rates and quotations and reviews by Council engineers. The active assets of treatment, pumping and storage assets were componentised and valued independently, with allowances for complexity, size, function and site factors. Raw costs were increased by up to 30% depending on project complexity to allow for project overheads including survey, environmental and investigation costs, engineering design, planning and project management.

Accumulated depreciation

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). A condition assessment is applied on a component basis, which is based on factors such as the age of the asset, overall condition at the time of inspection, economic and/or function obsolescence. The condition assessment directly translates to the level of depreciation applied. The condition assessments were made using an eleven point scale with a scale of 10 indicating an asset with a very high level of remaining service potential; whereas a rating of 0 indicates a condition of an asset at the end of its useful life. Where site inspections were not conducted the remaining useful life was calculated on asset age and estimated useful life.

Estimated useful lives are disclosed in Note 16.

Sensitivity of valuation to unobservable inputs

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Number of labour hours per component	5-100 hours/linear metre	The higher the labour hours, the higher the fair value.
Raw material usage quantities	Varies depending on	The higher the usage quantities, the higher the fair value.
Condition rating	Water: 1 (extremely poor condition) - New	The higher the condition score (higher rating - 10), the higher the fair value.
	Sewer: 1 (extremely poor condition) - New	
Remaining useful life	Water: 1 - 115	The longer the remaining useful life, the higher the fair value.
	Sewer: 1 - 85	

Airport (level 3)

The fair value of the Airport assets are measured at written down current replacement cost. The last comprehensive revaluation was undertaken by AssetVal Pty Ltd, Registered Valuers, under AASB 116 *Property Plant & Equipment*, as at 30 June 2012. A review of indices was carried out at 30 June 2015 which found no material movements in value, and as a result no valuation adjustment was undertaken.

ROCKHAMPTON REGIONAL COUNCIL

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Where Council airport assets are of a specialist nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential. Published or available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost, including allowances for preliminaries and professional fees.

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit different useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component. An assessment of the economic life and remaining economic life of the various assets has been derived from valuer experience.

Heritage and cultural assets (level 3)

The fair value of heritage buildings is measured at written down current replacement cost; with the fair value of artworks, heritage collections, rare books and museum collections valued on a market based approach. The last comprehensive revaluation was undertaken by byjoel, Registered Valuer for artworks, and AssetVal Pty Ltd, Registered Valuers, for all other items, under AASB 116 *Property Plant & Equipment*, as at 30 June 2013. Based on the indexed based review conducted by AssetVal Pty Ltd; and byjoel (Artworks), as at 30 June 2014 which found no material movement in values and taking account of the low value of the asset class, no valuation adjustment was undertaken in the current year.

As Councils heritage buildings are of a specialist nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential. Published or available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost, including allowances for preliminaries and professional fees. The artworks and collections were valued under a market based approach reflecting the intrinsic importance, rarity and uniqueness in their values.

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit different useful lives. An assessment of the economic life and remaining economic life has been derived by the valuer from experience valuing similar assets.

(c) Changes in fair value measurements using significant unobservable inputs (level 3)

The changes in level 3 assets with recurring fair value measurements are detailed in Note 16 (Property, plant and equipment).

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 for material asset classes 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 and the Chief Executive Officer and received by the Audit and Business Improvement Committee.

ROCKHAMPTON REGIONAL COUNCIL

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For the year ended 30 June 2015

	Note	2015 \$	2014 \$
18 Trade and other payables			
Current			
Creditors and accruals		11,882,758	14,464,383
Annual leave		7,706,312	7,890,940
Sick leave		107,247	127,482
Other entitlements		582,431	692,703
Balance of cash payable for restructure of local government	15 & 28	-	10,381,261
		<u>20,278,748</u>	<u>33,556,769</u>
19 Provisions			
Current			
Quarry rehabilitation		49,048	50,264
Landfill restoration		1,407,720	1,024,447
Parks remediation		6,500,079	-
Carbon tax		-	371,000
Long service leave		10,787,594	10,721,692
		<u>18,744,441</u>	<u>12,167,403</u>
Non-current			
Quarry rehabilitation		463,496	483,301
Landfill restoration		8,687,712	11,084,006
Parks remediation		759,956	-
Long service leave		1,740,263	1,586,256
		<u>11,651,427</u>	<u>13,153,563</u>
Details of movements in provisions:			
Quarry rehabilitation			
Balance at beginning of financial year		533,565	460,222
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	8	15,228	28,126
Increase in provision due to change in discount rate	10	13,778	18,719
(Decrease)/increase in estimate of future cost	5	(50,027)	29,779
Liabilities transferred to Livingstone Shire Council as at 31 December 2013	28	-	(195,856)
Balance at end of financial year		<u>512,544</u>	<u>533,565</u>

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 \$668,583 and this cost is expected to be incurred over the period 2016 to 2035.

ROCKHAMPTON REGIONAL COUNCIL

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	Note	2015 \$	2014 \$
Landfill restoration			
Balance at beginning of financial year		12,108,453	14,879,142
Add back liabilities held for transfer to Livingstone Shire Council as at 30 June 2013		-	9,655,646
Decrease in provision for rehabilitation asset expenditure		(1,722,150)	(2,181,754)
Increase in provision due to change in time	8	296,068	162,674
Increase/(decrease) in provision due to change in discount rate	16	245,525	(1,243,678)
(Decrease)/increase in estimate of future cost	5	(61,214)	528,944
Decrease in estimate of future cost - transfer to rehabilitation asset	16	(771,250)	-
Liabilities transferred to Livingstone Shire Council as at 31 December 2013	28	-	(9,692,521)
Balance at end of financial year		<u>10,095,432</u>	<u>12,108,453</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 \$10,859,854 and this cost is expected to be incurred over the period 2016 to 2046.

Parks remediation

Balance at beginning of financial year	-	-
Increase in liability	7,260,035	-
Balance at end of financial year	<u>7,260,035</u>	<u>-</u>

Carbon tax liability

Balance at beginning of financial year	371,000	-
Payment for Australian Carbon Credit Units	(305,704)	-
Decrease in liability	(65,296)	371,000
Balance at end of financial year	<u>-</u>	<u>371,000</u>

Long service leave

Balance at beginning of financial year		12,307,948	11,529,052
Add back liabilities held for transfer to Livingstone Shire Council as at 30 June 2013		-	4,684,723
Long service leave entitlement arising		1,505,835	1,906,699
Long service entitlement extinguished		(518,833)	(522,850)
Long service entitlement paid		(767,092)	(691,347)
Liabilities transferred to Livingstone Shire Council as at 31 December 2013	28	-	(4,598,329)
Balance at end of financial year		<u>12,527,857</u>	<u>12,307,948</u>

The non-current portion of long service leave is discounted to the present value.

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For the year ended 30 June 2015

	Note	2015 \$	2014 \$
20 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 6 January 2023 to 9 May 2035.			
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		15,227,724	14,407,449
		<u>15,227,724</u>	<u>14,407,449</u>
Non-current			
Queensland Treasury Corporation		140,952,561	143,495,888
		<u>140,952,561</u>	<u>143,495,888</u>
Details of movements in borrowings:			
Queensland Treasury Corporation			
Opening balance		157,903,336	160,602,426
Add liabilities held for transfer to Livingstone Shire Council as at 30 June 2013		-	79,419,045
Loans raised		12,678,534	10,306,321
Principal repayments		(14,401,585)	(16,159,797)
		<u>156,180,285</u>	<u>234,167,995</u>
Liabilities transferred to Livingstone Shire Council as at 31 December 2013		-	(76,264,659)
Book value at year end		<u>156,180,285</u>	<u>157,903,336</u>

The QTC loan market value for all loans at the reporting date was \$171,516,934. This represents the value of the debt if Council repaid it at 30 June 2015. 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 2015

21 Retained surplus

Movement in retained surplus	Note	\$	\$	\$	\$
		Capital reserve	Operational reserve	Surplus funds	Total retained surplus
Balance as at 1 July 2013		74,382,505	10,618,315	1,963,537,727	2,048,538,547
Adjustment to opening balance	32	-	-	7,258,531	7,258,531
Restated balance		74,382,505	10,618,315	1,970,796,258	2,055,797,078
Net result attributable to Council		-	-	(770,147,589)	(770,147,589)
Transfer to capital reserves		25,088,382	-	(25,088,382)	-
Transfer from capital reserves		(51,910,636)	-	51,910,636	-
Transfer to operating reserves		-	4,778,433	(4,778,433)	-
Transfer from operating reserves		-	(6,253,117)	6,253,117	-
Balance as at 30 June 2014		47,560,251	9,143,631	1,228,945,607	1,285,649,489
Net result attributable to Council		-	-	13,292,443	13,292,443
Transfer to capital reserves		19,743,035	-	(19,743,035)	-
Transfer from capital reserves		(18,660,764)	-	18,660,764	-
Transfer to operating reserves		-	1,449,464	(1,449,464)	-
Transfer from operating reserves		-	(2,149,943)	2,149,943	-
Balance as at 30 June 2015		48,642,522	8,443,152	1,241,856,258	1,298,941,932

2015
\$

2014
\$

22 Asset revaluation surplus

Movements in the asset revaluation surplus were as follows:

Balance at beginning of the year	457,465,006	390,325,398
Net adjustment to non-current assets to reflect a change in current fair value:		
Buildings - indexation	11,241,052	-
Site improvements - revaluation	-	4,739,495
Sewerage - revaluation	-	409,516
Water - revaluation	-	35,619,617
Land revaluation	-	25,517,410
Impairment:		
Road and drainage network - disaster adjustment	3,235,631	853,570
Bridge network - disaster adjustment	(185,137)	-
Site improvements - disaster adjustment	(562,410)	-
Buildings - disaster adjustment	(425,124)	-
Heritage and cultural assets - disaster adjustment	(29,284)	-
Sewerage - impairment	(41,516)	-
	13,233,212	67,139,608
Balance at end of the year	470,698,218	457,465,006

Asset revaluation surplus analysis

The closing balance of the asset revaluation surplus is comprised of the following asset categories:

Land	48,314,787	48,314,787
Site improvements	6,045,133	6,607,543
Buildings	39,169,285	28,353,361
Road and drainage network	232,822,499	229,586,865
Bridge network	1,863,087	2,048,224
Water	51,283,891	51,283,891
Sewerage	69,876,883	69,918,398
Airport	16,940,328	16,940,328
Heritage and cultural assets	4,382,325	4,411,609
	470,698,218	457,465,006

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2015

	Note	2015 \$	Restated 2014 \$
23 Commitments for expenditure			
Operating leases			
Minimum lease payments in relation to non-cancellable operating leases are as follows:			
Within one year		7,734	12,462
One to five years		1,289	9,002
		<u>9,023</u>	<u>21,464</u>
		2015	2014
		\$	\$
Contractual commitments			
Contractual commitments at end of financial year but not recognised in the financial statements are as follows:			
Airport		4,871,022	5,726,308
Waste and Recycling		1,985,050	4,931,186
Fitzroy River Water		6,259,700	1,908,763
Communities		7,683,292	2,592,567
Other		569,618	514,814
		<u>21,368,682</u>	<u>15,673,638</u>
24 Events after the reporting period			
There were no material adjusting events after 30 June 2015.			
25 Contingent liabilities			
Details and estimates of maximum amounts of contingent liabilities are as follows:			
(i) Community loans			
Under approval from Queensland Treasury, Council has guaranteed loans to Diggers Memorial Bowls Club (\$14,71) and Rockhampton Basketball Inc (\$174,004.49) as at 30 June 2015.		<u>174,019</u>	<u>209,414</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 is:		<u>2,907,553</u>	<u>4,160,251</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

(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 2014 reported an accumulated surplus and it is not anticipated any liability will arise.

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

	2015	2014
Number of cases		
	0	1

Workplace Health and Safety prosecution

The workplace health and safety prosecution matter has now been finalised and there are no outstanding claims in relation to the case.

(v) All outstanding matters have now been finalised in relation to the amalgamation of Livingstone Shire Council from Rockhampton Regional Council.

26 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 AASB 119 *Employee Benefits*.

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

The scheme has three elements referred to as:

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

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

The Accumulation Benefits Fund (ABF).

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

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

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

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

Any amount by which 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.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

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 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 71 entities. Rockhampton Regional Council made less than 4% of the total contributions to the plan in the 2014/15 financial year.

	2015 \$	2014 \$
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:		
Rockhampton Regional Council	6,920,566	6,754,242
Livingstone Shire Council	-	1,434,419
	<u>6,920,566</u>	<u>8,188,661</u>

27 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	1,649,267	2,086,597
	<u>1,649,267</u>	<u>2,086,597</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.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

28 Disposal due to the de-amalgamation of Livingstone Shire Council

On 11 April 2013 the Queensland State Government enacted the *Local Government (De-amalgamation Implementation) Regulation 2013* for the purpose of de-amalgamating several local government areas, including Rockhampton. Rockhampton Regional Council would continue with different boundaries and Livingstone Shire Council would be established as a new local government area. The de-amalgamation took effect on 1 January 2014. As part of the de-amalgamation process, the transfer committee for Livingstone Shire Council determined the assets and liabilities to transfer from Rockhampton Regional Council to Livingstone Shire Council. No compensation was received by either Council for the assets and liabilities transferred and a loss on restructure has been recorded in accordance with AASB 3 *Business Combinations*.

Cash was apportioned based on the opening balances inherited by Council on amalgamation and the reconstruction of the cash flows for the period of amalgamation. Similarly, loans were allocated based on the opening balances on amalgamation and the direct allocation of new borrowings and repayments over the period of amalgamation. Other assets and liabilities were mainly apportioned on the basis of geographical location. Where a geographical apportionment was not possible, a population based distribution method was used, while other allocation methodologies were only used where they provided meaningful separation.

	Note	2014 \$
(a) Analysis of assets and liabilities over which control was lost		
Current assets		
Cash, investments and cash equivalents		43,384,331
Trade and other receivables		3,929,796
Inventories		1,043,515
Land held for sale		15,799
Non-current assets		
Property, plant and equipment		905,611,761
Intangible assets		682,871
Current liabilities		
Trade and other payables		(4,275,874)
Provisions		(3,941,340)
Loans		(6,581,722)
Other liabilities		(126,785)
Non-current liabilities		
Provisions		(10,545,365)
Loans		(69,682,937)
Other liabilities		(433,118)
		<u>859,080,932</u>
Compensation received		-
Loss on restructure of local government		<u>859,080,932</u>
(b) Net cash outflow on disposal of Livingstone Shire Council		
Cash floats and petty cash transferred on restructure		3,070
Initial cash transfer made on restructure		<u>33,000,000</u>
		<u>33,003,070</u>
Balance of cash payable to Livingstone Shire Council	18	<u>10,381,261</u>
		<u>43,384,331</u>

In addition to the above, \$963,510 in trust monies was transferred to Livingstone Shire Council. As the Council only performed a custodial role in respect to these monies, they have not been brought to account in calculating the net loss on local government de-amalgamation.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2015

	Note	2015 \$	2014 \$
29 Reconciliation of net result attributable to Council to net cash flow from operating activities			
Net result attributable to Council		13,292,443	(770,147,589)
Non-cash operating items:			
Depreciation and amortisation		44,929,775	43,439,719
Opening work in progress write off		2,675,935	849,220
Carbon tax		(371,000)	371,000
Change in restoration provisions expensed to finance costs		311,296	190,800
Parks remediation provision		7,260,035	-
		54,806,041	44,850,739
Investing and development activities:			
Capital grants, subsidies and contributions		(30,931,613)	(70,671,502)
Capital income		(728,055)	(139,387)
Capital expenses		8,083,433	9,437,813
Loss on restructure of local government		-	859,080,932
Insurance proceeds		483,740	-
		(23,092,495)	797,707,856
Changes in operating assets and liabilities:			
Decrease in receivables		(95,023)	(1,158,795)
Decrease in inventories (excluding land)		(54,077)	(467,749)
(Decrease)/increase in payables		(2,896,759)	3,437,466
Increase in provisions		219,909	692,501
Increase in other liabilities		50,347	190,971
		(2,775,603)	2,694,394
Net cash inflow from operating activities		42,230,386	75,105,400

30 Contingent assets

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.

On 2 April, 2015, Members of the Rockhampton Enterprise Centre Incorporated (RECI) voted unanimously to wind-up their operations. Based upon a Deed of Settlement established between Rockhampton Regional Council and the RECI in 2005, the remaining portion of a property (57.18%) known as 214 Quay Street, Rockhampton will transfer to Council ownership. The market value of the property is estimated at \$1,010,000 and the transfer is expected to take place during the first half of the 15/16 financial year. The portion of revenue that would be attributable to the transaction is estimated at \$577,518.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2015

31 Accounting for natural disaster events

2015 Cyclone Marcia

In February 2015, the Rockhampton area experienced Tropical Cyclone Marcia with considerable damage to the botanic assets, some structural damage to roads, buildings and other site improvements and local creek flooding and run off. Estimates have been made with regard to the impact on relevant assets to ensure that the carrying values reflect their damaged condition.

The treatment of impacted assets in the current year is:

Disposal of assets due to major damage:

• Assets with cash settlements by insurance: due to the nature of this disaster event some of the assets impacted were covered by insurance. Where there has been or it is likely that a cash settlement will occur the assets have been disposed in the current year and form part of the gain on disposal of assets in capital income.

• Assets impacted by major damage: assets were disposed with the amount recorded as a capital expense.

Impairment of assets due to minor or moderate damage:

• Assets impacted by minor or moderate damage have been impaired with the amount recorded in the appropriate asset revaluation surplus. This includes all assets located in the Kershaw Gardens that have access restrictions from previous landfill activities.

2013 Oswald flood event

In January 2013, the Rockhampton area experienced a major rainfall event 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 were adjusted to reflect their damaged condition.

In the current year the flood restoration works and asset entries were finalised. Any remaining estimated corrections to previous years were reinstated to the asset values.

2011 Yasi 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. In the prior year the flood restoration works and asset entries were finalised.

(a) Current Year

	Note	Cost \$	Accumulated depreciation \$	Asset revaluation surplus \$	Capital income \$	Capital expense \$
(i) 2015 Cyclone Marcia:						
Asset adjustments - major damage insurance settlements	5	733,312	618,768	-	114,544	-
Asset adjustments - major damage insurance settlements	10	1,611,266	767,226	-	-	844,040
Asset adjustments - minor and moderate damage	22	3,266,247	1,373,975	1,892,272	-	-
Reduction in asset values due to 2015 disaster event		5,610,825	2,759,969	1,892,272	114,544	844,040
(ii) 2013 Oswald flood event:						
Reinstatement of asset values - 2012/13 adjustments not required	16 & 22	4,403,308	423,080	3,925,950	-	54,278
Increase in asset values due to 2013 flood event	16 & 22	4,403,308	423,080	3,925,950	-	54,278

(b) Prior Year

		Cost	Accumulated depreciation	Asset revaluation surplus	Capital income	Capital expense
(i) 2011 Yasi flood event:						
Reinstatement of asset values - 2012/13 adjustments not required	16 & 22	1,089,030	235,460	853,570	-	-
Increase in asset values due to 2011 flood event	16 & 22	1,089,030	235,460	853,570	-	-

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

32 Correction of error

(a) Restatement of opening balances for 1 July 2013:

The opening balances for assets and equity as at 1 July 2013 have been amended in the financial statements for the below items as were the comparative amounts for 2013/14.

The additional assets recognised (existing assets not previously recognised and contributed assets) incorporate depreciation to 1 July 2014 in the asset values.

	Note	Comparatives 2013/14 prior to adjustment		Correction of error	Comparatives 2013/14 restated	
		Opening balance 1 July 2013	Closing balance 30 June 2014		Opening balance 1 July 2013	Closing balance 30 June 2014
		\$	\$		\$	\$
Property, plant and equipment - asset value increase	16 (b)	3,590,773,756	2,627,420,599	5,634,970	3,596,408,726	2,633,055,569
Property, plant and equipment - accumulated depreciation	16 (b)	992,411,748	794,962,941	1,623,561	990,788,187	793,339,380
Total property, plant and equipment (increase)		2,598,362,008	1,832,457,658	7,258,531	2,605,620,539	1,839,716,189
Retained surplus	21	1,963,537,727	1,221,687,076	7,258,531	1,970,796,258	1,228,945,607
Equity		2,438,863,945	1,735,855,964	7,258,531	2,446,122,476	1,743,114,495

Note: no retrospective adjustment has been made to the depreciation expense for the 2013/14 year, as the effect of the above adjustments on annual depreciation has been assessed as immaterial.

(b) Correction of error by asset class:

Asset values

- (i) Assets not previously recognised
 (ii) Contributed assets - prior years
 (iii) Assets previously recognised incorrectly
 (iv) Disposals not previously recorded

Total asset values

Accumulated depreciation

- (vi) Assets previously recognised incorrectly
 (vii) Disposals not previously recorded

Total accumulated depreciation

Total correction of errors

Note	Site improvements	Buildings	Road and drainage network	Bridge network	Water	Heritage and cultural	Total
	\$	\$	\$	\$	\$	\$	\$
16 (b)	10,441	-	5,604,704	3,830,527	62,069	64,253	9,571,994
16 (b)	-	-	848,761	-	-	-	848,761
16 (b)	(83,000)	(304,356)	(3,997,993)	-	-	-	(4,385,349)
16 (b)	-	-	(400,436)	-	-	-	(400,436)
	(72,559)	(304,356)	2,055,036	3,830,527	62,069	64,253	5,634,970
16 (b)	(24,542)	(27,459)	(1,538,127)	-	-	-	(1,590,128)
16 (b)	-	-	(33,433)	-	-	-	(33,433)
	(24,542)	(27,459)	(1,571,560)	-	-	-	(1,623,561)
	(48,017)	(276,897)	3,626,596	3,830,527	62,069	64,253	7,258,531

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2015

Corrections to opening balances (1 July 2013):

Assets:

Asset value	16 (b)
Accumulated depreciation	16 (b)
Total property, plant and equipment	

Equity:

Retained surplus	21
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Net impact

Site improvements	Buildings	Road and drainage network	Bridge network	Water	Heritage and cultural	Total
\$	\$	\$	\$	\$	\$	\$
(72,559)	(304,356)	2,055,036	3,830,527	62,069	64,253	5,634,970
(24,542)	(27,459)	(1,571,560)	-	-	-	(1,623,561)
(48,017)	(276,897)	3,626,596	3,830,527	62,069	64,253	7,258,531
48,017	276,897	(3,626,596)	(3,830,527)	(62,069)	(64,253)	(7,258,531)
-	-	-	-	-	-	-

(c) As identified in the revaluation preparation process

During the preparation for valuing Council's assets for the rolling 3 year road and drainage valuation (predominately within the road, car park, kerb and footpath asset types) and for the bridge valuation, additional assets not previously recognised and recognised incorrectly were identified and brought to account.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2015

33 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:

Financial assets	Note	2015	2014
		\$	\$
Cash and cash equivalents	12	48,701,188	29,899,637
Investments	13	30,000,000	57,000,000
Receivables - rates	14	6,926,255	7,246,166
Receivables - other	14	10,401,357	9,549,990
Other credit exposures			
Guarantees	25	3,081,572	4,369,665
		99,110,372	108,065,458

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 2015

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-15	Fully performing	Past due				Less impairment	Total
		Less than 30 days	30-60 days	61-90 days	Over 90 days		
	\$	\$	\$	\$	\$	\$	\$
Receivables	10,115,053	2,041,697	792,533	76,143	4,396,371	(94,185)	17,327,612
Net receivables	10,115,053	2,041,697	792,533	76,143	4,396,371	(94,185)	17,327,612

30-Jun-14	Fully performing	Past due				Less impairment	Total
		Less than 30 days	30-60 days	61-90 days	Over 90 days		
	\$	\$	\$	\$	\$	\$	\$
Receivables	10,499,061	2,747,915	315,183	49,330	3,699,290	(514,624)	16,796,157
Net receivables	10,499,061	2,747,915	315,183	49,330	3,699,290	(514,624)	16,796,157

(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 20. There are no additional facilities or lines of credit available.

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
	\$	\$	\$	\$	\$
2015					
Trade and other payables	11,882,758	-	-	11,882,758	11,882,758
Loans - QTC	23,658,183	94,582,130	78,443,005	196,683,318	156,180,285
	35,540,941	94,582,130	78,443,005	208,566,076	168,063,043
2014					
Trade and other payables	14,464,383	-	-	14,464,383	14,464,383
Loans - QTC	22,752,408	90,898,238	86,096,417	199,747,063	157,903,336
	37,216,791	90,898,238	86,096,417	214,211,446	172,367,719

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 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.

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

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

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	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
Financial assets	78,674,158	86,872,137	786,742	868,721	786,742	868,721
Financial liabilities	(156,180,285)	(157,903,336)	(1,561,803)	(1,579,033)	(1,561,803)	(1,579,033)
Net total	(77,506,127)	(71,031,199)	(775,061)	(710,312)	(775,061)	(710,312)

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

34 National competition policy**(a) Business 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".

A significant business activity where the threshold expenditure has been set by the Minister for the year ended 30 June 2015 follows:

- (a) for water and sewerage combined activities - \$13,300,000
- (b) for other activities - \$8,900,000

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

Waste and Recycling
Fitzroy River Water
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 \$312,000 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.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

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.

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 activity:

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 activity's cost(s) which would not be incurred if the primary objective of the activity 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 code of competitive conduct:

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

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

Less : expenditure
Surplus/(deficiency)

Building Certification	
2015	2014
\$	\$
-	-
87,221	158,901
187,335	113,567
274,556	272,468
274,556	272,468
-	-

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

Activities	CSO description	Net cost
		\$
Building Certification	Non-commercial private certification services	187,335
Fitzroy River Water	Remissions to community & sporting bodies - water	22,558
	Tropical Cyclone Marcia - potable water distribution, Glenmore Water Treatment	347,644
	Plant review and CQ Ice generator & filtration system	
	Combined line charges (operating)	56,191
	Remissions to community & sporting bodies - sewerage	91,299
	Combined line charges (capital)	120,794
	Raising manholes (capital)	215,113
		853,599
Rockhampton Airport	Capricorn Rescue Helicopter Service	21,666
	Royal Flying Doctor Service	83,634
		105,300
Waste and Recycling	Roadside bin operations	422,236
	Roadside bin disposal costs	231,421
	Disposal costs associated with environmental regulations	17,160
	Old landfill maintenance works	95,887
	Green waste	1,184,892
	Waste education	45,367
	Boat ramp services	2,584
	Charity waste policy	48,338
	Waste audit	16,700
	Tropical Cyclone Marcia - community recovery assistance	5,992,507
		8,057,092

ROCKHAMPTON REGIONAL COUNCIL

Financial statementsFor the year ended 30 June 2015

Management Certificate

For the year ended 30 June 2015

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 1 to 51, 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

Date:

E.A. Pardon
Chief Executive Officer

Date:

These draft financial statements exclude the impact of the roads revaluation.

ROCKHAMPTON REGIONAL COUNCIL
Current-year Financial Sustainability Statement
For the year ended 30 June 2015

Measures of Financial Sustainability

Council's performance at 30 June 2015 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)	-5.5%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	81.6%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	59.4%	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 2015.

Certificate of Accuracy
For the year ended 30 June 2015

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

Date:

Date:

These draft financial statements exclude the impact of the roads revaluation.

ROCKHAMPTON REGIONAL COUNCIL
Long-Term Financial Sustainability Statement
 Prepared as at 30 June 2015

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2015	Projected for the years ended								
				30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	-5.5%	4.0%	2.9%	3.3%	3.8%	4.0%	4.4%	4.6%	5.0%	5.4%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	81.6%	121.6%	94.8%	89.6%	84.3%	101.1%	95.8%	88.4%	89.4%	83.4%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	59.4%	63.5%	63.3%	58.3%	52.3%	50.7%	52.0%	46.5%	41.0%	33.9%

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 2015	
This long-term financial sustainability statement has been prepared pursuant to Section 178 of the <i>Local Government Regulation 2012</i> (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
Date:	Date:
<i>These draft financial statements exclude the impact of the roads revaluation.</i>	

FINANCIAL STATEMENTS 2015-16

Memo - Position Paper Road Infrastructure Valuation

Meeting Date: 31 August 2015

Attachment No: 2



Memo

Date: 22 July 2015
To: Ross Cheesman, General Manager Corporate Services
CC: Audit Committee
From: Alicia Cutler – Manager Finance
Subject: Position Paper – Road Infrastructure Valuation

Dear Ross,

The following information has been prepared for Council Management, External Auditors and Audit Committee, outlining the considerations taken in arriving at our decision to defer the implementation of the Road Revaluation for 30 June 2015.

Background

Pavement Management Services were engaged by RRC to condition assess all sealed and unsealed roads, carparks and kerbs, and subsequently value the roads using the Unit Rates provided by the Local Government Roads Alliance Project. The condition assessments have all been performed and the valuation is near complete, pending re-assessment of:

- Policy decisions around widths of Pavements and Formation
- Revision of formation unit rates for reasonableness and potential local adjustment

The last revaluation of the Road and Drainage network was undertaken in 11/12 and the index used to monitor price movements (Road and Bridge Construction Queensland Index 6427.0 Produce Price Index, Table 17:Output of the Construction Industries, subdivision and class index numbers(Index number3101)) has only moved 2.73%, however it was proposed to move to a Rolling Revaluation function due to the size and complexity of assets within the class. On a time basis, a revaluation would not be triggered until 2016/17.

Report

The proposed movement to the Roads Alliance Valuation Rates was in light of the desire of the LGAQ to standardise the approach to Road Valuations as well as cut future valuation costs for this class. Unit rates are updated each financial year and in theory could then be applied to our asset data.

Based upon guidance material, we had used Central Coast, Dry Unit Rates and assumptions were made in the utilisation of the rates, which in review requires further analysis. For example, no unit rates were provided for Stereotype E (Urban Collector & Sub-arterial Roads) for the Central Coast, which based upon our current assumptions, we have used the same rate as Stereotype D (Rural Sealed Roads). When comparing with our current unit rates, the most substantial change is in that of the formation costs. Formation rates of our local access roads (Type 9a,9b), which is 50% of our roads stock) would move from an average of \$14 to \$46.18 per square or in dollar terms \$143 million. More analysis is required as to what are the reasons for such a big difference before it can be implemented. All other unit rates (excluding Kerb & Channel) are close to our own in-house revaluation and have not resulted in substantial valuation movement. It should also be noted that the Kerb and Channel revaluation still has many aspects to be sorted through in terms of data integrity as well as unit rates, however given it was such a small comparative value this has not been given a priority.

Formation at present has an unlimited life. There would therefore not be any additional depreciation that would result, however this would impact substantially on Councils Statement of Financial Position. With the recommendation also, that all assets be assigned a useful life and the removal of residual values, this value no doubt, would create future depreciation expenses for Council.

It is proposed to work through the elements of the Formation unit rate in detail to determine the correct unit rates. The LGAQ promotes a localised adjustment tool, which requires further analysis. It is also proposed to research with other Councils over how they have implemented these rates. Preliminary discussions with Townsville have revealed they have had similar issues and they ultimately adjusted the rate to more reasonable levels.

Data standardisation required in respect of Road widths.

When determining current replacement cost of the Roads, and applying a per square meter unit rate to the data, the questions have been raised over road widths. At present, Roads are separated into 3 layers – Formation, Pavement and Surface and there is varying differences when comparing the width of formation and pavement when compared to Surface width. Pavement management Services have only verified the width of the sealed Road Component as this is visible.

This assumption and whether it should be standardised then returns to the basis of current replacement cost and the definitions within this to establish the roads to current standards. There needs to be some review whether these roads would all be replaced to the new standard as this would no doubt make them unaffordable. More likely, a fit-for-purpose design might be utilised which accepts a lesser standard in the majority of cases.

These changes would be considered to be a 'Change in Accounting Estimate' and at this stage, a full recommendation has not yet been established, however it is considered the best time to establish the estimate is at the same time the Re-valuation is implemented.

Residual Values and new direction from the Accounting Standards Board

It is now very clear that Councils are expected to adjust their Road data to remove all residual values from Road Infrastructure for 30 June 2016. Given that the componentisation of roads may change as well as the associated unit rates, it was considered prudent and efficient to hold off all the changes and implement at once.

New Valuation Timeframes in respect of rolling revaluation timeframes

The work undertaken towards the revaluation to date, will not have been wasted. Given that the roads have been conditioned during the months from March to May 2015, it will still be possible to implement the revaluation within the first six months of the 15/16 Financial year. This will enable the above issues to be worked through in some detail as well as time for external audit input into the final result.

In addition, it is proposed to undertake an external Bridge Revaluation as well as footpaths, traffic management and road furniture.

Evaluating the Draft Revaluation figures against existing Values held in Asset Register.

As discussed, with the exception of formation, there is not material differences in proposed current replacement cost and Fair Value.

This can be demonstrated by the following table:

	Revaluation		Conquest		Comment
	Fair Value	FV per square	Fair Value	FV per square	
Pavement	\$ 256,914,848	22.14	296,050,533	22.10	Difference associated with Width assumptions
Surface	\$ 83,990,394	14	108,025,941	16	Difference is a result of reduced unit rates but not material when compared against PPE
K&C	\$ 34,340,821		32,994,723		Still many Data issues to sort through

From the above table, a decline in Fair Value of Surface is projected with the revaluation. There remains some small discrepancies to be sorted with area. This amount when compared to the total of PPE is not material and should be weight up against a potential increase in Formation rates.

When considering the impact upon Depreciation that may result from a decline in surface value, depreciation represents approximately 1/3 of the depreciation for the road and bridge class and a decline of approximately 15% equate to approximately \$793,000. This should be evaluated against the potential impact of removing residual values on surface assets which analysis shows is an additional \$975,000.

Conclusion

Whilst a direction in respect of formation rates as well as pavement and formation widths could be resolved under some pressure, given all other factors, it was considered prudent to take time to evaluate the full impacts of any changes.

Alicia Cutler
Manager Finance

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 CLOSURE OF MEETING