



# Annual Report

2013 - 2014



Providing for today, preparing for tomorrow

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## 1. ABOUT THIS REPORT

Each year Cairns Regional Council produces an Annual Report as required by the state government. This report has been prepared in accordance with Division 3 of *the Local Government Regulation 2012*.

To request a copy of this report please contact Council or alternatively you can download a copy from our website [www.cairns.qld.gov.au](http://www.cairns.qld.gov.au)

Spence Street Administration Centre: 119-145 Spence Street, Cairns

Postal Address: PO Box 359 Cairns Qld 4870

Email: [council@cairns.qld.gov.au](mailto:council@cairns.qld.gov.au)

Phone: (07) 4044 3044

Fax: (07) 4044 3022

## 2. REGION AT A GLANCE

The Cairns Region encompasses 1,662 km<sup>2</sup> of land on a narrow coastal strip between the Great Dividing Range and the Coral Sea. The region is part of Australia's Wet Tropics and is framed by the lush World Heritage listed Wet Tropics rainforest to the west and north of the Coral Sea and World Heritage listed Great Barrier Reef Marine Park to the east. These attributes make the region a world renowned destination.

In reviewing this report it should be noted that on 9 March 2013 a de-amalgamation poll was held which resulted in the community voting to de-amalgamate the former Douglas Shire from the Cairns Regional Council. The Douglas Shire Council was re-established on 1 January 2014.

<b>Population</b>	157,102
<b>Area</b>	1,662 km <sup>2</sup>
<b>World Heritage listed sites</b>	<ul style="list-style-type: none"><li>Wet Tropics Rainforest</li><li>Great Barrier Reef</li></ul>
<b>Divisions</b>	An elected Mayor and 9 Councillors
<b>Council Employees</b>	1,258
<b>Revenue</b>	
<b>Assets on the Balance Sheet</b>	

### 3. ASSESSMENT OF PERFORMANCE IN IMPLEMENTING CORPORATE AND OPERATIONAL PLANS

*Local Government Act 2009 s. 104 (7): ... A local government must carry out a review of the implementation of the annual operational plan annually.*

*Local Government Regulation 2012 s. 190 (1): ... The annual report for a financial year must contain the following information—*

- (a) The chief executive officer's assessment of the local government's progress towards implementing its 5-year corporate plan and annual operational plan

The Corporate Plan 2013 – 2018 was adopted by Council on 25 June 2013.

This document provides strategic direction of all activities to be undertaken by Council over the next five (5) financial years. Based on this Corporate Plan, Council will ensure that key services and projects will be delivered in current and future financial years through the annual Operational Plan. Specifically each Operational Plan activity is linked to Corporate Plan Strategic goals.

#### Our Vision

Our vision for the region:

We will value our natural environment, lifestyle and surroundings

We will support and respect distinctive and vibrant communities

We will be innovative and creative

We will grow and diversify our economy

As Councillors and the Council, our focus will be on:

- Being accessible to the community
- Reflecting the values and needs of the community as a whole
- Advocating for the benefit of the region and its communities
- Collaborating and partnering with the community
- Providing responsible governance

## Our Mission

Our mission:

Providing for today, preparing for tomorrow

Driving change for the better and meeting the challenges and needs of the community

## Our Strategic Direction

### 1.0 Community

A vibrant, inclusive and healthy community with access to services and facilities which reflect its unique character, role and needs.

### 2.0 Economy

A strong, diversified and sustainable regional economy that supports the growth of new and existing industry and business activities whilst enhancing local lifestyle and providing long term employment opportunities.

### 3.0 Environment

A sustainable, well managed and healthy environment that provides a balance between built infrastructure and the conservation of our world heritage features and natural and cultural resources.

### 4.0 Governance

An efficient organisation providing best practice service delivery through leadership and policy making and the effective management of people, assets and finances.

## 2013 / 2014 Corporate performance

The 2013-2014 Operational Plans were aligned to the 2013-2018 Corporate Plan. The performance report below summarises the outcomes against the Corporate Plan.

Council's Corporate Performance Reports were presented to the relevant Committee meetings quarterly. This enabled Council to review and assess the progress of the Operational Plan. In addition, reviews of Capital and Operational Budgets were reported to Council and workshops conducted as required.

This is by no means an exhaustive list of Council's achievements and focuses on the major outcomes of the year.

## 1.0 COMMUNITY

**A vibrant, inclusive and healthy community with access to services and facilities which reflect its unique character, role and needs.**

### Outcomes

- Community WiFi Project installed at the City and Babinda Libraries
- Completion of Governance Audit and Evaluation of Management Committees for Community Centres and Halls
- Reviewed arrangements of Library collections and aligned them to ensure flexible community spaces
- Engaged with multicultural, indigenous and CALD communities to align and promote library collections and programs
- Implemented e-books and associated records for library collection
- Explored functionality of Libero v.6 in collection management at Council libraries
- Reviewed Cairns Libraries' volunteer management program 'Friends of Cairns Libraries'.
- Participated in the Cairns Museum Interpretation Planning Stakeholder Group to develop a draft of key themes and storylines for the redevelopment/reinterpretation of the Museum's exhibitions and displays.
- Implemented actions identified within Council's Reconciliation Action Plan for Council's Children and Youth Services
- Increased engagement between Cairns Libraries and schools across the region by 10%
- Celebrated the 150<sup>th</sup> anniversary of the arrival of the South Sea Islanders in Australia
- Strengthened existing Council graffiti management programs and implemented proactive graffiti presentation strategies in line with the Queensland Government GraffitiSTOP funding arrangements
- Developed a plan to work with community service providers in Cairns West to deliver suitable programs and services via the Manoora Neighbourhood Centres
- Delivered CCTV WiFi mesh infrastructure in line with funding agreement with the Queensland Government and supported more flexible expansion of the existing City Safe CCTV network
- Established grant-funded once-weekly client outreach services for local families with transport barriers, to enable access to the Family Support programs.

- Collaborated to improve awareness of disaster preparedness for the southern suburbs communities, particularly vulnerable and disadvantaged families and individuals
- Undertook a gap analysis and developed a parks hierarchy and standards of infrastructure for the provision of Local Parks.
- Implemented Signature Active Cairns Project
- Implemented 'Healthy Active School Travel' (HAST) Program which is partly funded by State Government and engaged five (5) schools to partake in the program
- Undertook event program to implement Active Cairns Program and developed and implemented marketing strategy for Active Cairns Program.
- Delivered annual Botanic Gardens Visitor Centre Interpretive program
- Rolled out upgrade of City Centre way finding signage upgrade
- Explored a range of green initiatives to display best practice environmental management
- Maintained and expanded on strategic partnerships with internal and external organisations to facilitate additional nature based recreation opportunities for the Esplanade Parklands
- Collaborated with community groups, contemporary arts groups and entertainment sector to provide a range of free public performance, displays and exhibitions with Inner City Facilities
- Implemented Policy recommendations for Gordonvale Community Markets and Holloways Beach Community Markets
- Developed and implemented the Go On, Be Active marketing initiative
- Assisted in the delivery of major sporting events held within the region
- Tanks Arts Centre presented a dedicated and diverse children's programme which celebrated and supported learning, play, curiosity and discovery for children and their families combined with market fair day, encouraging local vendors and organisations to participate and present their products
- Undertook Stage One Review of Local Laws
- Commenced trials for improved parking technology in Cairns CBD
- Expansion of the Martyn Street Cemetery
- Endeavour Park sporting precinct upgrades completed and new clubhouse
- Southern cycleway works undertaken, including the installation of two bridges crossing Moody Creek and Chinaman Creek.

- Construction of new public toilets at Holloways Beach and Yorkeys Knob.
- City Alive (Lake Street) water mains upgrade completed.
- Completion of new columbarium wall in the Gordonvale Cemetery
- Crystal Cascades viewing platform officially opened
- Completion of Grafton Street Heritage Trail and Streetscape
- Cairns Regional Council won the state's top spot for the first time for the Local Government Managers Australia (LGMA) Australasian Management Challenge and went on to represent Queensland at the final in Melbourne.

## 2.0 ECONOMY

**A strong, diversified and sustainable regional economy that supports the growth of new and existing industry and business activities whilst enhancing local lifestyle and providing for long term employment opportunities.**

### Outcomes

- Reviewed Trunk Infrastructure Plans to develop 10 Year Capital Works Program
- Refined Asset Management Plans for Transport, Drainage and Foreshore Assets and developed works program to maintain existing assets to satisfy new legislative requirements
- Restructure of Cairns Works Maintenance – Road Maintenance – Mowing Regimes and Precinct Depots
- Delivered the TNQ20 Business Excellence and Tropical Innovation Awards
- Get Lucky on Lake Promotion to assist traders in Lake Street during the City Centre Alive works.

### 3.0 ENVIRONMENT

**A sustainable, well managed and healthy environment that provides a balance between built infrastructure and the conservation of our world heritage features and natural and cultural resources.**

#### Outcomes

- Implemented programmed replacement of significant street trees within Cairns CBD
- Continued rollout of Esplanade LED up-light renewal program
- Reviewed and implemented Marine Plant Management Strategy
- Continued to implement new Traffic Management Strategy
- Implemented Year 2 of the Waste and Recycling Communication and Education Strategy
- Developed and recommended future operational and capital upgrades for Transfer Station operations based on the outcomes of the Transfer Station Masterplan
- Investigated and recommended management options for the Buy Back Shop
- Registration of Carbon Farming Initiative project for the Portsmith gas flare
- Installation of a glass crusher at the Materials Recovery Facility to allow more efficient use of recycled glass
- Spence Street Officers lighting retrofit with a replacement of all lights to energy efficient globes
- Council launched the Cool Homes: smart design for the tropics guide

#### 4.0 GOVERNANCE

**An efficient organisation providing best practice service delivery through leadership and policy making and the effective management of people, assets and finance.**

##### Outcomes

- Evaluated the 'Computer for Beginners' online workshop program at the Libraries to ensure it still matched community needs
- Implemented latest version of computer management systems in Council libraries for public use
- Installed touchscreen at Babinda Library for collections
- Reviewed Council cultural diversity to align with the State Government's new policy to incorporate employment element
- Conducted operational review of Parks 'Green Space Teams' and implemented the recommendations
- Undertook operational review of the Leisure Services area specifically direct facility management with view to increasing participation and revenue opportunities
- Finalised the rollout of electronic ticketing services to the region for TicketLink
- Developed and implemented a Workforce Strategy for Council employees
- Developed long term Technology Plan for Council's Information Systems
- Implemented Pulse software to support the existing formal project management framework
- Local underground drains were categorised via a matrix of risk from CCTV footage
- Developed Records Management Strategy
- Review of Council's Insurance Small Claims Process to enhance service quality
- Implementation of the Corporate Plan 2013-2018
- Upgraded security system at relevant Council buildings

## 4. COUNCILLORS' CODE OF CONDUCT

*Local Government Regulation 2012 s. 186 (d)(e)(f):..* The annual report for a financial year must contain particulars of -

ITEM	RESULT
Section 186 (d) the total number of the following during the year -	
(i) Orders and recommendations made under section 180 (2) or (4) of the Act;	Nil
(ii) Orders made under section 181 of the Act	Nil
Section 186 (e) each of the following during the year -	
(i) The name of each councillor for whom an order or recommendation was made under section 180 of the Act or an order was made under section 181 of the Act;	Section 180 – Nil Section 181 – Nil
(ii) A description of the misconduct or inappropriate conduct engaged in by each of the councillors;	Nil
(iii) A summary of the order or recommendation made for each councillor	Nil
Section 186 (f) the number of each of the following during the year -	
(i) Complaints about the conduct or performance of councillors for which no further action was taken under section 176C(2) of the Act;	One (1)
(ii) Complaints referred to the department's chief executive under section 176C(3)(a)(i) of the Act;	One (1)
(iii) Complaints referred to the mayor under section 176(3)(a)(ii) or (b)(i) of the Act;	One (1)

ITEM	RESULT
(iv) Complaints referred to the department's chief executive under section 176C(4)(a) of the Act;	One (1)
(v) Complaints assessed by the chief executive officer as being about official misconduct;	Nil
(vi) Complaints heard by a regional conduct review panel;	Nil
(vii) Complaints heard by the tribunal	Nil
(viii) Complaints to which section 176C(6) of the Act applied	Nil

## 5. COMPLAINTS MANAGEMENT

### Administrative Complaints

*Local Government Regulation 2012 s.187 (1) and (2):* The annual report for a financial year must contain particulars of -

ITEM	RESULT
(1)(a) statement about the local government's commitment to dealing fairly with administrative complaints	Cairns Regional Council is committed to the principles of natural justice and fairness in all administrative complaint dealings.
(1)(b) a statement about how the local government has implemented its complaints management process, including an assessment of the local government's performance in resolving complaints under the process	<p>A centralised complaints management process was introduced to allow for better KPI management, cause tracking and reporting through to resolution.</p> <p>Reports highlighting all administrative complaints are reviewed by the Executive Team each month.</p> <p>The General Manager Corporate Services also provided quarterly reports to Council's Audit Committee.</p> <p>The overall time to resolve complaints is trending down since the previous financial year.</p>
(2)(a)(i) the number of administrative action complaints made to the local government	One hundred and fifty eight (158) administrative complaints were received and addressed under the centralised system*.
(2)(a)(ii) the number of administrative action complaints resolved by the local government under the complaints management process	One hundred and fifty eight (158) complaints were resolved through the centralised system.
(2)(a)(iii) the number of administrative action complaints not resolved by the local government under the complaints management process	One (1)

ITEM	RESULT
(2)(b) the number of administrative action complaints under paragraph (a)(iii) that were made in a previous financial year	One(1)

\* Council's General Complaints Management Policy was endorsed on 14 April 2014, with the inclusion of Employee Complaints and Internal Reviews now falling under the definition.

**Public Sector Ethics Act 1994**

ITEM	RESULT
<p><b>Section 23</b></p> <p>The chief executive officer of a public sector entity must ensure that each annual report of the entity includes an implementation statement giving details of the action taken during the reporting period to comply with the following sections -</p>	
S15 - Preparation of codes of conduct	<p>Cairns Regional Council has the following Codes of Conduct:</p> <ul style="list-style-type: none"> <li>▪ Code of Conduct for Councillors</li> <li>▪ Code of Conduct (staff)</li> <li>▪ Code of Conduct for Contracted Security Providers</li> </ul>
S21 - Education and training	<p>Council's Corporate Induction Program ensures all staff appointed to Council are aware of and understand their rights and obligations under the Code of Conduct.</p>
S22 - Procedures and practices of public sector entities	<p>All of Council's procedures and practices reflect Council's commitment to the ethical principles and obligations of the <i>Public Sector Ethics Act 1994</i>.</p>

### Business Activity Complaints

*Local Government Regulation 2012 s.190 (1) (j):* The annual report for the financial year must contain ...

ITEM	RESULT
(j) the local government's response in the financial year on the QCA's recommendations on any competitive neutrality complaints under section 52(3)	Nil

## 6. REMUNERATION AND SUPERANNUATION PARTICULARS

*Local Government Regulation 2012 s. 185:* ... The annual report for a financial year must contain—

- (a) a copy of the resolutions made during the financial year under section 250(1)
- (b) a list of any resolutions made during the financial year under section 206(2).

*Local Government Regulation 2012 s. 186:* ... The annual report for a financial year must contain particulars of—

- (a) for each councillor, the total remuneration, including superannuation contributions, paid to the councillor during the financial year; and
- (b) the expenses incurred by, and the facilities provided to, each councillor during the financial year under the local government's expenses reimbursement policy

*Local Government Act 2009 s.201:*

- (1) The annual report of a local government must state—
  - (a) the total of all remuneration packages that are payable (in the year to which the annual report relates) to the senior management of the local government; and
  - (b) the number of employees in senior management who are being paid each band of remuneration.
- (2) The senior management, of a local government, consists of the chief executive officer and all senior executive employees of the local government.
- (3) Each band of remuneration is an increment of \$100000.
- (4) To remove any doubt, it is declared that nothing in this section requires the exact salary of any employee in senior management to be separately stated in the annual report.

### Councillors' Remuneration and FBT Payments

The following table shows the total Councillors' remuneration payments for the 12 month period from 1 July 2013 to 30 June 2014.

Div	Elected Member	Total Remuneration Payment \$	* Super Contributions \$	Total \$
M	Bob Manning	154,636	18,556	173,192
1	Steve Brain	91,376	10,965	102,341
2	John Schilling	91,376	10,965	102,341
3	Rob Pyne	91,376	10,965	102,341
4	Terry James	104,837	12,652	117,489
5	Richie Bates	91,376	10,965	102,341
6	Linda Cooper	91,376	8,452	99,828
7	Max O'Halloran	91,376	10,965	102,341
8	Jessie Richardson	91,376	10,965	102,341
9	Greg Fennell	91,376	10,965	102,341
10	Julia Leu**	49,202	5,904	55,106

\* Differences in super contributions are due to Elected Member's contribution references.

\*\* Payments for Julia Leu were only for the 6 month period from 1 July 2013 to 31 December 2013

### Councillors' Expenses Reimbursements and Facilities provided

In accordance with the Expenses Reimbursement and Support for Elected Representatives General Policy, Councillors may use a vehicle provide by Council for official business.

If a Councillor uses a Council owned vehicle for private purposes, the Councillor must reimburse Council based on the vehicles log book record for use in accordance with rates prescribed in the Queensland Local Government Officers Award (Federal).

The following table shows the total Councillors' Fringe Benefits Tax (FBT) Expense for the 12 month period from 1 July 2013 to 30 June 2014.

Div	Elected Member	FBT Expense \$
M	Bob Manning	6,593
1	Steve Brain	
2	John Schilling	2,771
3	Rob Pyne	2,494
4	Terry James	2,672
5	Richie Bates	
6	Linda Cooper	
7	Max O'Halloran	
8	Jessie Richardson	
9	Greg Fennell	
10	Julia Leu	
		<b>14,530</b>

In accordance with the Expenses Reimbursement and Support for Elected Representatives General Policy, Councillors are provided with expenditure reimbursements for their vehicles as well as incidental costs such as mobile phone costs, meals and taxi fares associated with Council business.

The table shows the total reimbursement costs to Councillors for the 12 month period from the 01 July 2013 to 30 June 2014 under this policy.

Div	Elected Member	Vehicle Reimbursement \$	Vehicle Cost \$	Other Expense Reimbursement \$
M	Bob Manning		10,182	
1	Steve Brain	12,753		
2	John Schilling	3,419		
3	Rob Pyne	2,646		
4	Terry James	5,101		
5	Richie Bates			
6	Linda Cooper	980		
7	Max O'Halloran			
8	Jessie Richardson	3,898		
9	Greg Fennell	2,168		
10	Julia Leu			
		<b>30,965</b>	<b>10,182</b>	

In accordance with the Expenses Reimbursement and Support for Elected Representatives General Policy, Councillors are also provided with specific facilities and support as per the following:

#### **Mayor**

- Separate office accommodation with Secretarial and Executive Assistant Support.

#### **Deputy Mayor**

- Separate office accommodation and secretarial / administrative support in accordance with the established staff structure.

#### **Other Councillors**

- Office accommodation and secretarial / administrative support in accordance with the established staff structure.

## Other Facilities

- Council will provide to each Councillor the necessary stationary and personalised letterhead including postage costs, for the undertaking of duties directly associated with their positions.
- Councillors are provided with fully maintained and serviced meeting / committee rooms, kitchen amenities and ablution facilities, which includes the supply and laundering of bath linen.
- Meeting / committee room usage is on a Councillor priority basis.
- Each Councillor will be provided with a single standard laptop and an iPad, as defined by Council's Information Services Branch that can be used both at the Council work location and at the Councillor's home office. Each laptop will be provided with appropriate hardware and software applicable to enable Councillors to perform their role. Council supplied laptops, iPads and mobile telephones may only be used for Council related work. Support for the Council supplied laptops, iPads and peripheral devices will be provided through Information Services call centre (within standard business services). If rectification requires more than phone support the Council provided laptop or peripheral devices will be returned to Spence Street Office by the Councillor.
- Upon receipt of a claim with relevant receipts, a maximum amount of \$600, per annum, will be reimbursed to Councillors for home communication expenditure.

## Remuneration of Senior Contract Employees

Local Government Act 2009 s.201: ...

- (1) The annual report of a local government must state—
  - (a) the total of all remuneration packages that are payable (in the year to which the annual report relates) to the senior management of the local government; and
  - (b) the number of employees in senior management who are being paid each band of remuneration.
- (2) The **senior management**, of a local government, consists of the chief executive officer and all senior executive employees of the local government.
- (3) Each **band of remuneration** is an increment of \$100,000.
- (4) To remove any doubt, it is declared that nothing in this section requires the exact salary of any employee in senior management to be separately stated in the annual report.

The following table shows the range of total remuneration packages for the 12 month period from 1 July 2013 to 30 June 2014 provided to Council's senior contract employees.

Package Range	Number of senior contract employees within package range
\$200,000 to \$299,999	7
\$300,000 to \$399,999	1

## 7. COUNCILLOR ATTENDANCE AT COUNCIL MEETINGS

*Local Government Regulation 2012 s.186 (1)(c)* ... The annual report for a financial year must contain particulars of—

- (c) the number of local government meetings that each councillor attended during the financial year

The following table displays the Councillors' attendance at Council meetings for the period from 1 July 2013 to the 30 June 2014.

Councillor	Ordinary		Special		Planning & Economic		Community Services		Governance		Infrastructure		Water & Waste	
	held	attended	held	attended	held	attended	held	attended	held	attended	held	attended	held	attended
Cr Bob Manning	13	9	1	1	10	8	10	8	10	6	10	7	10	5
Cr Steve Brain	13	13	1	1	10	7	10	7	10	6	10	7	10	7
Cr John Schilling	13	13	1	1	10	10	10	9	10	10	10	10	10	9
Cr Rob Pyne	13	13	1	1	10	9	10	9	10	9	10	9	10	9
Cr Terry James	13	12	1	1	10	10	10	8	10	8	10	10	10	7
Cr Richie Bates	13	13	1	1	10	10	10	10	10	10	10	10	10	10
Cr Linda Cooper	13	12	1	1	10	10	10	10	10	10	10	10	10	10
Cr Max O'Halloran	13	13	1	1	10	9	10	9	10	10	10	9	10	9
Cr Jessie Richardson	13	13	1	1	10	10	10	10	10	10	10	10	10	10
Cr Greg Fennell	13	11	1	1	10	9	10	9	10	9	10	9	10	9
Cr Julia Leu	7	5	0	0	5	4	5	3	5	5	5	3	5	1

Members of Committees have their attendance highlighted in yellow.

As of the 01 January 2014 with de-amalgamation Councillor Julie Leu was no longer a Councillor for Cairns Regional Council.

## 8. COMPETITIVE NEUTRALITY COMPLAINTS AND DECISIONS

*Local Government Regulation 2012 s.190 (1): ...The annual report for a financial year must contain—*

- (i) a summary of investigation notices given in the financial year under section 49 for competitive neutrality complaints;
- (ii) the local government's responses in the financial year on the QCA's recommendations on any competitive neutrality complaints under section 52(3).

Section 49 Notice of intention to investigate

- (1) Before the QCA starts to investigate a competitive neutrality complaint, the QCA must give an investigation notice to—
  - (a) the complainant; and
  - (b) the relevant local government; and
  - (c) if a corporatised business entity is conducting the business activity—the corporatised business entity.
- (2) The QCA may also give an investigation notice to another person the QCA considers appropriate.
- (3) An investigation notice is a document that—
  - (a) states the QCA's intention to investigate a competitive neutrality complaint; and
  - (b) states the subject matter of the complaint, or has a copy of the complaint attached; and
  - (c) invites the complainant to make written submissions or, if the QCA approves, oral submissions about the matter; and
  - (d) states a reasonable period within which the submissions may be made; and
  - (e) states the QCA's address.

Council received no complaints under s.190 (1)(i)(j) in 2013/14.

## 9. COMMERCIAL BUSINESS UNITS

*Local Government Regulation 2012 s.190: ...*

- (1) The annual report for a financial year must contain the following information –
  - (c) A local government's annual report for a financial year must include an annual operations report for each commercial business unit.
- (2) An annual operations report, for a commercial business unit, means a document that contains the following information for the previous financial year—
  - (a) information that allows an informed assessment of the unit's operations, including a comparison with the unit's annual performance plan;
  - (b) particulars of any changes made to the unit's annual performance plan for the previous financial year;
  - (c) particulars of the impact the changes had on the unit's—
    - (i) financial position; and
    - (ii) operating surplus or deficit; and
    - (iii) prospects;
  - (d) particulars of directions the local government gave the unit.

## 10. CAIRNS WORKS

### Objective

The following performance details relate to the Business Unit Performance Plan prepared to support the Cairns Works Commercialised Business unit.

Cairns Works was created as a commercial business unit to apply commercial rigours to the branch's operations. The key drivers for the role are based on the core elements of:

- Effective and efficient service provisions achieved through transparency in the cost allocation process.
- Continuous improvement in service provision based on comparison with private enterprise and customer feedback.

Contiguous with that role is the underlying intent to:

- Maximise the financial return to Council
- Consolidate on the role to improve 'value for money' service provision
- Ensure that opportunities to increase staff employment and tenure are fully evaluated and implemented as appropriate
- Provide optimum opportunity for Cairns Works to retain and develop a skilled and experienced workforce commensurate with the needs of its primary role.

### Nature and Scope of Activities

Cairns Works is a commercialised business unit for Cairns Regional Council with a charter for the provision of operational services to Council in the sub-programs of:

- Transport
- Drainage
- Parks and foreshores
- Emergency response to declared natural disasters

The service scope provides for the construction, maintenance, and operation of the asset classes within those sub-programs. Cairns Works is also a significant service provider in the refurbishment and renewal of assets under the Capital Works Program.

Cairns Works is granted custodianship of the assets for the purpose of undertaking the maintenance and operational roles. The result of this relationship is increased accountability for the assets, tailoring services to needs consistent with corporate objectives and enduring productivity gains which can be translated into improved services for the community.

A further and very significant advantage of Cairns Works as an internal business provider is its ability to react and support major events or directions that Council determines. In previous years this has manifest itself into the immediate and organised response and recovery to many major disaster events – specifically tropical cyclones and major flooding due to heavy rain events and high tides, which are prevalent in this region. A substantial effort in a rapid recovery from such events is very much due to the existence of this business unit.

Cairns Works is also engaged in the provision of civil projects to the private sector marketplace. This further enhances the opportunity to consolidate as a service provider business and provides additional revenue to Council.

Council is committed to ensuring that Cairns Works is a viable, efficient and effective client focussed business unit.

### Business Undertakings

Cairns Works operated as the internal provider of maintenance and construction services for roads, drains and parks. As an internal provider, Cairns Works undertook the following roles in accordance with Service Level Agreements:

- Roads, parks and drainage maintenance and operation
- Roads, parks and drainage refurbishment, renewal and construction
- Other minor infrastructure and facilities maintenance and construction
- All operational aspects for the total service provision associated with the assets and facilities
- Emergency response to declared natural disaster events.

In carrying out the roles above, Cairns Works was a major resource and management provider for the continued recovery associated with a number of declared events in previous years e.g. Cyclone Yasi in 2011, and the Flooding Event in March 2012.

Further support to Council and the community during this financial year, in relation to natural disaster recovery occurred through:

- Repairs to damaged roads, drains and other essential public infrastructure
- Road patching, barrier and sign erection
- Clearing blocked drains and debris removal

Given Council's geographical location, emergency responses to declared natural disaster events will always be a high priority.

Other major projects undertaken during the year include:

- City Centre Alive Lake Street Project
- Endeavour Park sporting precinct upgrade
- Annual asphalt, reseal, footpath and kerb and channel renewal and road rehabilitation program
- NDRRA restoration works
- Stager Road Bridge Replacement
- Palm Cove Car Park
- Northern Wastewater Treatment Plant Grit Drying Bed
- Suburban Enhancement Program
- Cairns Southern Cycleway
- Drainage infrastructure renewal/improvements
- Lake Street extension to Airport Avenue works
- Lake Street Parking improvements
- Maintenance planning in preparation for key events, including Mountain Bike World Cup, Ironman, ATE and G20

Cairns Works continued to carry out an expanded program under the Road Maintenance Performance Contract (RMPC) and a number of large projects were also undertaken for the Queensland Department of Transport and Main Roads (QDTMR).

Significant road upgrade works were carried out under contract for QDTMR including:

- Yarrabah Road Reconstruction Ch.9.45km – 10.56km
- Bruce Highway Asphalt Overlay Ch.29.114km – 30.267km
- Captain Cook Highway Asphalt Overlay Ch.5.985km - 6.837km
- Yarrabah Road Reconstruction Ch.0.87km - 2.10km
- Stratford Connection Road Reconstruction Ch.6.66km - 7.14km
- Mulgrave Road Reconstruction Ch.4.580km - 6.209km (In 3 Sections)
- Anderson Street Reconstruction Ch.1.617km - 1.750km
- Cairns Western Arterial Road Reconstruction Ch.11.030km - 11.728km

## Operating Initiatives

There were three operating initiatives covering the maintenance branch. They included the following:

1. Customer Service Strategy – Implementation of uniform CRM response via reflect maintenance management software.
2. Restructure of Cairns Works Maintenance Road Maintenance – Mowing Regimes and Precinct Depots.
3. Restructure – Review of contracted resources across works maintenance area.

## Key Performance Indicators

### Cairns Works Maintenance

CRM coordination results within % target

**Target:** 0% greater than 90 days and no more than 10% not completed within target.

**Result:** 7,573 CRMs received  
2 CRM's greater than 90 days  
0% greater than 90 days  
7,573 CRMs received  
7,050 CRMs completed on target  
93% completed on target

### Customer Service

Cairns Works continues to focus on improving customer service in accordance with the Connecting Program. Outstanding Customer Response Management defects (CRM's) have been maintained at a minimal level averaging 7.4% for the period of July 2013 – June 2014.

### Workplace Health and Safety (WH&S)

Cairns Works maintained a high level of input into, and use of, WH&S systems to ensure staff, contractor and public safety. Any activities that indicated a possible compromise to safety were reviewed and modified. Cairns Works has been proactive in its approach to significantly improve WH&S practices. Completion rates for monthly action plans, including outstanding hazards, toolbox talks and induction programs have been acceptable.

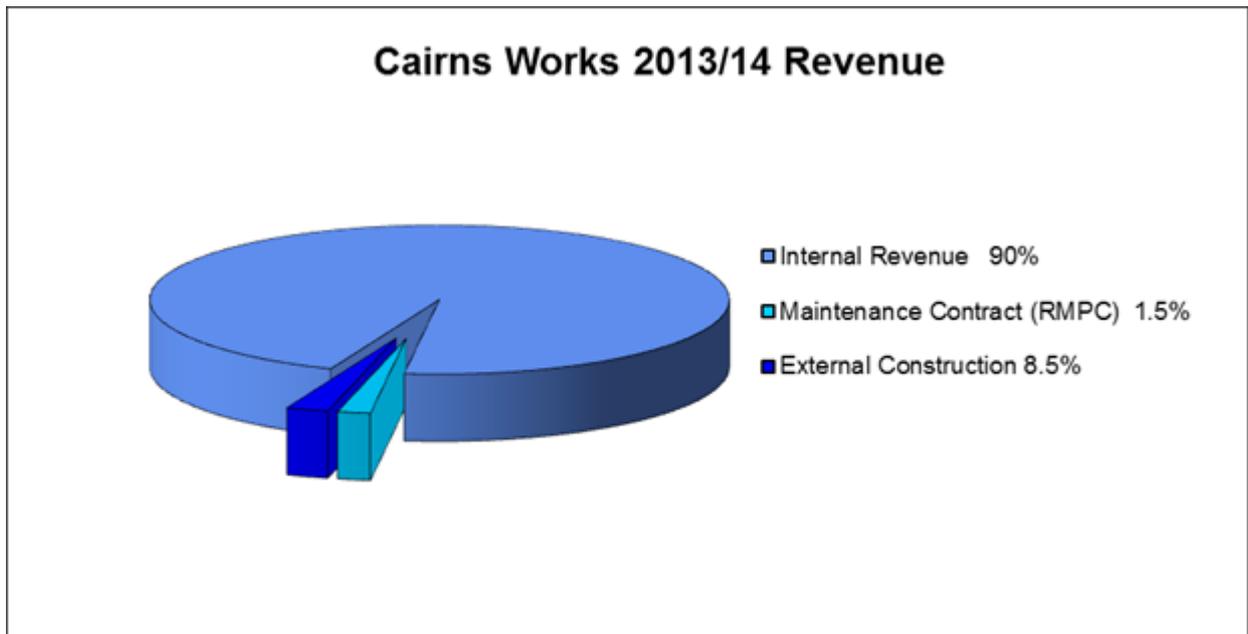
Council continues with Safeplan 3 which is an improved self-imposed comprehensive WH&S system developed to ensure the safety of all staff. Regular toolbox talks with staff reinforce the various safety issues.

### Environmental Management

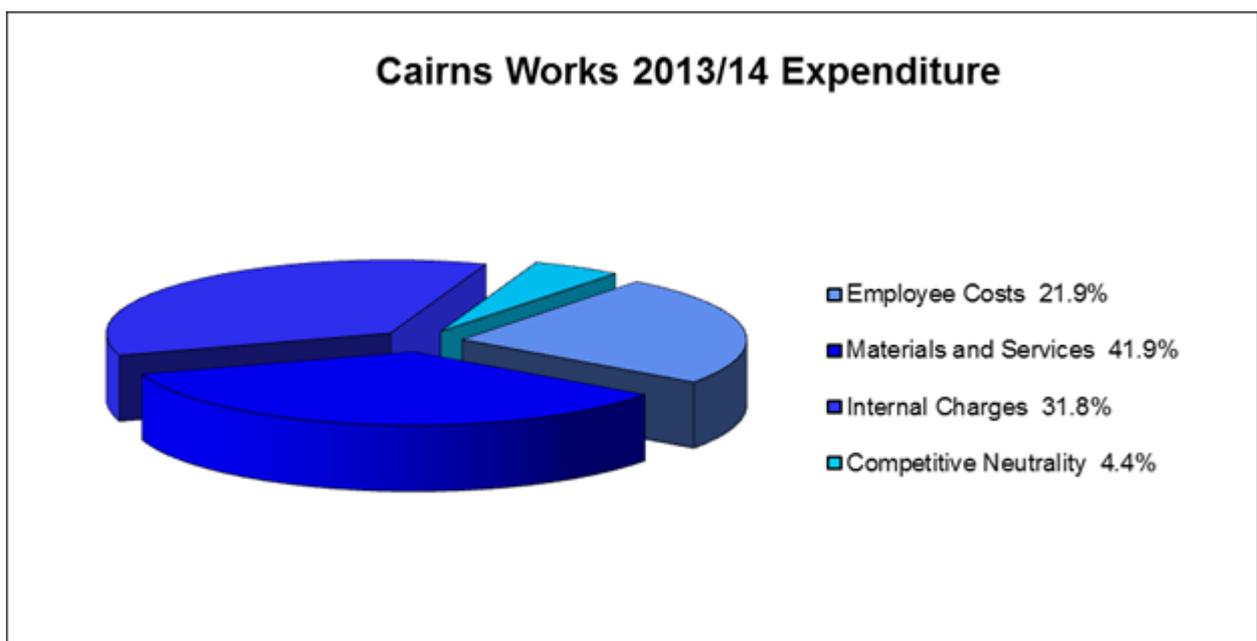
Cairns Regional Council was the first Council to introduce a Marine Plant Management Strategy. This innovative strategy showcases Council's exemplary best practice that has resulted in improvements to urban drainage systems. A revised version of the Marine Plant Management Strategy is currently under review at the Department of Agriculture, Fisheries and Forestry (DAFF).

### Cairns Works Financial Indicators

Cairns Works actual income was received from the following sources:



Cairns Works actual expenses were allocated the following way:



**Cairns Works  
Operating Statement**

**For the year ended 30 June 2014**

	2013/14 Actual \$	2013/14 Budget \$
<b>Operating Revenue</b>		
Internal Revenue	90,027,792	76,862,938
Miscellaneous Revenue	9,907,535	8,098,751
<b>Total Operating Revenue</b>	<b>99,935,327</b>	<b>84,961,689</b>
<b>Operating Expenditure</b>		
Employee Costs	16,255,252	17,204,471
Overtime	1,570,259	1,188,100
Agency/Temp Staff Costs	3,487,352	2,280,891
Materials	11,664,389	7,277,855
External Services	28,909,924	23,039,940
Travelling Expenditure	164	932
Other Services	172,510	238,533
Internal Charges	30,828,635	27,593,930
Other Services	4,285,150	4,200,282
Competitive Neutrality Charges	97,173,635	83,024,934
	16,255,252	17,204,471
Less Expenses Capitalised	-	-
<b>Total Expenses</b>	<b>97,173,635</b>	<b>83,024,934</b>
<b>OPERATING CAPABILITIES BEFORE CAPITAL AND INCOME TAX &amp; DIVIDENDS</b>	<b>2,761,692</b>	<b>1,936,755</b>
Income Tax Expense/(Benefit)	828,507	581,026
Dividend Expense/(Income)	1,933,185	1,355,729
Operating Capabilities before Capital and after Income Tax & Dividends	-	-
<b>Capital Items</b>		
Gain/(Loss) on Disposal of Property Plant and Equipment	-	-
Contributions	-	-
Subsidies and Grants	-	-
	-	-
<b>INCREASE/(DECREASE) IN OPERATING CAPABILITY</b>	<b>-</b>	<b>-</b>

## 11. CAIRNS WATER AND WASTE

### Overview

Cairns Water and Waste (hereafter referred to as Water and Waste) is a commercial business unit of Cairns Regional Council with a charter for:

- Supplying safe, reliable drinking water to consumers
- Collection and treatment of domestic wastewater, commercial and industrial trade waste
- Collection, recycling and disposal of municipal solid waste
- Planning for and delivering water, wastewater and water infrastructure
- Maintenance of the community's water, wastewater and waste infrastructure
- Environmental management of water and waste infrastructure and facilities

Water and Waste has three service delivery areas comprising water supply, wastewater collection and treatment, and waste services. For reporting purposes under National Competition Policy, Water and Waste is classed as providing two significant business activities, these being water and wastewater (collectively) and waste services. Both the Water and Waste businesses are considered Type 1 business activities under the *Local Government Act 2009*. Accordingly, these businesses have been commercialised under this legislation and report to Council as such.

For the breakdown of financial operations and dividend return to Council please see the attached Annual Statement of Operations and the corresponding Financial Statements.

### Water Supply Operations

Water and Waste operates 12 water supply schemes. The main water sources are the Copperlode Falls Dam and Behana Creek which supply the area from Gordonvale to Palm Cove. The small southern communities draw water from a number of intakes on local streams.

Principal assets include:

<b>Major Water Sources</b>	Copperlode Falls Dam (Lake Morris) Behana Creek
<b>Major Treatment Plants</b>	Freshwater Creek at Tunnel Hill
<b>Minor Intakes</b>	Ten (10) minor (rural) intakes
<b>Kilometres of Mains</b>	2,081 kilometres

Major Capital Work projects undertaken within the water supply system in 2013/14 were;

- Behana Water Treatment Project
- Stanton Road Reservoir Access Road
- Draper Road Reservoir dedicated inlet main
- Meter Replacement Program
- Copperlode Dam De-stratification equipment upgrade

### Wastewater Operations

Water and Waste manages six wastewater schemes. The distinct catchment areas within Cairns are serviced by six plants as follows: Marlin Coast, Northern, Southern, Edmonton, Gordonvale and Babinda. The wastewater treatment plants are a combination of activated sludge and biological treatment processes, with the two larger plants also having membrane filtration processes. The smaller plants treat effluent to a secondary standard, while the larger plants treat to tertiary standards. The management of the systems is covered by a Development Approval issued by the Department of Energy and Water Supply.

Principal assets include:

<b>Major Treatment Plants</b>	6
<b>Sewerage Pump Stations</b>	188
<b>Kilometres of Mains</b>	1,320 kilometres

Major Capital Work projects undertaken within the wastewater system in 2013/14 were;

- Managing Contract – Pumps & Pipes (CRC SPS Program)
- Sewer relining program
- Manhole rehabilitation program
- Marlin Coast WWTP Sludge Dewatering System

### Waste Operations

Water and Waste manages a range of solid waste operations, activities and services across the region. These include kerbside waste and recycling collection contracts, a regional waste management contract for the treatment and disposal of wastes through an Advanced Resource Recovery Facility, a material recovery facility, transfer stations, a buy back shop for the resale of recovered materials, and the environmental monitoring of Councils closed landfills. The business focus is on waste minimisation and resource recovery primarily driven through the Waste Management Strategy.

Principal assets Include:

<b>Materials Recovery Facility</b>	Portsmith
<b>Waste Transfer Stations</b>	Babinda Gordonvale Portsmith Smithfield
<b>Buy Back Shop</b>	Portsmith
<b>Landfills (closed to the public)</b>	Portsmith Babinda Gordonvale Whiterock Machans Beach Yorkeys Knob
<b>Waste Treatment and Disposal</b>	Contractual arrangement with a commercial entity SITA Australia Pty Ltd to accept, treat and dispose of Council waste at an Advanced Resource Recovery Facility.

Major Capital works undertaken within Waste Services in 2013/14 were;

- Materials Recovery Facility (MRF) Upgrade
- Buyback Shop Upgrade
- Upgrade MRF Education Centre and staff amenities

## Annual Statement of Operations

Water and Waste's 2013/14 Annual Performance Plan (the Plan) is the agreement with Cairns Regional Council to deliver water, wastewater and solid waste services. The Plan describes Water and Waste's scope of activities, responsibilities, service to customers, the environment, asset management and its financial policies.

Water and Waste's mission during 2013/14 was:

*To deliver quality and reliable water, wastewater and waste services that meet the needs of our community*

In all undertakings Water and Waste strives to achieve service provision to the Cairns community in a manner which maximises both Council and community aspirations. This is achieved through economic, social and environmental objectives being assessed in all stages of Water and Waste operations from long term planning through to operational delivery.

## Amendments to Annual Performance Plan

Water and Waste has reported against the Plan on a monthly basis throughout the 2013/14 financial year, during which time there were no structural amendments to the Plan.

## Key Deliverables

The Plan meets the requirements for the two commercial business units of Council being:

- Water and Wastewater
- Waste Services (Cairns Resource Recovery)

Operationally, the units are managed as a single entity, Water and Waste. Water and Waste is responsible for the provision of water and wastewater services to consumers throughout the Cairns Region and the provision of municipal solid waste services to the community, including the following:

- Impounding, harvesting and treatment of raw water
- Reticulated treated water services
- Reticulated wastewater collection services including wastewater treatment and by-product disposal
- Treated effluent and biosolids for re-use purposes
- Planning, design, documentation and construction of water, wastewater and waste services infrastructure
- Collection, treatment and disposal and/or recycling of municipal solid wastes
- Trade waste services
- Review of plumbing applications

Water and Waste also provide the following services:

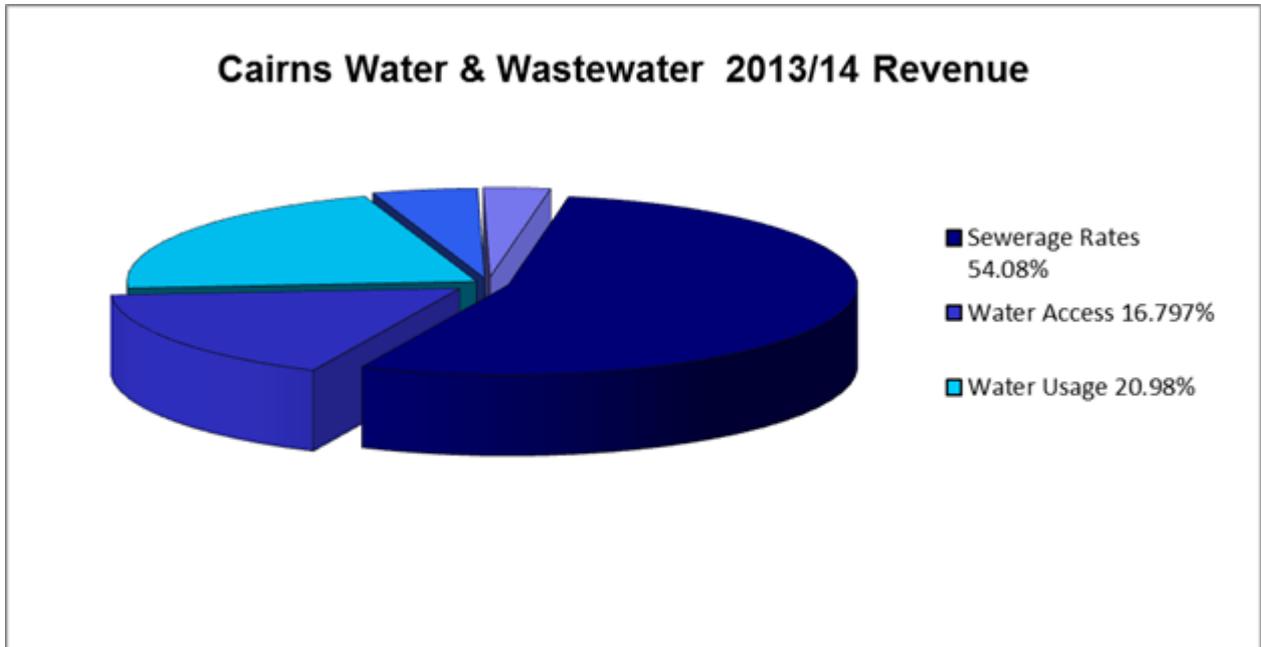
- Demand management services, including meter testing
- Hydraulic information
- As-constructed information
- Installation of new water services
- Miscellaneous maintenance services
- Recreational facilities at Copperlode Falls Dam
- Water laboratory

Community Service Obligations carried out by Water and Waste are as follows:

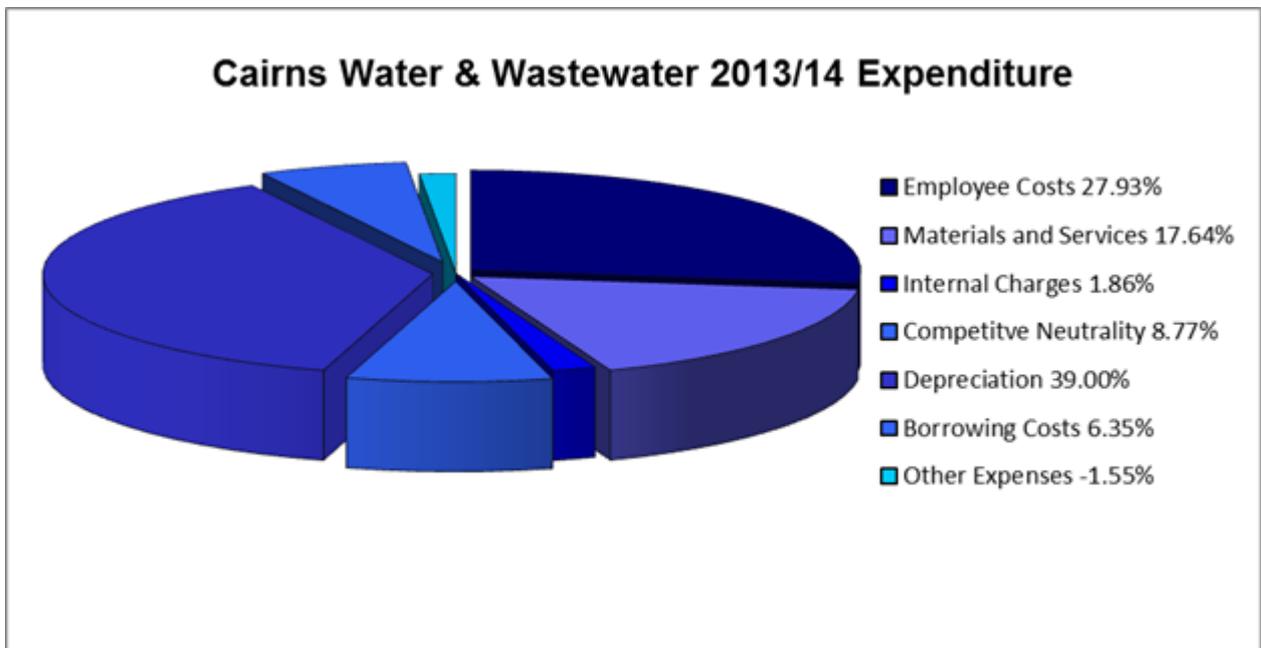
Activities	Community Service Obligation Description	2013/14
<b>Type 1 Activities</b>		
<b>Water</b>		
	Service locations - Telstra, etc	44,950
	Maintenance of fire hydrants	75,808
	Access Charges foregone	417,889
	Water charges foregone	1,652,826
	<b>Total</b>	<b>2,591,472</b>
<b>Wastewater</b>		
	Service locations - Telstra, etc	136,639
	Water charges	993,719
	<b>Total</b>	<b>1,130,358</b>
<b>Solid Waste Management</b>		
	Free dumping general waste	553,659
	Free disposal vouchers	10,500
	Free dumping vegetation	227,340
	Free mulch	76,946
	Free transportation costs between transfer stations	210,662
	Rates based financial assistance	41,683
	Schools Recycling	29,921
	In Kind Waste & Recycling Collections	4,735
	<b>Total</b>	<b>1,155,447</b>

**Financial Indicators – Water and Wastewater**

Water and Wastewater actual income was received from the following sources:



Water and Wastewater actual resources were allocated the following way:

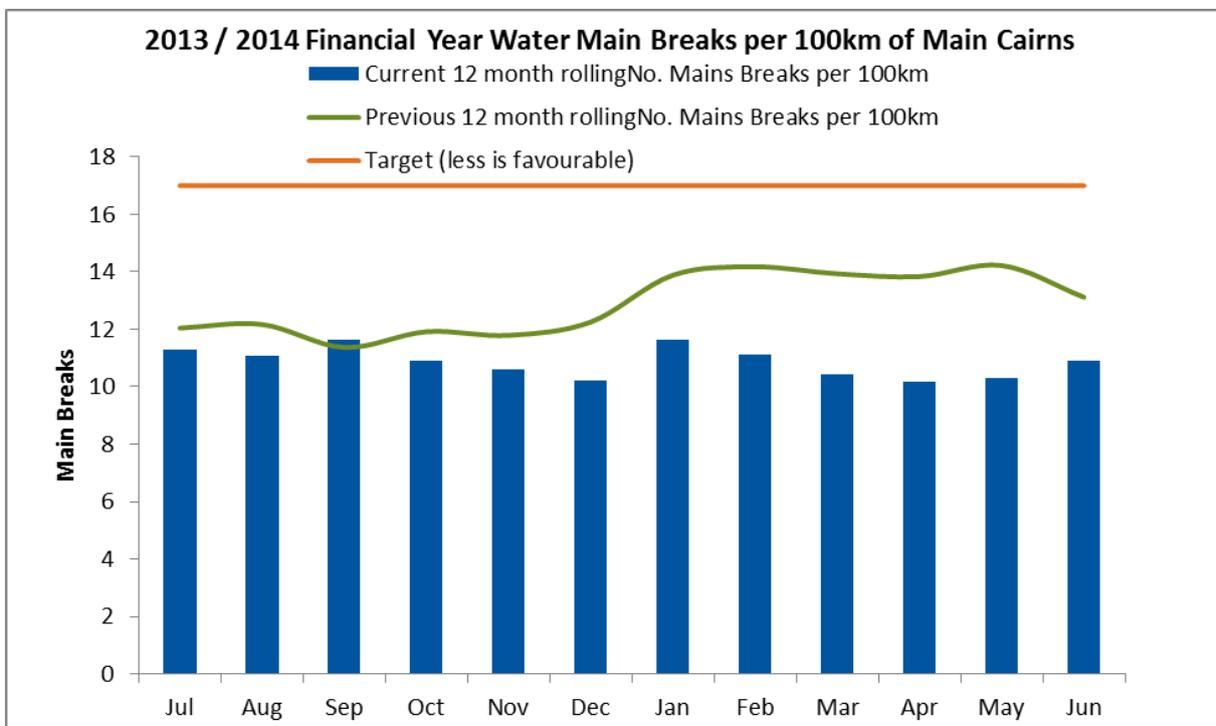
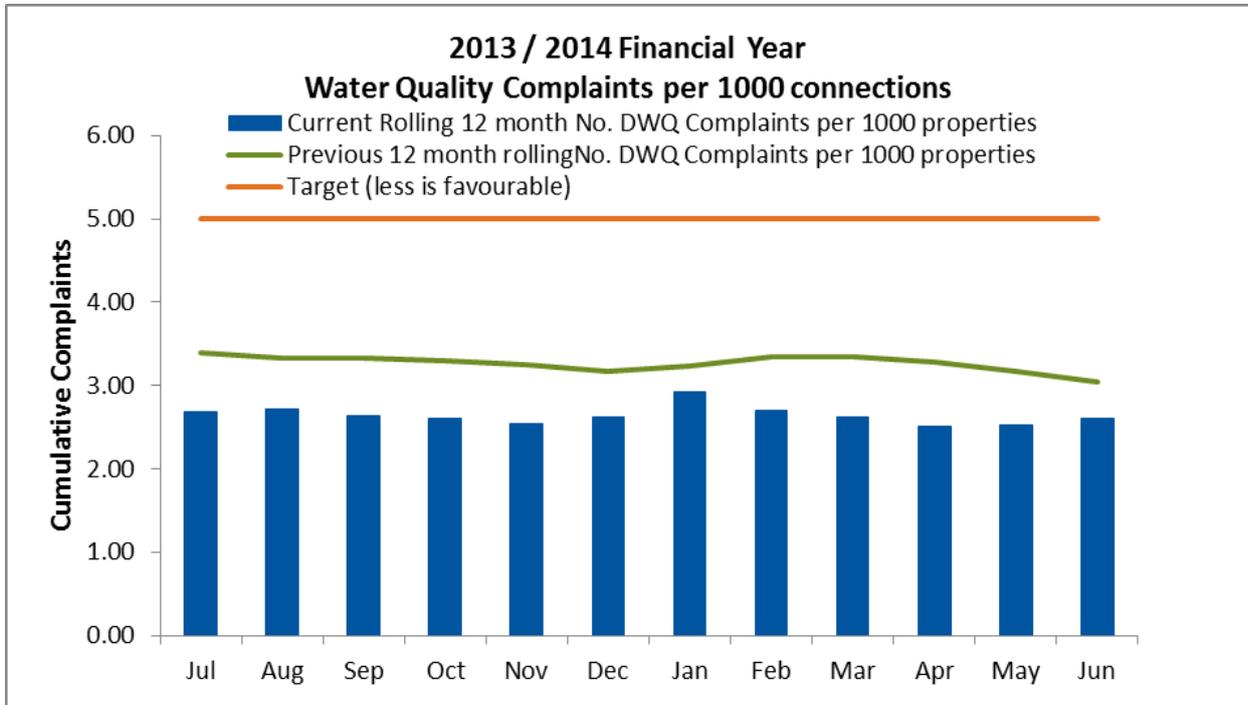


A detailed breakdown of all revenue and expenses associated with Water and Waste activities can be found in the Financial Statements.

### Service Indicators – Water and Wastewater Services

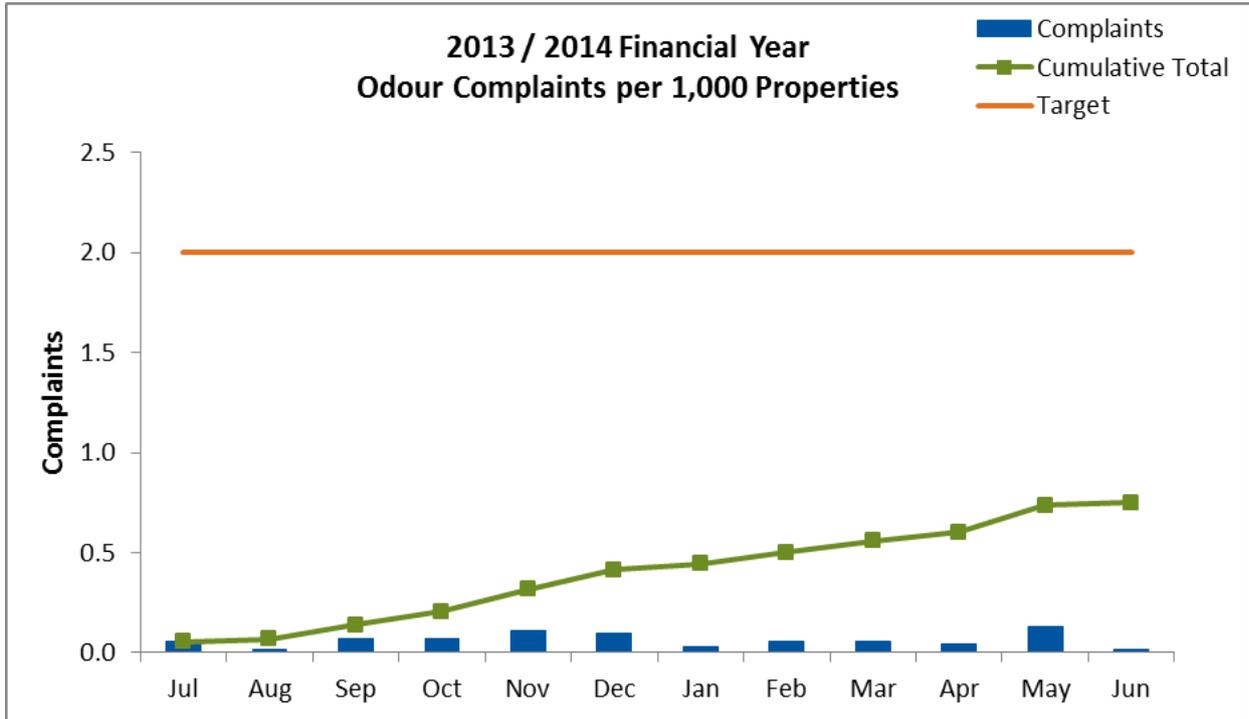
Water and Waste reports on the following service indicators as part of a benchmarking exercise. Listed below are some of the indicators reported on a monthly basis to Council.

#### Water

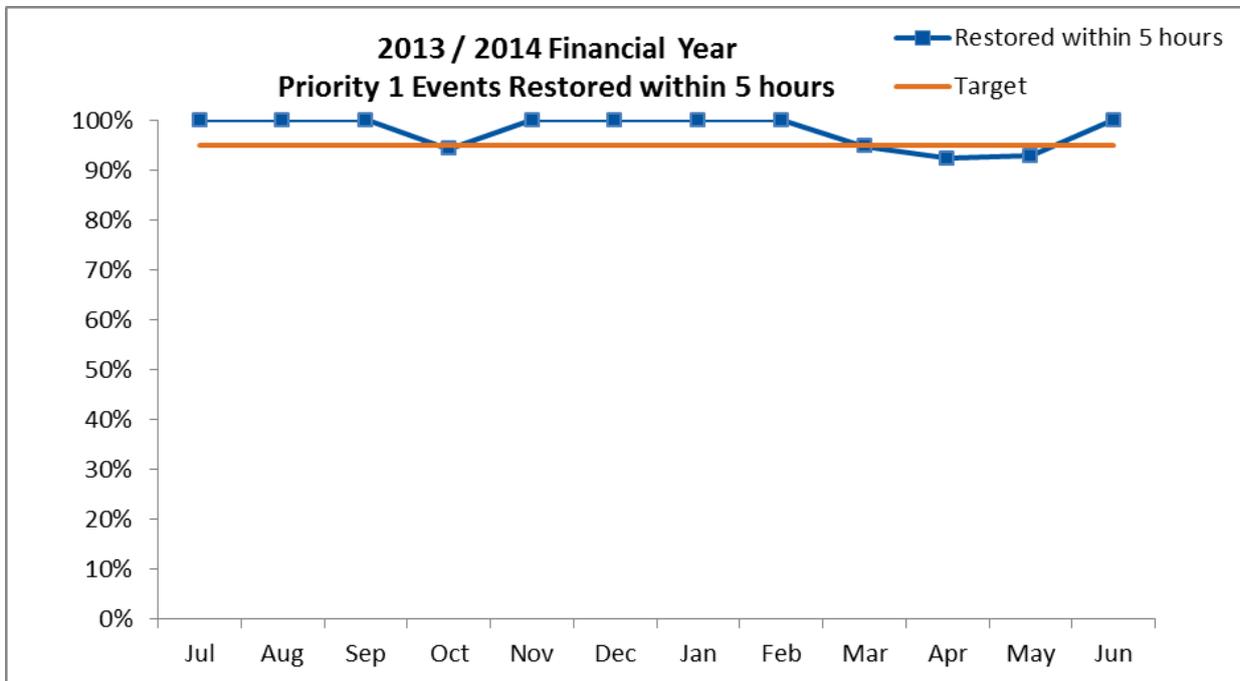


It is noted that the figures represented in the two graphs above are rolling averages over the previous 12 months.

**Wastewater**

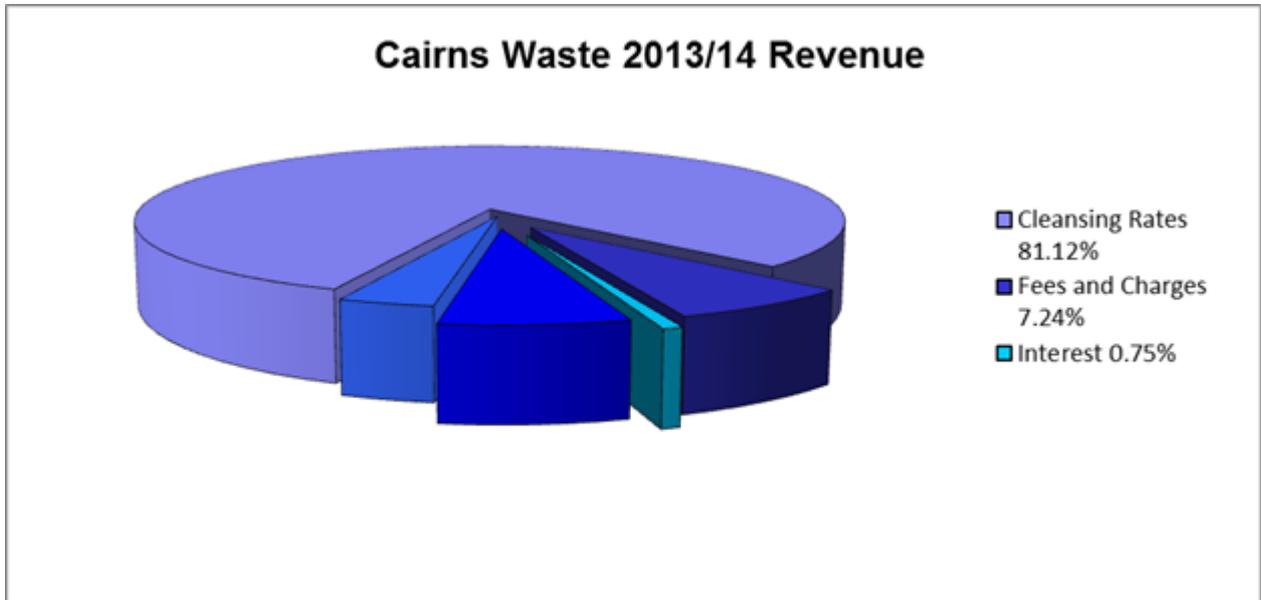


It is noted that the figures represented in the graph above is cumulative over the financial year.

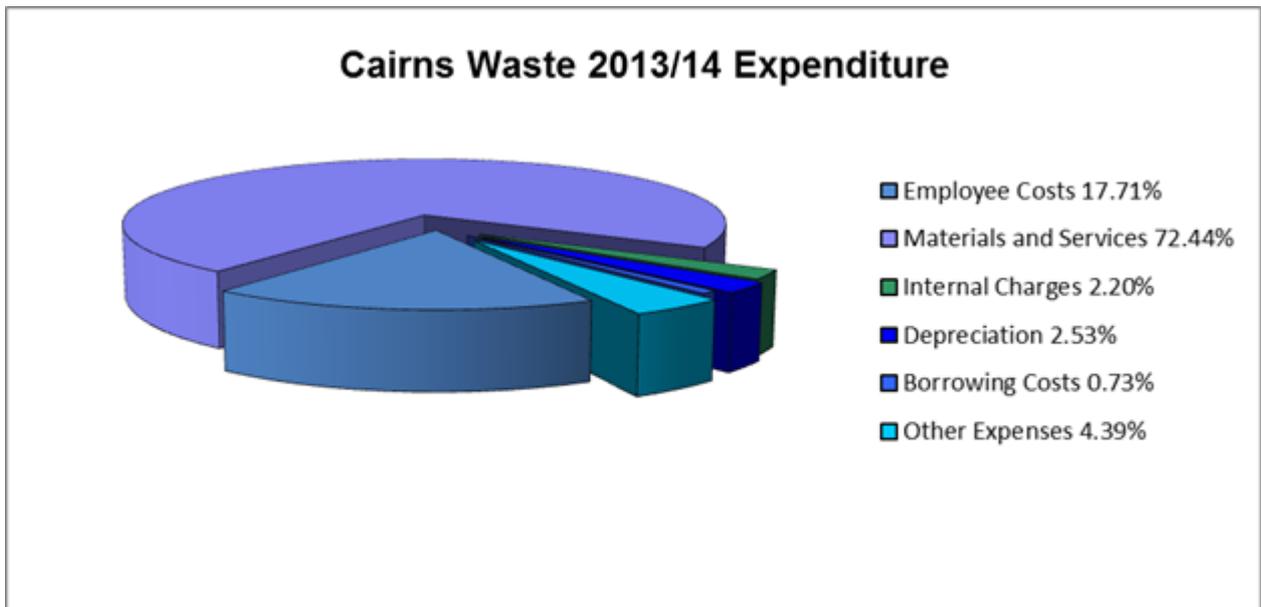


**Financial Indicators – Waste Service**

Waste’s actual income was received from the following sources:

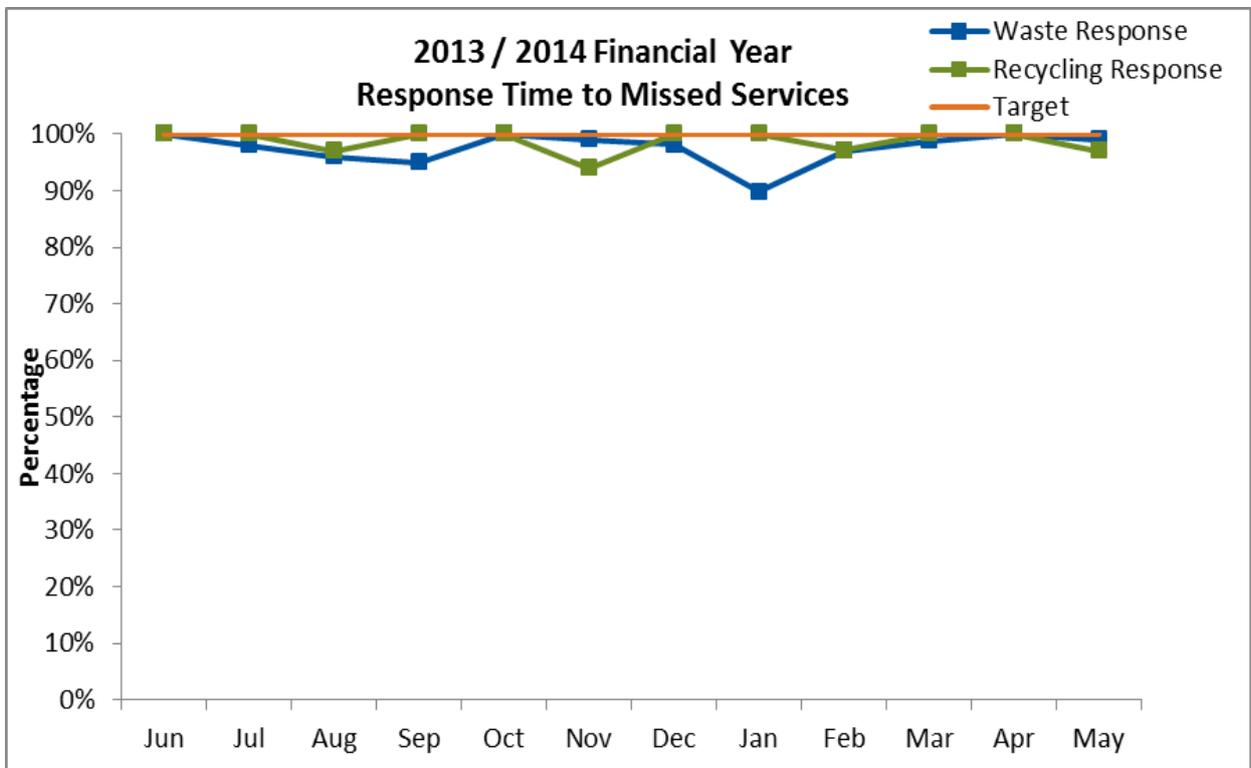
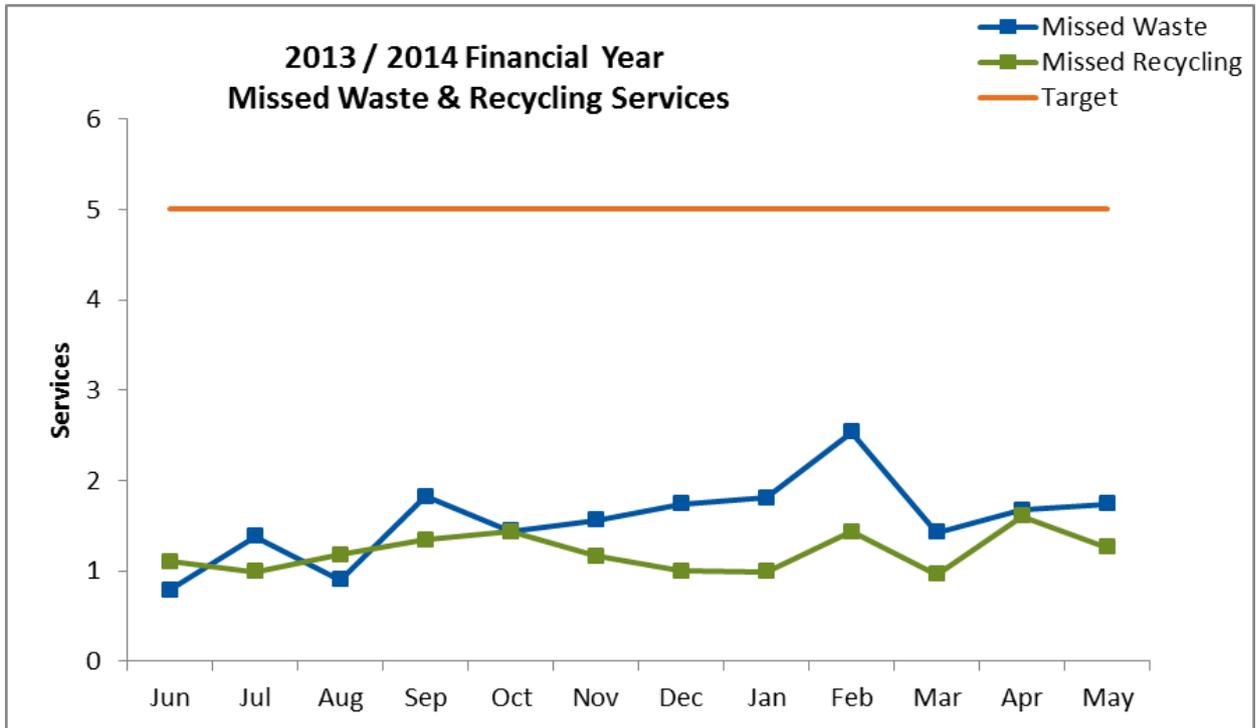


Waste’s actual resources were allocated the following way:



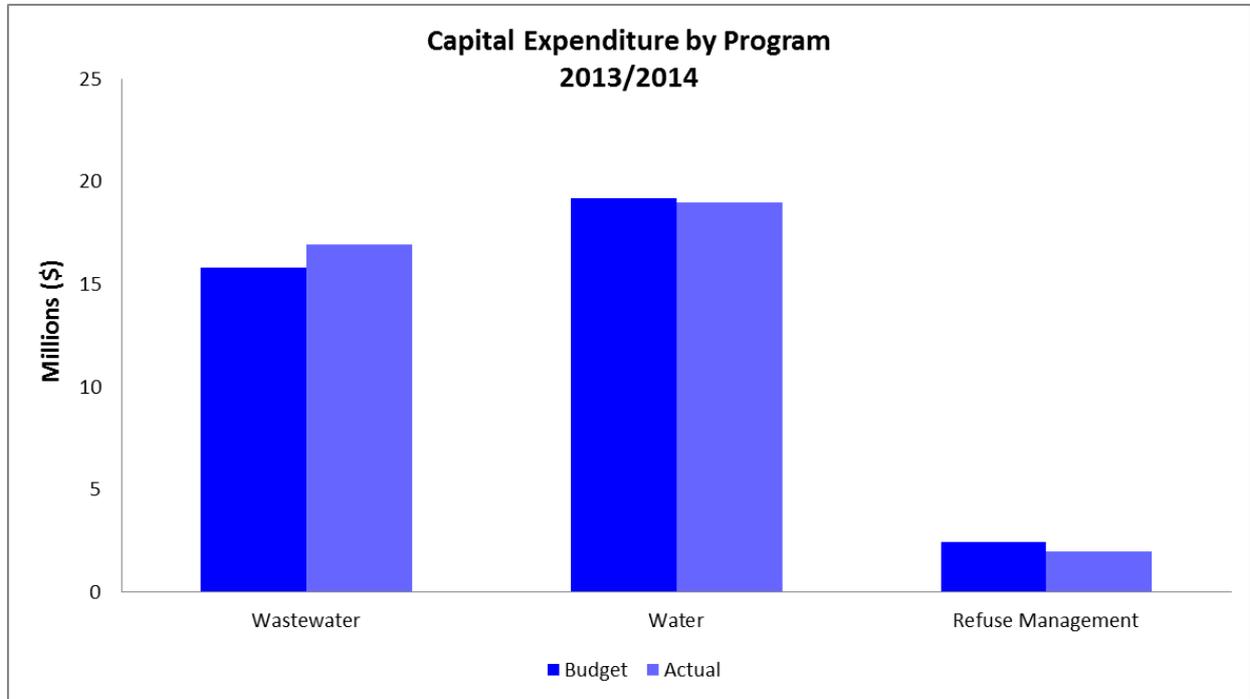
A detailed breakdown of all revenue and expenses associated with Water and Waste activities can be found in the Financial Statements.

**Service Indicators – Waste Services**



### Capital Works

Capital Works delivered by Water and Waste for Water, Wastewater and Waste Management totalled \$37.94 million. This expenditure was 101.25% of the budgeted amount of \$37.47 million.



**Cairns Water and Waste  
 Operating Statement**
**For the year ended 30 June 2014**

	2013/14 Actual \$	2013/14 Budget \$
<b>Operating Revenue</b>		
Rates and Utility Charges	135,986,914	135,440,529
Less Discount and Pensioner Remissions	(40,125)	(36,114)
	<u>135,946,789</u>	<u>135,404,415</u>
Fees and Charges	6,481,733	6,302,910
Interest	1,303,298	1,233,756
Miscellaneous Revenue	2,788,514	3,174,975
	<u>10,573,545</u>	<u>10,711,641</u>
Donations	3,522	-
Subsidies and Grants	-	36,402
	<u>3,522</u>	<u>36,402</u>
<b>Total Operating Revenue</b>	<b><u>146,523,856</u></b>	<b><u>146,152,458</u></b>
<b>Operating Expenditure</b>		
Employee Costs	24,446,030	24,850,539
Overtime	2,146,255	1,974,626
Agency/Temp Staff Costs	2,342,297	2,062,532
Materials	5,609,543	4,949,876
External Services	23,530,543	23,003,877
Legal Services	25,336	18,045
Consultancy Services	214,720	310,972
Travelling Expenditure	51,313	-
Other Services	5,031,090	4,802,014
Internal Charges	13,825,861	14,239,938
Internal Revenue	(11,633,051)	(11,852,433)
Depreciation and Amortisation Expenses	34,543,528	35,916,040
Bank Fees and Charges	3	-
Borrowing Costs	5,706,905	5,617,361
Bad and Doubtful debts	(26,075)	-
Other Expenses	(1,262,407)	74,123
Competitive Neutrality Charges	3,848,398	3,949,546
	<u>108,400,289</u>	<u>109,917,056</u>
Less Expenses Capitalised	(2,364,301)	(2,024,174)
<b>Total Expenses</b>	<b><u>106,035,988</u></b>	<b><u>107,892,882</u></b>
<b>OPERATING CAPABILITIES BEFORE CAPITAL AND INCOME TAX &amp; DIVIDENDS</b>	<b><u>40,487,868</u></b>	<b><u>38,259,576</u></b>
Income Tax Expense/(Benefit)	13,427,990	11,568,183
Dividend Expense/(Income)	27,060,655	26,691,393
<b>Operating Capabilities before Capital and after Income Tax &amp; Dividends</b>	<b><u>(777)</u></b>	<b><u>-</u></b>
<b>Capital Items</b>		
Gain (Loss) on Disposal of Property Plant and Equipment	(1,352,736)	(2,020,000)
Gain (Loss) on Disposal of Developed Land	-	-
Contributions	3,182,889	2,321,033
Contributed Assets	2,415,165	2,439,364
Subsidies and Grants	26,003	-
	<u>4,271,321</u>	<u>2,740,397</u>
<b>INCREASE/(DECREASE) IN OPERATING CAPABILITY</b>	<b><u>4,270,544</u></b>	<b><u>2,740,397</u></b>

## 12. LIST OF BUSINESS ACTIVITIES (CODE OF COMPETITIVE CONDUCT)

*Local Government Act 2009 s.45: ...A local government's annual report for each financial year must—*

- (a) contain a list of all the business activities that the local government conducted during the financial year; and
- (b) identify the business activities that are significant business activities; and
- (c) state whether or not the competitive neutrality principle was applied to the significant business activities, and if the principle was not applied, the reason why it was not applied; and
- (d) state whether any of the significant business activities were not conducted in the preceding financial year, i.e. whether there are any new significant business activities

A list of business activities is located in Note 35 to the Financial Statements.

## 13. COMMUNITY FINANCIAL REPORT

*Local Government Act 2009 s.104: ...*

- (1) To ensure that local governments are financially sustainable, each local government must implement systems to meet the following financial sustainability criteria—
  - (a) financial risks are to be managed prudently;
  - (b) financial policies are to be formulated—
    - (i) to ensure a reasonable degree of equity, stability and predictability; and
    - (ii) so that current services, facilities and activities are financed by the current users of the services, facilities and activities; and
    - (iii) having regard to the effect of the policies on the future users of services, facilities and activities;
  - (c) full, accurate and timely information about the local government's finances and infrastructure (including a report mentioned in section 104(7), for example) is to be made available to the public on the local government's website.

## INTRODUCTION:

This community financial report shows a summary of the Financial Statements with the aim of providing understandable information to the members of our community. The use of graphs allows readers to easily evaluate Council's financial performance and financial position. In addition, this report includes key financial statistics and ratios that can also be useful indicators of Council's performance.

The Financial Statements in this report cover a 12 month period ending 30 June 2014. The Financial Statements contained in this report include:

- **Statement of Comprehensive Income** – displays Council's revenue and expenses with the resulting profit or loss amount known as the net result attributable to Council. This also displays Council's other comprehensive income.
- **Statement of Financial Position** – displays the assets (what we own), liabilities (what we owe) and community equity (total assets minus total liabilities). Community equity can be a reflection of how healthy the position of Council is at a given point in time.
- **Statement of Cash Flows** – reports how revenue received and expenses paid impact on Council's cash balances.
- **Statement of Changes in Equity** – presents a summary of transfers to and from equity accounts including retained deficit, capital and other reserves.
- **Notes to the Financial Statements** – provides a detailed breakdown of all significant items in the Financial Statements and what these items represent.
- **Long-Term Measures of Financial Sustainability** – presents three sustainability indicators which have been set by the Department of Local Government, Community Recovery and Resilience to help monitor the long-term sustainability of all Council's across Queensland.

Council has faced a number of challenges this reporting year, such as the ongoing economic difficulties across the local community and the increase in demand for services, maintenance and infrastructure requirements due to growth.

As a result of the *Local Government (De-amalgamation Implementation) Regulation 2013* (LGDIR) the Douglas Shire Council was re-established on 1 January 2014, based on the boundaries as they existed immediately prior to the 2008 amalgamations. On 1 January 2014, the Douglas Shire Council commenced operations and the continuing Cairns Regional Council now operates independently of the excised Douglas Shire component. Refer to note 11 of the Financial Statements for further details.

In accordance with directions issued within the LGDIR, made under *the Local Government Act 2009*, AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* has been applied to Council's 2013/14 audited financial statements to present the financial statements with the discontinuing Douglas Shire Council removed including the 2012/13 comparatives. The community financial statements below have been presented including the Continuing

and Discontinued operation and will therefore not reconcile back to the audited financial statements.

### END OF YEAR FINANCIAL STATEMENTS FOR 2013/14 AT A GLANCE:

Operating Revenue	\$291,060,819
Operating Expenses	(\$283,676,273)
<b>Operating Position</b>	<b>\$7,384,546</b>
Capital Income	\$28,071,186
Capital Expense	(\$5,956,209)
<b>Net Result before de-amalgamation</b>	<b>\$29,499,523</b>
Loss on de-amalgamation	(\$341,243,592)
<b>Net Result after de-amalgamation</b>	<b>(\$311,744,069)</b>
Current Assets	\$118,909,498
Non-Current Assets	\$3,089,674,974
<b>Total Assets</b>	<b>\$3,208,584,472</b>
Current Liabilities	\$54,400,325
Non-Current Liabilities	\$94,321,005
<b>Total Liabilities</b>	<b>\$148,721,330</b>
<b>Net Community Assets</b>	<b>\$3,059,863,142</b>

The net effect of the removal of Douglas Shire Council from Council's balance sheet resulted in a capital loss of \$341,243,592. Refer to note 11 of the Financial Statements for further details.

### BACKGROUND

#### ASSUMPTIONS AND PRINCIPLES:

Under the requirements of the *Local Government Regulation 2012*, Council is required to prepare general purpose Financial Statements for the period. This report has been prepared in accordance with Australian Accounting Standards and complies with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

Council controls and manages infrastructure assets that are largely unique to the public sector. These infrastructure assets include roads, bridges, footpaths, water reticulation and sewerage assets, which generally have very long useful lives and can only be used for providing local government services. The costs associated with the maintenance, depreciation and replacement of these assets form a material part of Council's annual

expenditure. Due to the long lives of these assets the associated costs identified will be spread across different generations of ratepayers, hence effective management of these assets will help to ensure there is intergenerational equity among ratepayers with no generation unnecessarily subsidising or being subsidised by another.

Council continues to implement the Asset Management Development Program in order to facilitate sound strategic asset management decisions including the allocation of depreciation funding.

Council’s Debt Policy aims to finance capital works and new assets to the greatest extent possible from revenue, grants and subsidies or any specific reserves primarily established to fund capital works. Operating activities or recurrent expenditure cannot be funded by borrowings.

The business activities of Cairns Water, Cairns Resource Recovery (Cairns Waste) and Cairns Works return a dividend to Council in recognition that they have been established to further good governance. Dividends are then utilised to provide services and infrastructure to the community.

## CORPORATE FINANCIAL STATEMENTS

### STATEMENT OF COMPREHENSIVE INCOME

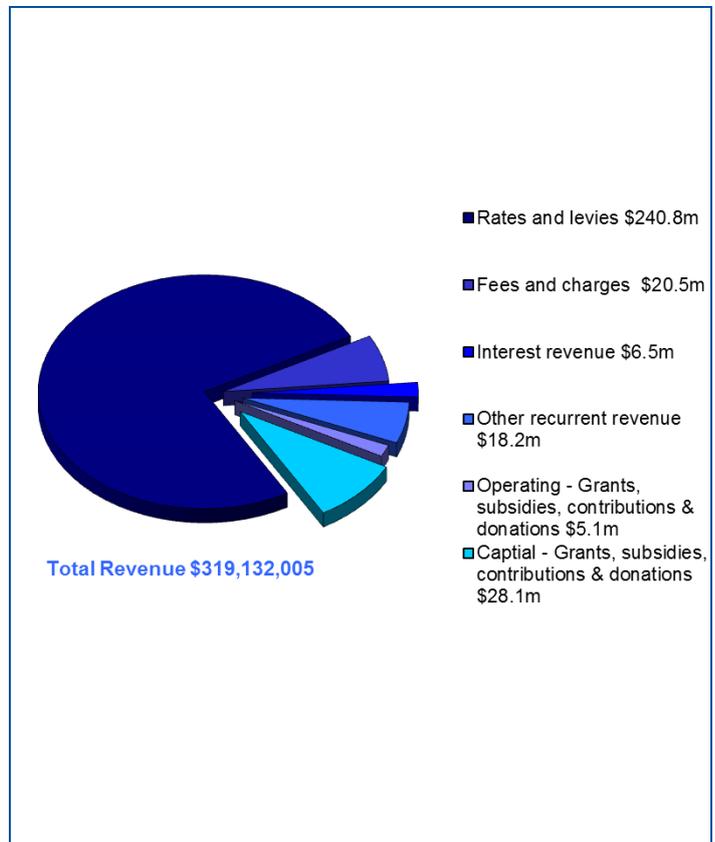
#### REVENUE:

##### Comment:

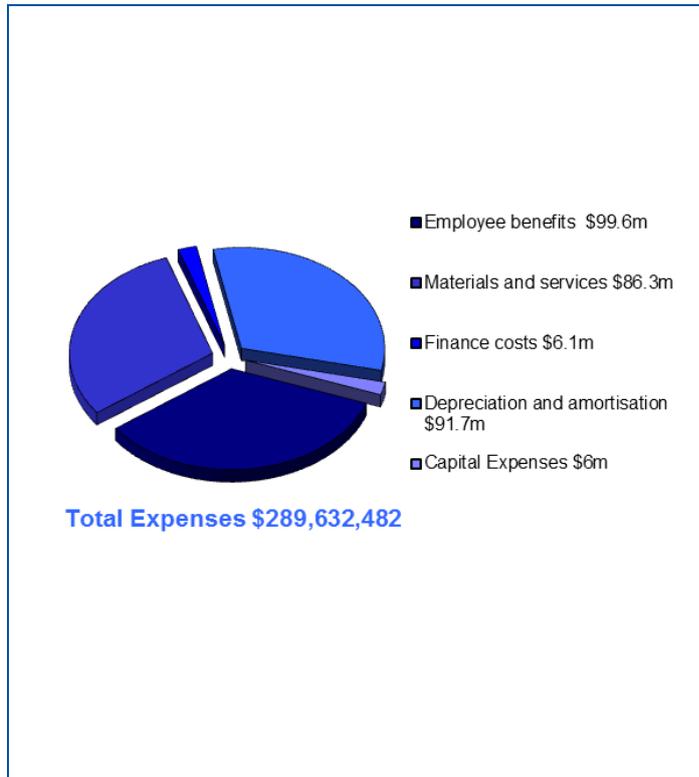
Revenue for the 2013/14 financial year is sourced from various items as shown in the following graph.

More than half of Council’s revenue (75.5%) is sourced from net rates and utility charges. Another significant source of revenue is capital grants, subsidies and donations (8.8%), which are received solely for the purpose of funding current and future capital works in order for Council to continue to supply important infrastructure to the community.

Council’s contributions income is dependent upon development demand. This has improved slightly during the 2013/14 financial year as a result of a minor recovery in the economy.



**EXPENSES:**



**Comment:**

Materials and services and employee costs make up 29.5% of the total expenditure for Council. Council has a strong labour workforce to provide maintenance, water and waste services, planning, community, sport and cultural services and capital infrastructure for the community.

Materials and services include advertising agency and temporary staff costs, audit fees, communication and IT, consultancy services, donations, electricity, external hire, external services, garbage collection services, grants to community groups, rentals, repairs and maintenance and travel. Refer to note 7 of the Financial Statements for further details.

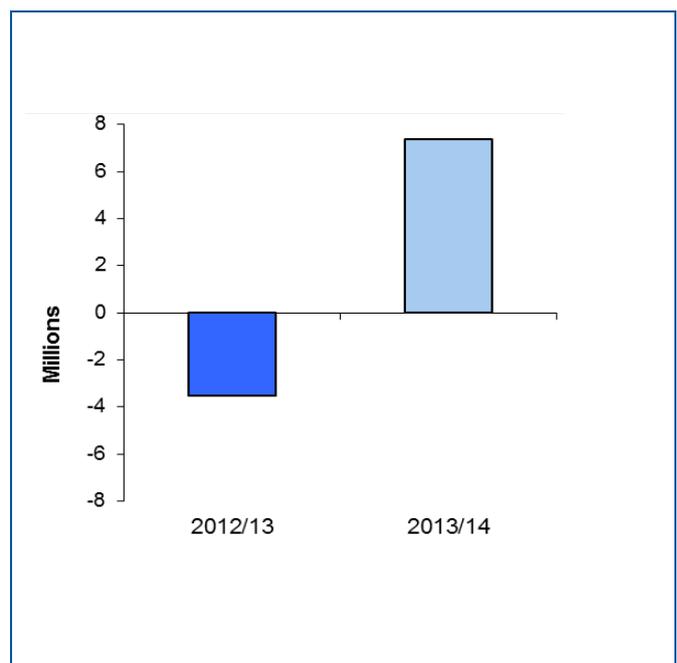
**OPERATING POSITION:**

Council’s operating position reflects the organisation’s ability to meet its day-to-day running costs from operating revenue. This includes its ability to fully fund the depreciation of assets.

**Comment:**

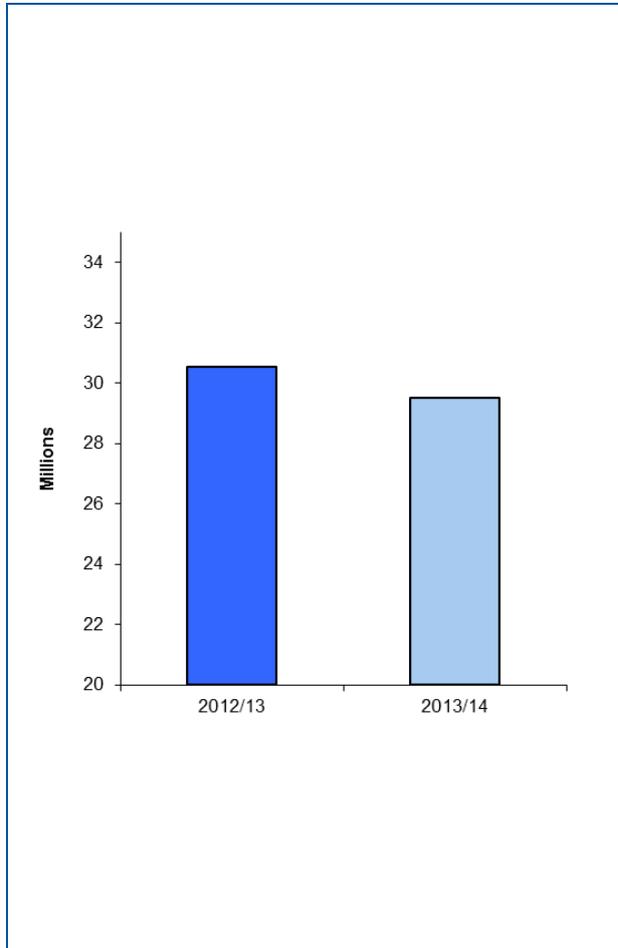
The operating position is calculated by taking total operating expenses (\$283,676,273) from total operating revenue (\$291,060,819) and does not include revenue or expenditure amounts for capital projects. This graph shows the operating revenue and expenses for 2013/14 compared to the 2012/13 financial period.

Council’s operating position as at 30 June 2014 is a surplus of \$7,384,546 which has increased from a deficit of \$3,504,763 in the 2012/13 financial period. This is a positive result and reflects Council’s commitment to efficient and effective delivery of services.



**NET RESULT:**

Council’s net result reflects total revenue less total expenses, this includes capital revenue and expenditure however does not include any adjustments for asset revaluations or the loss



**Comment:**

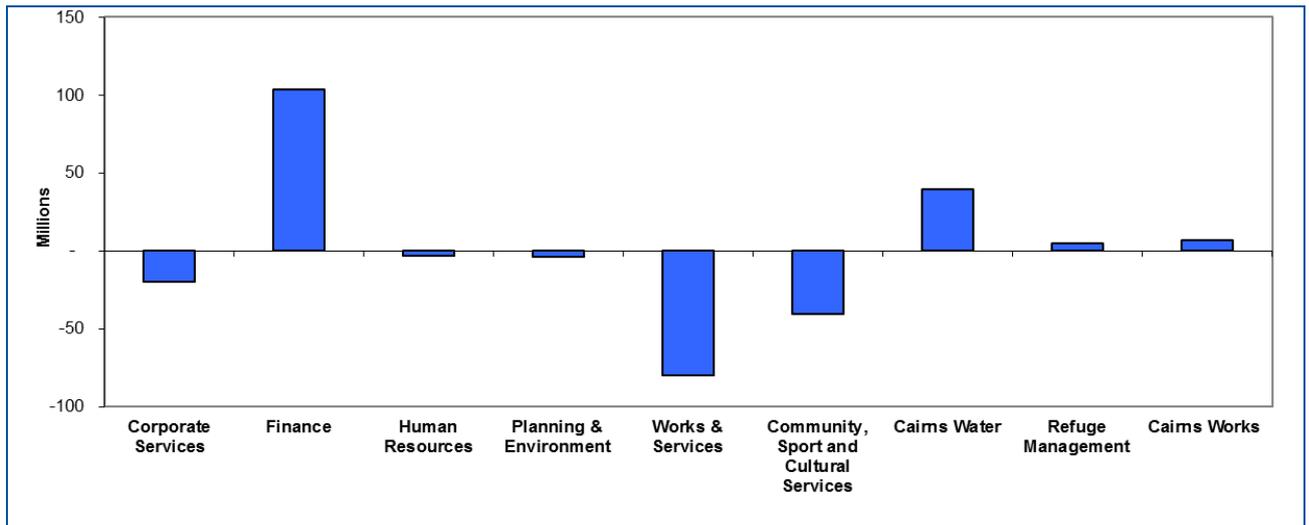
This result does not necessarily represent surplus funds available for general use as some significant items of revenue are restricted as follows:

- Non-monetary revenue – infrastructure assets contributed by developers such as roads, drains, sewerage mains and water mains represent non-cash revenue which is not available for Council operations or future capital expenditure.
- Developer contributions – cash contributions made by developers to fund future infrastructure assets have restrictions placed on their use and are constrained to capital reserves.
- Other constrained revenue – raised from other sources, including special levies constrained to reserves for specific purposes, for example Blue Water special charge levy.

**OPERATING REVENUE AND EXPENSES BY DEPARTMENT**

**Comment:**

The following graph illustrates operating revenue and expenses for each of Council’s departments and business units for the 2013/14 financial year.



## STATEMENT OF FINANCIAL POSITION

### ASSETS

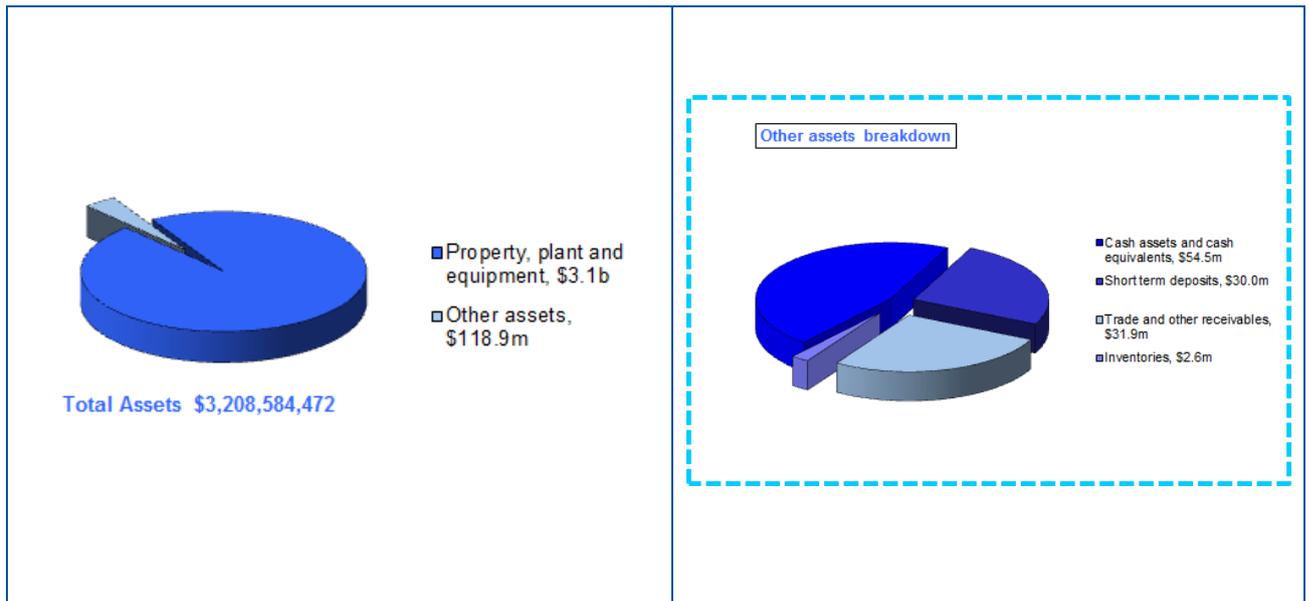
	2012/13	2013/14
Current Assets	\$117,997,398	\$118,909,498
Non-Current Assets	\$2,977,698,875	\$3,089,674,974
<b>Total Assets</b>	<b>\$3,095,696,273</b>	<b>\$3,208,584,472</b>

### Comment:

Council assets as at 30 June 2014 total \$3,208,584,472. This includes \$118,909,498 of current assets (liquid assets or amounts due to be received within twelve months) and \$3,089,674,974 of non-current assets. Property, plant and equipment makes up 96.3% of total assets.

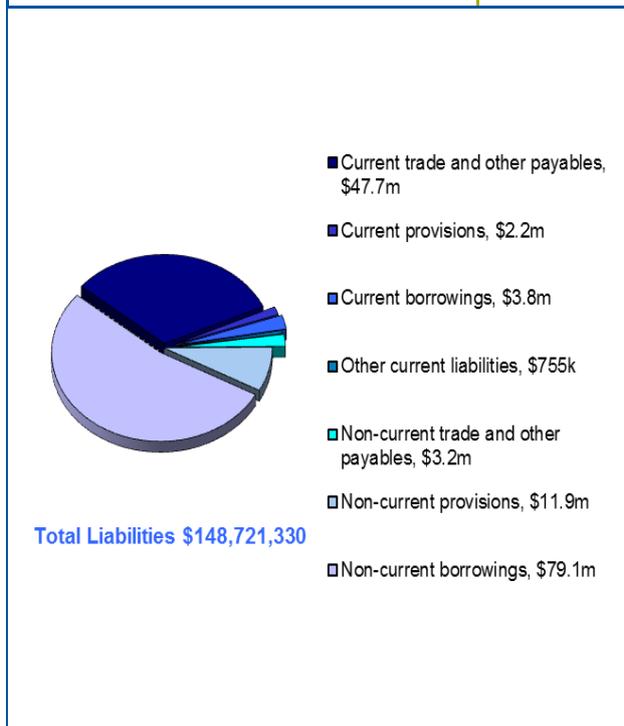
As shown in this graph, current assets consist of cash and cash equivalents, short term deposits, trade and other receivable and inventories. Non-current assets consist of long term assets like property, plant and equipment and capital works in progress.

Total assets exclude the assets transferred to Douglas Shire Council on 31 December 2013



## LIABILITIES

	2012/13	2013/14
Current Liabilities	\$59,376,769	\$54,400,325
Non-Current Liabilities	\$98,324,668	\$94,321,005
<b>Total Liabilities</b>	<b>\$157,701,437</b>	<b>\$148,721,330</b>



### Comment:

Total liabilities as at 30 June 2014 are \$148,721,330. This includes \$54,400,325 of current liabilities (due to be paid out within twelve months) and \$94,321,005 of non-current liabilities. Liabilities mostly consist of loans, amounts owing to suppliers and amounts owing to employees for leave entitlements.

Interest bearing liabilities represent the largest component within Council's liabilities and consist of loans from Queensland Treasury Corporation (QTC). Council loan borrowings are discussed further in the Queensland Treasury Debt section.

Total liabilities exclude the liabilities transferred to Douglas Shire Council on 31 December 2013.

**COMMUNITY EQUITY**

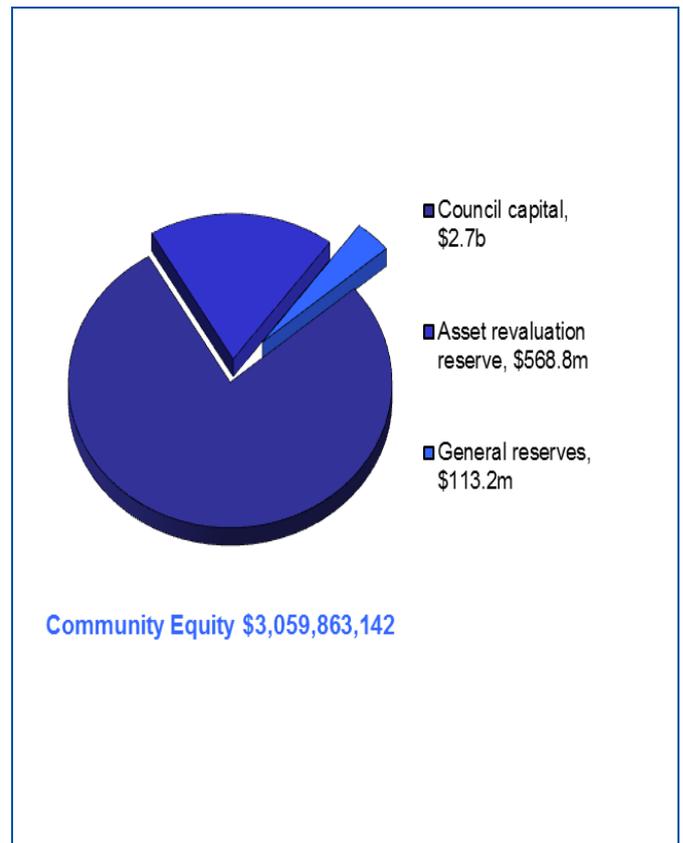
	2012/13	2013/14
Total Community Equity	\$3,278,660,845	\$3,059,863,142

**Comment:**

Council’s total community equity as at 30 June 2014 is \$3,059,863,142. Community equity is equal to total assets (what we own) minus total liabilities (what we owe) and represents Council’s investment in assets.

Restricted capital cash funds consist of unspent capital grants and developer contributions as well as special purpose reserves for funds constrained for future use. The operation of these reserves is outlined in Council’s General Reserves Policy.

On 23 June 2014, Council passed a resolution to close its existing reserves with the exception of the Constrained Works Reserve, Public Art Reserve, Bluewater Reserve and Southern Corridor reserve as these have external restrictions placed upon them.

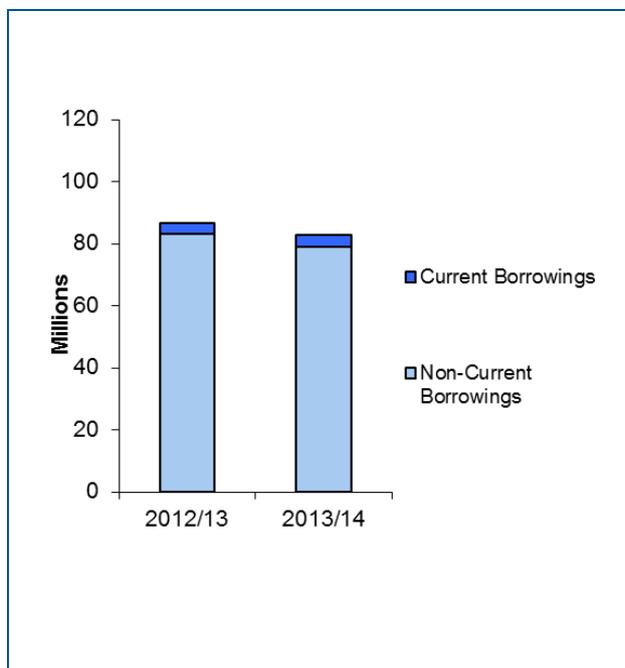


The asset revaluation reserve represents the increase in values of property, plant and equipment.

Further details can be found in the notes to the financial statements from note 23 to 24.

**QUEENSLAND TREASURY DEBT**
**BORROWINGS**

	2012/13	2013/14
Current Borrowings	\$3,630,503	\$3,772,164
Non-Current Borrowings	\$85,202,611	\$79,133,094
<b>Total QTC Borrowings</b>	<b>\$88,883,114</b>	<b>\$82,905,258</b>


**Comment:**

During the year Council did not take out any new loans, however made principal repayments of \$3,645,362 and interest payments of \$5,756,945. The loan balance at year end is \$82,905,258.

Council's current Debt Policy stipulates that:

- Council will not use long-term debt to finance operating activities or re-current expenditure of Council.
- The interest coverage ratio (whole of Council) should remain less than 5%.

**DEBT SERVICE PAYMENTS**

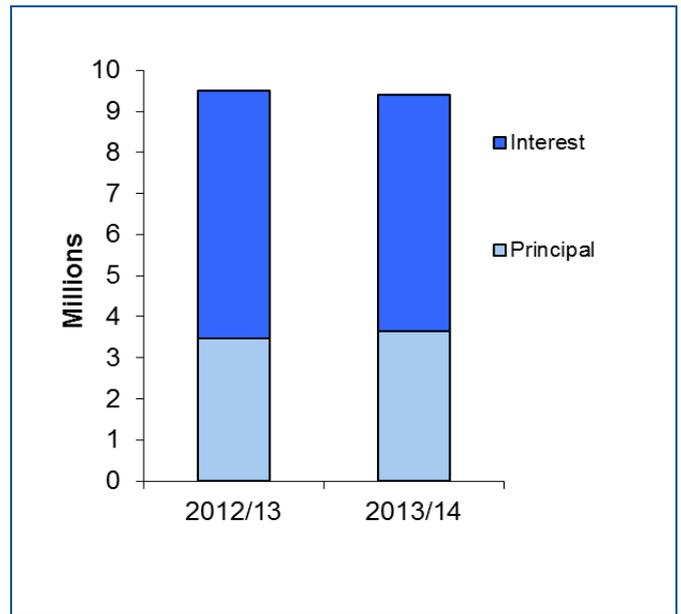
	2012/13	2013/14
Principal	\$3,478,694	\$3,645,362
Interest	\$6,016,430	\$5,756,945
<b>Total Debt Service Payments</b>	<b>\$9,495,124</b>	<b>\$9,402,307</b>

**Comment:**

Principal and interest repayments are made on these borrowings on a monthly basis in accordance with the terms and conditions set by Queensland Treasury Corporation. The repayment terms are reviewed on a regular basis in order to ensure that the expected loan term aligns with market movements.

As at 30 June 2014 Council's debt per rateable property is \$1,167.

This graph shows the debt service payments for the year split between principal and interest paid.



**FINANCIAL RATIOS**

The following ratios are designed to provide an indication of the performance of Council against key financial sustainability criteria which should be met to ensure the prudent management of financial risks in accordance with section 178 of *Local Government Regulation 2012*. The benchmarks used are within Department of Local Government, Community Recovery and Resilience (DLGCRR) guidelines.

Ratio	Description	Formula	Bench mark	2012/13	2013/14	Within limits
<b>Asset Sustainability Ratio</b>	This is an approximation of the extent to which the infrastructure assets managed by Council are being replaced as they reach the end of their useful lives.	Capital expenditure on renewals	>90%	<b>137.7%</b>	<b>103.82%</b>	<input checked="" type="checkbox"/>
		Depreciation expense				
<b>Net financial liabilities ratio</b>	This is an indicator of the extent to which the net financial liabilities of Council can be serviced by its operating revenues.	Total Liabilities less Current Assets	<=60%	<b>5.27%</b>	<b>10.91%</b>	<input checked="" type="checkbox"/>
		Total Operating Revenue				
<b>Operating surplus ratio</b>	This is an indicator of the extent to which revenues raised cover operational expenses only or are available for capital funding purposes.	Net Operating Surplus	0-10%	<b>(1.20%)</b>	<b>0.90%</b>	<input checked="" type="checkbox"/>
		Total Operating Revenue				

## CONCLUSION

During the 2013/14 financial year Council has continued to address the challenges presented by the ongoing economic downturn and have remained committed to sound financial management, using strategies like the long term financial forecast, annual operational plan and regular budget reviews.

Further details and breakdowns of all of the above items can be found in the audited Financial Statements and the detailed notes to the Financial Statements.

## 14. CAPITAL WORKS PROJECTS

During the 2013/14 financial year expenditure on capital works was \$128m.

### Capital Works Highlights

Council completed the following works program during the period 1 July 2013 to 30 June 2014.

#### Infrastructure Services

Major Items	\$
<b>Transport and Mobility</b>	
Bridge infrastructure	\$757,020
Depot improvements	\$94,133
Fleet replacement	\$5,149,603
Footpath / cycleway infrastructure	\$4,224,593
Street lighting	\$1,880,140
Kerb and channel infrastructure	\$1,134,755
Minor road infrastructure	\$26,573,127
Reseals and overlay	\$1,650,607
Road and pavement rehabilitation	\$685,774
Transport and traffic facilities	\$777,167
Road Infrastructure – Local Roads of Regional Significance	\$1,703,390
Road Infrastructure – Roads to Recovery	\$701,002
Road Infrastructure – National Disaster Relief & Recovery Arrangements	\$8,594,331
	<b>\$53,925,642</b>

Major Items	\$
<b>Stormwater Management</b>	\$4,463,579
	<b>\$4,463,579</b>

Major Items	\$
<b>Health, Safety and Community Development</b>	
CCTV	\$626,528
Barlow Park Sporting Precinct	\$362,301
Buildings – General	\$1,116,367
Inner City – Esplanade Upgrades	\$1,627,739
Local Parks	\$2,532,961
Caravan Parks	\$290,227
Other parks and foreshore infrastructure	\$3,981,475
Cemeteries	\$1,111,603
Other sporting facilities	\$6,972,831
Playground equipment	\$123,302
Swimming Pools	\$1,168,264
Botanic reserves (inc. Sugarworld Gardens)	\$272,006
Miscellaneous Community & Cultural Development	\$3,706,453
	<b>\$23,892,056</b>

### Water & Waste

Major Items	\$
<b>Wastewater Infrastructure</b>	
Sewer pump station upgrade switchboard Pier Point Road	\$2,381,615
Insitu Sewer Relining	\$2,830,139
Pumps and Pipes Program	\$2,037,795
Manhole Rehabilitation	\$1,604,007
Pump Upgrades	\$3,203,961
	<b>\$12,059,517</b>

Major Items	\$
<b>Water Infrastructure</b>	
Redlynch Reservoir	\$1,055,705
Stanton Road Water Supply Upgrade	\$1,474,485
Draper Road Reservoir	\$1,165,149
Babinda Reservoir Upgrade	\$764,733
Copperlode Falls Dam Upgrades	\$1,924,951
Marlin Coast recycled water treatment plant	\$611,258
Meter Replacement Program	\$939,619
	<b>\$7,935,900</b>

Major Items	\$
<b>Solid Water Infrastructure</b>	
Materials Recovery Facility – Plant Upgrades – Installing Glass Crusher, Sealing & Expanding Storage / Traffic Areas	\$1,321,180
Transfer Stations	\$227,655
Buyback shop upgrades	\$235,771
Landfills	\$138,182
	<b>\$1,922,788</b>

### Planning and Environment

Major Items	\$
<b>Planning &amp; Environment</b>	
Regulated Parking	\$479,046
	<b>\$479,046</b>

**Corporate Services**

Major Items	\$
<b>Information Technology</b>	
Desktop replacement, network upgrades and software	\$5,526,740
	<b>\$5,526,740</b>

**Community, Sport and Cultural Services**

Major Items	\$
<b>Community, Sport &amp; Cultural Services</b>	
Library	\$1,003,529
Tanks Art Centre	\$166,827
	<b>\$1,170,356</b>

## 15. SPECIAL EXPENDITURE REPORTING CATEGORIES

*Local Government Regulation 2012 s.188:* ... The annual report for a financial year must contain the following information about any overseas travel made by a councillor or local government employee in an official capacity during the financial year—

- (a) for a councillor—the name of the councillor;
- (b) for a local government employee—the name of, and position held by, the local government employee;
- (c) the destination of the overseas travel;
- (d) the purpose of the overseas travel;

### Overseas Travel

Name/Position	Destination	Purpose	Amount \$
T. James Councillor of Division 4	China	Trade & Investment Mission 24 – 30 July 2013	5,513
K. Reaston General Manager Planning & Environment	China	Trade & Investment Mission 24 – 30 July 2013	4,544
B. Manning Mayor	China	Trade Mission 21 – 29 September 2013	11,723
A. Morris Personal Assistant to the Mayor	China	Trade Mission 21 – 29 September 2013	12,024
P. Tabulo Chief Executive Officer	United Kingdom	LGAQ Study Tour 5-11 April 2014	3,817
<b>Total Overseas Travel for Councillors &amp; Employees</b>			<b>\$37,621</b>

## 16. GRANTS TO COMMUNITY ORGANISATIONS

*Local Government Regulation 2012 s. 189:* ... The annual report for a financial year must contain a summary of—

- (a) the local government's expenditure for the financial year on grants to community organisations; and
- (b) expenditure from each councillor's discretionary fund, including—
  - (i) the name of each community organisation to which an amount was allocated from the fund; and
  - (ii) the amount and purpose of the allocation.

Council has a commitment to facilitate the building of strong, vibrant, and robust communities. To assist in achieving this goal, Council's Grant Program provides financial and in kind assistance to community based groups, individuals and organisations that are providing programs, activities, events and projects that enrich the diversity of cultural, social, sport and economic development opportunities available to the residents of the Cairns Region.

The desired outcome is to support more creative, innovative and self-reliant communities, where participation in community life is enabled and encouraged.

In the 2013/14 financial year, Council provided the following community grants:

- **Arts and Cultural Grant Streams**
  - Regional Arts Development Fund (RADF)
- **Community Development Grant Streams**
  - Community Development Grants
- **Sport and Recreational Grant Streams**
  - Young People in Sport Grants
  - Go Clubs Grants
- **General Grant Streams**
  - Arts and Culture, Community and Go Clubs In-Kind Assistance
  - Mayor's Discretionary Fund

- **Event Grant Streams**
  - Local Community Festival and Event Grants
  - Developmental Event Grants
  - Major Event Grants
  - Major Community Infrastructure Grants
- **Economic Development Grant Streams**
  - Economic Diversification Fund
  - Industry Development Fund
- **Environmental Sustainability**
  - Climate Change and Sustainability Grant
- **Rates Based Financial Assistance**
- **Young Animals Protection Society (YAPS) Financial Assistance**

Details on these grants and recipients are set out below.

### Arts and Cultural Grant Streams

#### Regional Arts Development Fund (RADF)

The Regional Arts Development Fund (RADF) is a funding partnership between the Queensland Government (through Arts Queensland) and Cairns Regional Council. The program supports professional artists and arts practitioners living in regional Queensland. The Program focuses on the development of quality innovative and energising art and arts projects for, by and with, regional communities.

The partnership between state and local government is important to ensure RADF grants are used in the best possible way to support professional arts and cultural development in regional Queensland.

Applicant	Amount \$
Australian Art Orchestra	9,107
Cairns Little Theatre	2,500
Centre For Australasian Theatre	10,000
Douglas Theatre Arts Group	4,558
Jane Heraghty	9,595

Kyle Wilson	10,540
Lou Derry	7,559
Music Teachers Ass. Of Qld, Cairns & District Branch Inc.	4,000
Reach Arts	5,691
The Historical Society, Cairns	6,789
The Young Art!	9,545
Catherine Hassall	1,000
Willem Brugman	1,000
Aerial Dynamics	5,044
Andrew Vievers	4,010
Biddigal Performing Arts	3,000
Cadcai	2,800
Cairns Photographic Society	1,580
Elizabeth Hunter	5,070
Ink Masters Inc.	4,104
Jute	10,300
Kickarts	5,455
Knock Knock Contemporary Artists	7,800
Leanne Tennant	5,000
Paul Bong	2,000
The Hot Wet Swing Set	5,850
<b>Total Regional Arts Development Fund (RADF)</b>	<b>\$143,897</b>

## Community Development Grant Streams

### Community Development Grants

The Community Development grant stream aims to provide financial assistance to not-for-profit groups that wish to pursue projects and activities which respond to local community needs and issues.

The aim of the Community Development grant stream is to encourage groups offering social services to the wider community to develop programs, activities, exhibitions and events, which make a positive contribution to community life in the Cairns Region.

Applicant	Project	Amount \$
Bayview Heights Community Kindergarten Assoc. Inc.	Off Street Parking	5,000
ARC Disability Services Inc.	Updating Resources	4,996
St John's Community Care Ltd	"Sharing Culture and Community" Seniors Week 2014	5,000
Cairns Autism Spectrum Group Incorporated	CASG Social Club for Young People	5,000
Edmonton Community Gardens Inc.	Replacement of Stolen Garden Tools/ Equipment	2,339
Saints Hockey Club	Purchase PA System	1,295
Family Day Care South Cairns Assoc. Inc.	Air Conditioners	3,093
ACSAH Animal Care for Seniors at Home	Animal Care for Seniors at Home	4,308
Act For Kids	Develop therapy space for children	3,969
Einstein Events	Fun In The Sun Festival 2014	5,000
<b>Total Community Development Grants</b>		<b>\$40,000</b>

## Sport and Recreational Grant Streams

### Young People in Sport Grants

The Young People in Sport (YPIS) stream aims to assist young athletes living in the Cairns Regional Council area by providing financial assistance with the cost of representing Queensland at National sporting competitions or representing Australia at International sporting competitions.

Grants are based on the location of the competition and are allocated as follows:

- Competing within Queensland - \$100 grant per athlete
- Competing Interstate - \$300 grant per athlete
- Competing Internationally - \$500 grant per athlete.

A maximum of \$500 per athlete per financial year is available.

<b>Total Young People in Sport Grant</b>	<b>\$10,500</b>
--	-----------------

Recipient	Sport
Airi Hashimoto	Australian Karate Federation National Karate Championships
Auna Fujitani	2013 Boys National Youth Championships
Brayden Stanley	Basketball
Bryce Chapman	Basketball
Caleb Nancarrow	BMX
Ely Simmons	Basketball
Jack Glover	FFA National Youth Championships
Jackson (Sota) Ma	Australian Karate Federation National Karate Championships
Jaxon Mayer	Basketball
Katey Furze	Ten Pin Bowling
Kody Stattmann	Basketball
Lachlan Mills	Basketball

Liam Dent	Basketball
Madison Brittain	Girls Hockey State Championships
Mason Khalu	Basketball
Matthew Barnes	FFA National Youth Championships
Mikaela Kwort	Hockey State Championships
Novella Dennis	Football
Riley Clarke	Basketball
Ryan Runnalls	Basketball
Taiga Hashimoto	Australian Karate Federation National Karate Championships
Tatsuya Shiihara	Australian Karate Federation National Karate Championships
Toby Sagacio	Judo
Wade Mundie	BMX
Mikaela Bretz	Australian Junior Athletic Championships 2014
Denzel Kennedy	Basketball
Taaliyah Markos	Australian Junior Athletic Championships 2014
Leonie Besley	Football
Rhiann Cull	Oceania Area Championships
Zara Cull	Oceania Area Championships
Ayana Aoyagi	2013 FFA National Youth Championships
Jed Jackson	2013 FFA National Youth Championships
Kody Stattmann	16yrs Australian Championship 2014
Kye Bolton	2013 FFA National Youth Championships
Sam Waite	2013 Australian Junior Open Table Tennis Championships

Tatsuya Shiihara - Matsumoto Karate Academy	2014 AKF National Championships
Ziao Yi Lin	2013 Australian Junior Open Table Tennis Championships

### Go Clubs Grants

The Go on Get in to Sports grant stream aims to provide financial assistance to sport and active recreation organisations to pursue opportunities to increase participation and to provide opportunities to increase a club's capacity to raise funds and therefore increase its viability.

Applicant	Project	Amount \$
Great Pyramid Race and Country Fair Association	Great Pyramid Race Sign on day	350
Far North Queensland Football Club	Female Development Clinics	750
Cairns Southside Judo Club Inc.	Come & Try Activities	740
Mulgrave Combined Cricket Association	Come & Try Day	750
Cairns Cricket Association	T20 Blast	750
<b>Total Community Development Grants</b>		<b>\$3,340</b>

### General Grant Streams

#### Sport, Recreation, Community, Arts and Culture In-Kind Assistance

In Kind Assistance is available for sport and recreation, community, arts and cultural organisations to undertake projects and activities. In general, In-Kind Assistance means that Council provides materials or services within Council's core business at no charge to the applicant. In-Kind Assistance grants are split into two areas

**(a) Arts & Culture In-Kind Assistance**

Applicant	Project	Value \$
Buddhist Community Cairns	Meditation, Peace, Poetry & Music for Peace	369
Cairns & District Chinese Association	Chinese New Year Kite Exhibition	2,000
Cairns Tropical Pride Inc	Tropical Pride Fair Day 2014	3,000
Inkmasters Cairns Inc.	Inkmasters 2014 Print Exhibition	6,000
Palm Cove Foundation	Jazz on the Green	2,000
Peninsula Art Educators Association	Energy Art Exhibition 2013	2,000
Raise up Emmitt	Raise up Emmitt Dance Performance	2,000
UMI Arts Ltd	UMI Arts Big Talk, One Fire, Indigenous Cultural Festival	1,785
UMI Arts Ltd	UMI Arts Indigenous Markets 2014	2,000
Youth Arts Queensland	Heyday Festival 2013	475
<b>Total</b>		<b>\$21,629</b>

**(b) Community Development In-Kind Assistance**

Applicant	Project	Value \$
Association of Tropical Biology and Conservation JCU	Conference Dinner	1,835
Australian Institute of Architects	Australian Institute of Architects Conference	1,911
Australian Red Cross (Cairns)	Picnic in Paradise	2,000
Babinda & District Pony Club	Amenities Block	1,060
Barron Trinity Rugby Union Football Club	Senior Game	666
Bee Universal Inc.	Body Mind Harmony Day	838

Cairns and Far North Environment Centre	Together for the Reef	288
Cairns Branch Queensland Council of Unions	May Day Celebration	1,239
Cairns Couch Super Heroes & Villains Fun Run	Super Heroes & Villains Fun Run 2014	294
Cairns Old Cross Rugby Union Club Inc.	Annual Rugby Union Tournament	4,215
Cairns Rowing Club	Hire of Esplanade	335
Cairns South Sea Island Committee	Cairns South Sea Island 150th Commemorations	384
Cairns Toastmasters	Cairns Forum	336
CARMA - Cairns & Region Multicultural Association	Tropical Wave Festival 2013	1,871
Catholic Parish Mossman - Port Douglas	Directional Signage	707
Centenary Lakes Christian Community	Carols on Collins 2013	1,367
Centenary Lakes Christian Community	Church in the Park & Family Fun Day	84
Children's Cancer Institute of Australia	Townsville to Cairns Charity Bike Ride 2013	250
Combined Probus Club of Cairns Marlin Coast	Breakfast on Esplanade	134
Cystic Fibrosis Queensland	Great Strides Walkathon for Cystic Fibrosis	1,468
Douglas Arts Base	Art Exhibition 2012	720
Edmonton Carols by Candlelight Committee	Carols by Candlelight 2013	557
Edmonton Horse & Pony Club	Extension of pipes	2,120

Emma's Quest	Grill'd Burger Drive Fundraiser	246
FNQ Cerebral Palsy Support Group Inc.	Picnic by the Lagoon	1,688
Freedom Harvest Ministries International Inc.	Cairns Countdown Family Festival	1,534
Gold Coast Events Management	Great Barrier Reef Masters Games	7
Gordonvale District Chamber of Commerce	Carols in the Park 2013	76
Gordonvale Indigenous Football Club	Hire of Park	934
Japanese Community Association Inc.	Japan Expo in Cairns 2013	2,000
Leukaemia Foundation	Lavender & Lace Function	257
Leukaemia Foundation	Light the Night 2013	1,183
Lions Club Cairns	CCIA Bike Ride	76
Machans Beach Community Association	Moon over Machans	831
Mission Australia - Communities for Children	Picnic in the Park	723
Mulgrave District Chamber of Commerce	Hire of Park	80
Mulgrave Shire Historical Society Inc.	Plaque Installation	332
Ozcare	Parking Permit	832
Pacific Communities Council FNQ Inc.	Pacific Communities Festival 2013	2,000
Papua New Guinea & Wantok Association	Papua New Guinea & Wantok Festival	504
Port Kids Inc.	Directional Signage	231
Positive Ageing Cairns Inc.	Positive Ageing Fair 2013	2,000

Queensland Police Service	Project Booyah	189
Queensland Positive People	World Aids Day Celebration	1,035
Rock Impact Inc.	Cuts for a Cause 2013	655
Rock Impact Inc.	Pets in the Park 2014	1,551
Roman Catholic Trust Corp of the Diocese of Cairns	Philippine Typhoon Appeal Music Concert	2,000
Rotary Club of Cairns Mulgrave Inc.	Annual Duck Race 2013	887
The Goodness Inc.	Film Screening & Multicultural Market	600
The Great Pyramid Race	The Great Pyramid Race	915
Tourism Palm Cove Inc.	A Taste of Palm Cove - Family Street Festival	1,945
Wuchopperen Health Service	Annual Conference	1,298
Yorkeys Knob Residents Association	Carols by Candlelight 2013	319
Yorkeys Knob Residents Association	Festival of the Knob 2014	386
Youth Service Providers	Transport Clients	1,298
<b>Total</b>		<b>\$53,291</b>

**(c) Go Club In-Kind Assistance**

Applicant	Project	Value \$
AFL Cairns Ltd	2013 AFL Premiership Match	1,240
AFL Cairns Ltd	2014 AFL Premiership Match	855
Babinda & District Pony Club	Landscaping	368
Barrier Coast Archery Inc.	Landscaping	3,000
Cairns BMX Club Inc.	Landscaping	1,583
Cairns Bowls Club	Maintenance	287

Cairns Cycling Club Inc.	Landscaping	910
Cairns Kart Racing Club	Painting	427
Cairns Volleyball Association Inc.	Hire of Volley Ball Court	1,816
Edmonton Horse & Pony Club	Hire of Show Grounds	1,740
FNQ Football Club	Maintenance	4,040
FNQ Oztag Sports Association Inc.	Oztag Teams Challenge 2014	3,000
Freshwater & District Horse & Pony Club	Landscaping	1,244
Half Moon Bay Golf Club Inc.	Landscaping	1,679
Leichhardt Football Club	Resurfacing Works	1,860
Northern Beaches Scout Group	Landscaping	1,209
South's Football Club Inc.	Goal Posts	1,392
Southside Comets Football Club	Storage Area	3,000
Stratford Dolphins Football Club	Landscaping	3,000
YMCA Brisbane	Painting	3,000
<b>Total</b>		<b>\$35,650</b>
<b>Total for all In-Kind Assistance</b>		<b>\$110,570</b>

### Mayor's Discretionary Fund

The Mayoral Discretionary Fund is an annual allocation provided in each budget to enable the Mayor to respond to emergent requests for financial assistance from community organisations. Grants to community organisations must be in accordance with Council's Grant Program Policy.

Applicant	Amount \$
ADFAS Cairns Inc.	500
Bravehearts Inc.	500
Breast Cancer Survivors Qld (Cairns)	376
Brothers Hockey Club Incorporated	500
Business Liaison Association Inc.	500
Cairns & District Junior Eisteddfod Assn. Inc.	35
Cairns City Lions AF & SC	400
Centre for Australasian Theatre Inc.	500
China Inc.	500
Coral Coast Judo Club Inc.	500
Duwal Wuru Indigenous Corp	500
FNQ Hmong Youth Society	500
FNQ Youth Assistance	909
Guide Dogs QLD	500
Immune Deficiencies Foundation	495
Integrated Family & Youth Service	500
Lions Club Cairns Inc.	400
Marlin Coast Bowls Club	500
Mulgrave Chamber of Commerce	500
Neighbourhood Watch Woree	500

Rare Friends FNQ	485
Salvation Army - Red Shield Appeal	5,500
Stratford & Freshwater Community Assoc.	500
Tourism Palm Cove	300
Tropical Writers Group	500
United Nations Youth QLD	123
Warriors of the Cross	500
<b>Total Mayor's Discretionary Fund</b>	<b>\$17,523</b>

## Event Grant Streams

### Local Community Festival and Event Grants

To assist and support local organisations and individuals in the provision of traditional festivals or culturally significant events for their local community.

Local community events serve to enrich the lives of residents and celebrate important occasions for the community. These events do not usually attract visitors from outside of town specifically for the event.

Applicant	Project	In-Kind \$	Amount \$
Babinda Harvest Festival	Babinda Harvest Festival	898	
Cairns & Region Multicultural Association Inc.	Tropical Wave Festival		5,000
Cairns Agricultural Show	Cairns Agricultural Show		762
Cairns Port Authority	Expertise Event Works		6,550
Cairns Show Association	Cairns Show	5,770	16,188
Cairns & District Chinese Association Inc.	Chinese New Year Celebrations 2014	3,679	20,000
Cairns & District Junior Eisteddfod	Hire of Civic Theatre	10,000	
Cancer Council Queensland	Relay for Life 2014	10,000	

Douglas Shire Community Services Association Inc.	Christmas in the Park 2013	85	5,000
Far North Queensland Football Club	Use of Barlow Park	14,107	
Mossman Show Association	Mossman Show	14,657	
Northern Pride Rugby League Football Club Inc.	Use of Barlow Park	22,606	
Pacific Communities Council FNQ Inc.	2013 Pacific Communities Festival		5,000
Peninsula School Sports	Peninsula School Sports	23,076	
Peninsula School Sports	Regional Athletics Training	1,920	
Port Douglas Chamber of Commerce	Port Douglas Carnival 2013		25,000
Port Douglas Chamber of Commerce	Port Douglas Fireworks New Year's Eve 2013		3,000
Rock Impact Inc.	Pets in the Park 2013		5,000
The Great Pyramid Race & Country Fair Association	The Great Pyramid Race & Country Fair	2,690	14,390
Tourism Palm Cove Inc.	Palm Cove New Year's Eve Fire Works 2013		3,000
Tourism Trinity Beach	Flickerfest 2013		5,000
<b>Total Local Community Festival and Event Grants</b>		<b>\$109,488</b>	<b>\$113,890</b>

### Developmental Event Grants

To nurture and grow a diverse portfolio of developing events that will create economic growth, promote TNQ nationally and internationally, generate positive social and cultural benefits and inspire the residents of Tropical North Queensland.

Developmental Events have the potential to develop into major events within three years. Typically this type of event attracts 500-1000 participants/overnight visitors and has strong local support.

Applicant	Project	Amount \$
Cairns Cricket Association	State U14 Schools Cricket Championships 2013	5,000
Cairns Mountain Bike Club	Gravitate	10,000
Cairns Tropical Pride Inc.	Cairns Tropical Pride Fair	10,000
Japanese Community Association Inc.	Japan Expo	5,000
Punjabi Sports & Cultural Association Cairns	Interstate Kabaddi Tournament & Cultural Program	5,000
Tourism Palm Cove Inc.	Reef Feast: The Best of Palm Cove	25,000
<b>Total Development Event Grants</b>		<b>\$60,000</b>

### Major Event Grants

To secure, nurture and grow a diverse portfolio of major events that will create economic growth, promote TNQ nationally and internationally, generate positive social and cultural benefits and inspire the residents of Tropical North Queensland.

These are events that will attract significant numbers of event visitors, participants or media from outside the region and result in substantial and measurable outcomes in the region in which they are held. Typically this type of event should attract 1000-2000 participants / overnight visitors staying in Cairns for 2-10 days.

Applicant	Project	In-Kind \$	Amount \$
Bicycle Queensland	Cycle Queensland 2013 (Mission Beach to Port Douglas)		10,000
Cairns Ukulele Club Inc.	Cairns Ukulele Festival 2013		10,000
Cairns Ukulele Club Inc.	Cairns Ukulele Festival 2014		10,000
Cycling Australia	MTB World Cup		5,408
Cycling Australia	Smithfield Mountain Bike Park Development	832,807	
Gold Coast Events Management	Great Barrier Reef Masters Games		35,000
NQ Sports Foundation	NQ Games		33,733
Tennis Australia	Tennis International - Cairns		30,000
The Far North QLD Amateur Turf Club	Cairns Amateurs 2013	26,708	5,000
USM Events	Cairns Ironman 2013		162,000
USM Events	Cairns Ironman 2014		162,000
USM Events	Cairns Airport Adventure Festival	44,328	
Wide World Sports Agency	Crocodile Trophy 2013	826	10,000
Bicycle Queensland	Cycle Queensland 2013 (Mission Beach to Port Douglas)		10,000
<b>Total Major Event Grant</b>		<b>\$908,669</b>	<b>\$473,141</b>

### Major Community Infrastructure Grant

Applicant	Project	Amount \$
AFL Cairns Ltd	Lighting Upgrade	250,000
<b>Total Major Community Infrastructure Grant</b>		<b>\$250,000</b>

## Economic Development Grant Streams

### Economic Diversification Fund

Grants will be available from Cairns Regional Council for the development and delivery of projects that will result in demonstrated economic benefit to the Cairns Region. Projects should assist in increasing and/or improving the diversity of local industry.

Applicant	Amount \$
Advance Cairns Ltd	259,325
Babinda Information Centre	9,270
Superyacht Group Great Barrier Reef Inc.	20,000
Tourism Events QLD	132,000
Tourism Port Douglas	215,000
Tourism Tropical North QLD	880,000
<b>Total Economic Diversification Fund</b>	<b>\$1,515,595</b>

### Industry Development Fund

Grants are available from Cairns Regional Council for the development and delivery of industry development projects that will result in a demonstrated economic benefit to the Cairns Region.

Applicant	Amount \$
Advance Cairns Ltd	5,000
EXNER Investments Pty Ltd	8,455
Study Cairns Inc.	5,724
<b>Total Industry Development Fund</b>	<b>\$19,179</b>

## Environmental Sustainability Grant Streams

### Climate Change and Sustainability Grants

The Climate Change and Sustainability grant stream provides financial assistance to not-for-profit community groups that wish to pursue projects and activities which promote sustainability and enhance community resilience to climate change and/or peak oil.

The aim of the Climate Change and Sustainability grant stream is to encourage groups in the community to take the initiative to develop programs, activities, projects and events which make a positive contribution to promoting sustainable communities, improving energy efficiency, or enhancing community resilience to climate change.

Applicant	Amount \$
Trinity Beach Community Kindergarten	3,731
Tropical Arts Association Inc.	3,000
Holloways Beach Environmental Education Centre	3,000
Cairns Area Fish Stocking Group	5,000
Edmonton Community Kindergarten	1,154
Permaculture Cairns	4,000
<b>Total Climate Change &amp; Sustainability Grant</b>	<b>\$19,885</b>

### Rates Based Financial Assistance

Recipient	2012/13		2013/14	
Not For Profit Community Groups	120 Recipients	551,756	115 Recipients	566,630
Not For Profit Sporting & Recreation Groups	71 Recipients	182,526	70 Recipients	184,890
Cairns Show Association	1 Recipient	38,004	1 Recipient	39,520
<b>Total</b>		<b>\$772,286</b>		<b>\$791,040</b>

### YAPS Financial Assistance

<b>Total Young Animals Protection Society Grant</b>	<b>\$35,000</b>
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## 17. SPECIAL RATES AND CHARGES

*Local Government Regulation 2012 s.190 (1): ...The annual report for a financial year must contain-*

- (d) details of any action taken for, and expenditure on, a service, facility or activity-
  - i. supplied by another local government under an agreement for conducting a joint government activity; and
  - ii. for which the local government levied special rates or charges for the financial year.

Council has entered into an agreement with Cook Shire Council for the provision of waste disposal services for the ratepayers residing at Degarra and China Camp in the far north of the Cairns region.

It has been agreed that these residents can dispose of their household waste at Ayton Transfer Station and on this basis Council provides a financial contribution towards the expenses associated with the operation of the transfer station. For the 2013/14 financial year the contribution was \$9,995.

To assist in funding this expense Council levies a special charge each financial year.

As this contribution and special charge relates to ratepayers within the boundaries of the newly formed Douglas Shire Council, this is the last year that the contribution and special charge will be applicable to Council.

## 18. SUMMARY OF RATES REBATES AND CONCESSIONS

*Local Government Regulation 2012 s.190 (1) (g): ... The annual report for a financial year must contain ...a summary of all concessions for rates and charges granted by the local government.*

### Rebates and Concessions

#### 1. Council Pensioner Remission

- a) A rebate of 40 per cent of the General Rate up to a maximum of \$1350 per annum was granted to all pensioners whose applications met the eligibility criteria set down in Council's Pensioner Policy and were also submitted within the required time frames.
- b) The upper limit of total remission did not exceed 5 per cent of Council's total net general rates, therefore the 40 per cent remission was not required to be reduced on a pro rata basis in line with policy.

#### 2. Retirement Village Remissions

- a) A remission was extended to retirement villages (as classified under Land Use Code 21), where a legal entity separate to the residents was the owner and the pensioners were responsible for paying the rates, to the extent that residents of the village were pensioners.
- b) A remission was then applied based on the number of dwellings occupied by pensioners as a percentage of the total number of dwellings in the village.

#### 3. Rates Based Financial Assistance – Policy 1:02:07

This policy allows Council to consider applications for remission of general rates and sewerage charges from not for profit community based organisations from recreation, sporting and community groups.

To qualify for assistance the constitution of the organisations must clearly state prohibitions on any member of the organisation making a private profit or gain, either from ongoing operations of the organisation or as a result of distribution of assets if the organisation is wound up.

#### 4. Independent Rate Relief Tribunal – Policy 1:02:06

This policy has been adopted to provide a safety net for those ratepayers suffering genuine financial hardship.

The Tribunal is made up of a mixture of independent voluntary appointees selected by Council and two Councillors.

The main role of the Tribunal is to recommend, in certain circumstances, the most appropriate form of assistance to those ratepayers experiencing serious hardship and, as a result, are unable to pay their rates and charges. The policy only applies to the principal place of residence of the ratepayer and no commercial benefit can be derived from the property. Additionally, not for profit recreation, sporting and community groups that are already receiving rates based financial assistance, or would be eligible if they did not have rates outstanding, may also apply.

## 5. Rates Incentive for Conservation Policy

### a) Purpose

This policy establishes the process for affording rate incentives to landholders that enter into a Conservation Agreement for a Nature Refuge under the *Nature Conservation Act 1992*.

### b) Scope

This policy applies to all land within the Cairns Regional Council boundaries.

### c) Reference

*Nature Conservation Act 1992*

Where this policy is inconsistent with a previously published policy, procedure or requirement, this policy shall prevail.

### d) Definitions

Critical Habitat – (as per the meaning under the *Nature Conservation Act 1992*).

### e) Policy

- i. The owner enters into an agreement preserving/conserving flora and fauna on a rateable property within the boundaries of the Cairns Regional Council. This agreement must be bound to the property title, in perpetuity, by a Conservation Agreement for a Nature Refuge under the *Nature Conservation Act 1992*.
- ii. The rates incentive is proportionately attributed to that area of land included in an agreement.
- iii. The rates incentive will be credited to the recipient's rates notice prior to being issued.
- iv. Refund Rules;
  - Properties where more than 50% of the total area of the property is covered by a Nature Refuge Agreement under the *Nature Conservation Act 1992* are entitled to 50% of the general rate or a maximum of \$600 per annum (whichever is less).

- Properties where less than 50% of the total area of the property is covered by a Nature Refuge Agreement under the *Nature Conservation Act 1992* are entitled to 35% of the general rate or a maximum of \$300 per annum (whichever is less).
- v. Any benefit provided to a landholder through the Rates Incentive for Conservation Program must be repaid to Council if the declaration of the Nature Refuge to which it relates is revoked in accordance with Section 50 of the *Nature Conservation Act 1992*.
- vi. If rates are not paid in full prior to the end of a financial year, future rates incentives will not apply until all outstanding rates are paid.

## 6. Health

Financial assistance is available to offset water usage costs for users of Home Dialysis Equipment. Written applications must be submitted to Cairns Regional Council for approval.

## 19. INVITATIONS TO TENDERERS TO CHANGE THEIR TENDERS

*Local Government Regulation 2012 s.190 (1): ...The annual report for a financial year must contain—*

- (e) the number of invitations to change tenders under *section 228(7)* during the year.

*Local Government Regulation 2012 s.228 (7): ...If:...*

- (a) an invitation to tender under subsection (4) or (6)(b) states that the local government might later invite all tenderers to change their tenders to take account of a change in the tender specifications; and

- (b) the local government does change the tender specifications;

the local government may invite all the persons who submitted a tender to change their tender to take account of the change, before making a decision on the tenders.

There was one instance during the 2013/14 financial year where persons who had submitted a tender to Council were invited to change their tenders. This related to Contract No. 2454 – Construction of Botanic Gardens Conservatory.

## 20. REGISTERS

*Local Government Regulation 2012 s.190 (1) (f): ... The annual report for a financial year must contain ... a list of the registers kept by the local government.*

The following registers are held by Council:

- Asbestos Register
- Asset Register
- Conflict of Interest / Material Personal Interest Declarations Register
- Corporate Risk Register
- Council's Local Laws Register
- Embargo Register
- Environmentally Relevant Activity Register
- Local Heritage Register
- Matman Equipment Register
- Mayoral Discretionary Fund Register
- Resident Evacuation & Recovery Register
- Register of Beneficial Enterprises
- Register of Benefits (including Gifts)
- Register of Code of Conduct Matters
- Register of Cost Recovery Fees
- Register of Council Meetings Minutes
- Register of Delegations (including financial)
- Registers of each of Council's approved procurement arrangements, Approved Contractor lists, Register of Pre-Qualified Suppliers and Preferred Supplier Arrangements
- Register of Election Gifts and Benefits
- Register of Interests Chief Executive Officer
- Register of Interests Chief Executive Officers' Related Persons

- Register of Interests Councillors
- Register of Interests Senior Contract Employees
- Register of Interests Senior Contract Employees Related Persons
- Register of Resource and Performance Agreements
- Road Register
- Vegetation Protection Local Law Register

## 21. INTERNAL AUDIT REPORT

*Local Government Regulation 2012 s.190 (1): ... The annual report for the financial year must contain-*

- (h) the report on the internal audit for the financial year.

Council's Internal Audit function provides independent, objective assurance activities in accordance with an approved strategic, risk-based internal audit plan. The role, scope and purpose of the Internal Audit function is understood and supported by the organisation. The Internal Audit function works collaboratively with management to implement recommended improvements to systems, processes, work practices, compliance and business effectiveness.

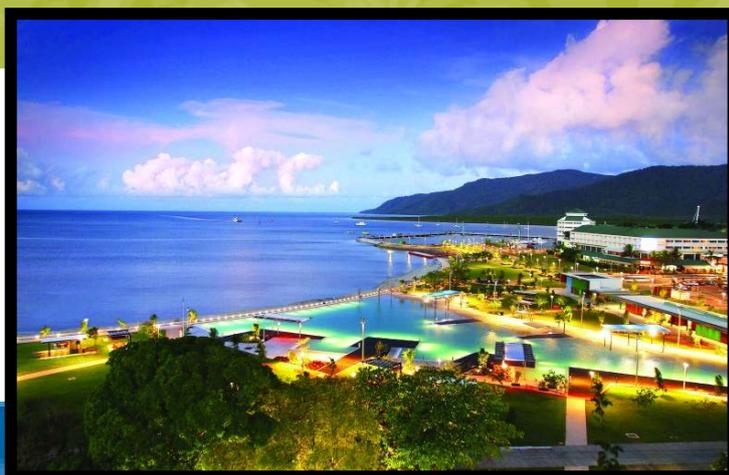
The Internal Audit activities are performed by an appropriately qualified internal audit consultant on a wholly outsourced basis. For the year ended 30 June 2014, Council's outsourced internal audit consultant was Pacifica Chartered Accountants. The independence and objectivity of the consultant is continuously monitored by the General Manager Corporate Services as the Internal Audit Sponsor.

The Internal Audit Plan is reviewed annually by management and the Audit Committee to ensure it remains relevant to the organisation's needs. Council's 2013/14 Internal Audit Plan covered all Departments and included reviews of payroll processes, CIS programme governance, revenue assurance, property and leasing management, and implementation of Council decisions.

## 22. OTHER ISSUES RELEVANT TO MAKING AN INFORMED ASSESSMENT

*Local Government Regulation 2012 s. 190 (1) (b): ...The annual report for a financial year must contain ... particulars of other issues relevant to making an informed assessment of the local government's operations and performance in the financial year.*

Council is not aware of any other issues relevant to making an informed assessment of its operations and performance in the 2013/14 financial year.



**Cairns Regional Council**  
**FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDING 30 JUNE 2014**

# CAIRNS REGIONAL COUNCIL

## Financial Statements

For the year ended 30 June 2014

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# CAIRNS REGIONAL COUNCIL

## Financial Statements

For the year ended 30 June 2014

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### Addendum to the Financial Statements

**Appendix A**

The following unaudited statement is attached to provide additional information that Council considers will provide the reader with more useful information in the process of interpreting these financial statements. This additional report is not required under the Australian Accounting Standards and therefore does not form part of the audited financial statements.

### Long-Term Measures of Financial Sustainability

**1**

# CAIRNS REGIONAL COUNCIL

## Statement of Comprehensive Income

For the year ended 30 June 2014

	2014	2013 <sup>1</sup> (Restated)
Note	\$	\$
<b>Continuing Operations Income</b>		
<b>Recurrent revenue</b>		
Rates, levies and charges	3(a) 226,689,606	218,533,221
Fees and charges	3(b) 18,159,635	17,418,242
Interest revenue	3(c) 5,909,569	5,877,329
Other recurrent revenue	3(d) 17,647,324	10,956,024
Grants, subsidies, contributions and donations	4(a) 4,886,167	6,575,872
	<u>273,292,301</u>	<u>259,360,688</u>
<b>Capital revenue</b>		
Grants, subsidies, contributions and donations	4(b) 27,186,026	34,479,865
<b>Total revenue</b>	<u>300,478,327</u>	<u>293,840,553</u>
<b>Total income</b>	2(a) <u>300,478,327</u>	<u>293,840,553</u>
<b>Expenses</b>		
<b>Recurrent expenses</b>		
Employee benefits	6 (93,765,219)	(91,470,369)
Materials and services	7 (79,432,309)	(72,503,083)
Finance costs	8 (5,944,642)	(11,659,344)
Depreciation and amortisation	9 (91,695,332)	(87,849,623)
	<u>(270,837,502)</u>	<u>(263,482,419)</u>
<b>Capital expenses</b>		
Capital expenses	10 (5,956,209)	(6,864,782)
Gain / (loss) on de-amalgamation	11 (341,243,592)	-
	<u>(347,199,801)</u>	<u>(6,864,782)</u>
<b>Total expenses</b>	2(a) <u>(618,037,303)</u>	<u>(270,347,201)</u>
<b>Net result from continuing operations</b>	<u>(317,558,976)</u>	<u>23,493,352</u>
<b>Net result from discontinued operations</b>	11 <u>5,814,907</u>	<u>6,655,849</u>
<b>Net result</b>	<u>(311,744,069)</u>	<u>30,149,201</u>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to net result</b>		
Increase in asset revaluation surplus	23(a) 92,842,513	74,008,925
<b>Total other comprehensive income for the year</b>	<u>92,842,513</u>	<u>74,008,925</u>
<b>Total comprehensive income for the year</b>	<u>(218,901,556)</u>	<u>104,158,126</u>

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

<sup>1</sup> See note 33 for details regarding restatement of comparatives to reflect prior period adjustments.

# CAIRNS REGIONAL COUNCIL

## Statement of Financial Position

as at 30 June 2014

		2014	2013 <sup>1</sup> (Restated)
	Note	\$	\$
<b>Current assets</b>			
Cash and cash equivalents	13	54,496,292	51,843,919
Short term deposits	14	30,000,000	29,309,287
Trade and other receivables	15(a)	31,855,634	35,802,272
Inventories	16	2,557,572	1,041,920
Assets held for distribution	11	-	340,666,009
<b>Total current assets</b>		<u>118,909,498</u>	<u>458,663,407</u>
<b>Non-current assets</b>			
Property, plant and equipment	17(a)	3,081,562,171	2,972,524,398
Intangible assets	18	8,112,803	5,174,477
<b>Total non-current assets</b>		<u>3,089,674,974</u>	<u>2,977,698,875</u>
<b>Total assets</b>		<u>3,208,584,472</u>	<u>3,436,362,282</u>
<b>Current liabilities</b>			
Trade and other payables	19	47,683,480	33,592,893
Provisions	20	2,189,639	2,246,068
Borrowings	21	3,772,164	3,380,105
Other	22	755,042	620,719
Liabilities directly associated with assets held for distribution	11	-	19,536,984
<b>Total current liabilities</b>		<u>54,400,325</u>	<u>59,376,769</u>
<b>Non-current liabilities</b>			
Trade and other payables	19	3,245,808	2,983,697
Provisions	20	11,942,103	12,218,854
Borrowings	21	79,133,094	83,122,117
<b>Total non-current liabilities</b>		<u>94,321,005</u>	<u>98,324,668</u>
<b>Total liabilities</b>		<u>148,721,330</u>	<u>157,701,437</u>
<b>Net community assets</b>		<u>3,059,863,142</u>	<u>3,278,660,845</u>
<b>Community equity</b>			
Council capital		2,377,893,387	2,679,592,594
Asset revaluation surplus	23	568,791,072	475,948,559
Retained surplus/(deficit)		68,598,578	-
General reserves	24	44,580,105	123,119,692
<b>Total community equity</b>		<u>3,059,863,142</u>	<u>3,278,660,845</u>

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

<sup>1</sup> See note 33 for details regarding restatement of comparatives to reflect prior period adjustments.

# CAIRNS REGIONAL COUNCIL

## Statement of Cash Flows

For the year ended 30 June 2014

	2014	2013 <sup>1</sup> (Restated)
Note	\$	\$
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
General rates and utility charges	246,027,650	237,292,511
Rental and levies, fees and charges	15,742,528	21,546,818
Operating grants, subsidies and contributions	16,081,300	4,475,878
Interest received	6,460,323	7,435,975
Other revenue	11,193,066	19,883,199
<b>Payments</b>		
Payments to suppliers	(82,666,425)	(87,904,630)
Payments to employees	(99,205,560)	(103,410,861)
Interest expense	(5,756,945)	(6,016,430)
<b>Net cash inflow (outflow) from operating activities</b>	<b>30</b> <u>107,875,937</u>	<u>93,302,460</u>
<b>Cash flows from investing activities</b>		
Grants, subsidies, contributions and donations for capital acquisitions:		
Capital contributions	11,000,008	3,120,000
Government subsidies and grants	15,639,906	25,846,312
Payments for property, plant and equipment	17a (127,697,009)	(111,286,625)
Payments for intangible assets	18 (198,258)	(1,586,930)
Proceeds from the sale of non-current assets	5 931,013	1,515,793
Net movement in short term deposits	14 5,000,000	(5,000,000)
<b>Net cash inflow (outflow) from investing activities</b>	<u>(95,324,340)</u>	<u>(87,391,450)</u>
<b>Cash flows from financing activities</b>		
Principal repayments	21(b) (3,645,362)	(3,478,696)
<b>Net cash inflow (outflow) from financing activities</b>	<u>(3,645,362)</u>	<u>(3,478,696)</u>
Net increase (decrease) in cash and cash equivalents held	<u>8,906,235</u>	<u>2,432,314</u>
Cash and cash equivalents at beginning of the financial year	61,909,972	59,477,658
Cash and cash equivalents at end of the financial year before discontinued operations	-	61,909,972
Effect of de-amalgamation	11 (16,319,915)	(10,066,053)
<b>Cash and cash equivalents at end of the financial year</b>	<b>13</b> <u>54,496,292</u>	<u>51,843,919</u>

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

<sup>1</sup> See note 33 for details regarding restatement of comparatives to reflect prior period adjustments.

# CAIRNS REGIONAL COUNCIL

## Statement of Changes in Equity

For the year ended 30 June 2014

	Council capital	Asset revaluation surplus	Retained surplus/(deficit)	General reserves	Total
Note		23		24	
	\$	\$	\$	\$	\$
<b>Balance as at 1 July 2013</b>	2,679,592,594	475,948,559	-	123,119,692	3,278,660,845
Net result	-	-	(311,744,069)	-	(311,744,069)
Other comprehensive income for the year					
Increase in asset revaluation surplus	-	92,842,513	-	-	92,842,513
<b>Total comprehensive income for the year</b>	-	92,842,513	(311,744,069)	-	(218,901,556)
Transfers of capital amounts arising from capital activities:					
Minor correction to non-current assets opening balance	34	103,853	-	-	103,853
Capital expenses		(5,956,209)	5,956,209	-	-
Contributed assets		6,482,462	(6,482,462)	-	-
Reserves and capital funds expended on capital assets		130,609,614	-	(130,609,614)	-
Capital cash funds set aside in period		(91,695,335)	-	91,695,335	-
<b>Change in capital capacity arising from Council activities</b>		39,544,385	(526,253)	(38,914,279)	103,853
Transfers between retained surplus/(deficit) and capital reserves:					
Restricted grants, subsidies and contributions received during the period		-	(21,588,724)	21,588,724	-
Transfers to reserves		-	(699,938)	699,938	-
Transfers from reserves		-	61,913,970	(61,913,970)	-
Capital loss on de-amalgamation		(341,243,592)	341,243,592	-	-
<b>Net transfers to (from) retained surplus/(deficit)</b>		(341,243,592)	380,868,900	(39,625,308)	-
<b>Balance as at 30 June 2014</b>	2,377,893,387	568,791,072	68,598,578	44,580,105	3,059,863,142

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

# CAIRNS REGIONAL COUNCIL

## CAIRNS REGIONAL COUNCIL

### Statement of Changes in Equity

For the year ended 30 June 2013

Restated <sup>1</sup>

	Council capital	Asset revaluation surplus	Retained surplus/ (deficit)	General reserves	Total
	23	24			
	\$	\$	\$	\$	\$
<b>Balance as at 1 July 2012</b>	2,658,125,122	401,939,634	-	114,438,418	3,174,503,174
Net result	-	-	30,149,201	-	30,149,201
Other comprehensive income for the year					
Increase in asset revaluation surplus	-	74,008,925	-	-	74,008,925
<b>Total comprehensive income for the year</b>	-	74,008,925	30,149,201	-	104,158,126
Transfers of capital amounts arising from capital activities:					
Minor correction to non-current assets opening balance	(455)	-	-	-	(455)
Capital expenses	(7,317,054)	-	7,317,054	-	-
Contributed assets	9,498,006	-	(9,498,006)	-	-
Unfunded depreciation	(5,666,343)	-	5,666,343	-	-
Reserves and capital funds expended on capital assets	114,836,453	-	-	(114,836,453)	-
Capital cash funds set aside in period	(89,883,135)	-	-	89,883,135	-
<b>Change in capital capacity arising from Council activities</b>	21,467,472	-	3,485,391	(24,953,318)	(455)
Transfers between retained surplus/(deficit) and capital reserves:					
Restricted grants, subsidies and contributions received during the period	-	-	(31,953,131)	31,953,131	-
Transfers to reserves	-	-	(3,010,773)	3,010,773	-
Transfers from reserves	-	-	1,329,312	(1,329,312)	-
<b>Net transfers to (from) retained surplus/(deficit)</b>	-	-	(33,634,592)	33,634,592	-
<b>Balance as at 30 June 2013</b>	2,679,592,594	475,948,559	-	123,119,692	3,278,660,845

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

<sup>1</sup> See note 33 for details regarding restatement of comparatives to reflect prior period adjustments.

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

### 1 Significant accounting policies

#### 1.1 Basis of preparation

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

These financial statements have been prepared under the historical cost convention except for some classes of Non Current Assets where the revaluation method under AASB 116 has been applied.

#### 1.2 Statement of compliance

These general purpose financial statements comply with all accounting standards and interpretations issued by the 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 Basis of consolidation

The controlled entity of Council during the reporting period was Cairns Regional Gallery Limited.

Cairns Regional Gallery Limited is a company limited by guarantee and does not have any share capital. Significant control is exercised by Council over the operations of the gallery. Of the eleven directors, six positions are allocated to Council elected representatives. As at reporting date, three of these positions are vacant. Control is able to be exercised by Council by determining the composition of the Board as well as the capacity to appoint and remove directors and approve grant funding.

The accounts of Cairns Regional Gallery Limited have been assessed and have not been consolidated with Council's accounts as at the reporting date due to immateriality. Information relating to the financial position of the Gallery is set out in note 31.

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

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

	<i>Effective for annual report periods beginning on or after:</i>
<i>AASB 9 Financial Instruments (December 2009)</i>	<i>1 January 2017</i>
<i>AASB 10 Consolidated Financial Statements</i>	<i>1 January 2014</i>
<i>AASB 11 Joint Arrangements</i>	<i>1 January 2014</i>
<i>AASB 12 Disclosure of interests in other entities</i>	<i>1 January 2014</i>
<i>AASB 127 Separate Financial Statements (replaces the existing standard together with AASB10)</i>	<i>1 January 2014</i>
<i>AASB 128 Investments in Associates and Joint Ventures (replaces the existing standard)</i>	<i>1 January 2014</i>
<i>AASB 1055 Budgetary Reporting</i>	<i>1 July 2014</i>
<i>2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009)</i>	<i>1 January 2015</i>
<i>AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	<i>1 January 2015</i>

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

	<i>Effective for annual report periods beginning on or after:</i>
<i>AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards</i>	1 January 2014
<i>AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (AASB 132)</i>	1 January 2014
<i>AASB 2013-1 Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements</i>	1 July 2014
<i>AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
<i>AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]</i>	1 January 2014
<i>AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 &amp; AASB 139]</i>	1 January 2014
<i>AASB 2013-6 Amendments to AASB 136 arising from Reduce Disclosure Requirements</i>	1 January 2014
<i>AASB 2013-7 Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders [AASB 1038]</i>	1 January 2014
<i>AASB 2013-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities - Control and Structured Entities [ AASB 10, AASB 12 &amp; AASB 1049]</i>	1 January 2014
<i>AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments [ Operative dates: Part A Conceptual Framework - 20 Dec 2013; Part B Materiality - 1 Jan 2014; Part C Financial Instruments - 1 Jan 2015]</i>	1 January 2014

### **AASB 9 Financial Instruments (effective from 1 January 2015)**

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2015 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements, the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met.

### **Consolidation Standards**

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

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

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

AASB 10 redefines and clarifies the concept of control of another entity, and is the basis for determining which entities should be consolidated into another entity's financial statements. Council has reviewed all the entities with which it has a relationship and has determined that one entity, Cairns Regional Gallery Limited comes within the definition of control. Refer to Note 1.3 above.

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

AASB 11 deals with the concept of joint control and sets out new principles for determining the type of joint arrangement that exists, which in turn dictates the accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement. Council did not enter into any joint arrangements for the period ending 30 June 2014, therefore no disclosure is required.

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

### 1.5 Currency

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

### 1.6 Constitution

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

### 1.7 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.

### 1.8 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:

- Valuation of property, plant and equipment - Note 1.15(c), Note 1.15(e), Note 9 and Note 17(b)
- Impairment of property, plant and equipment - Note 1.18 and Note 17(a)
- Discontinued operations - De-amalgamation of Cairns Regional Council Note 11(a) and (b)
- Restoration provision - Note 1.23 (a) and Note 20
- Developer contribution credits - Note 1.23(b) and Note 20
- Annual leave - Note 1.21(b) and Note 19
- Long service leave - Note 1.21(e) and Note 20
- Contingent liabilities - Note 27

### 1.9 Revenue recognition

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

#### a) Rates and levies

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

#### b) Grants and subsidies

Grants, subsidies and contributions are recognised as revenue in the year in which Council obtains control over them. Council only receives grants, subsidies and contributions that are non-reciprocal in nature. Where control is obtained over a grant, subsidy or contribution and payment has not been received, this revenue is accrued and is reported in Note 15 as a receivable.

All funds received that are capital in nature are transferred from retained earnings to the relevant reserve, usually the constrained works reserve, until the funds are expended.

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

Council spends all recurrent grants in the year received and therefore Council has not established a reserve for this purpose.

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

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

### e) Rental revenue

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

### f) Interest

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

### g) Fees and charges

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

### h) 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.

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

### i) Other revenue

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

## 1.10 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.

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

Short term deposits - Note 1.14

Receivables - measured at amortised cost - Note 1.12

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

### Financial liabilities

Payables - measured at amortised cost - Note 1.20

Borrowings - measured at amortised cost - Note 1.22

Finance lease liabilities - measured at amortised cost - Note 1.19

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 21 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.

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 32.

### **1.11 Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, all cash and cheques received 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.

### **1.12 Receivables**

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

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

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

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

### **1.13 Inventories**

Stores and raw materials are valued at the lower of cost and net realisable value and include, where applicable, direct material, direct labour and an appropriate portion of variable and fixed overheads. Cost is determined using average price for stores and cost price for other items.

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.

These goods are valued at cost and adjusted where applicable for any loss of service potential.

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

### 1.14 Investments

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

Council previously held an investment in Advance Cairns, a regional advocacy and economic development organisation, which was classified as an investment in an associate. Information relating this is set out in Note 31.

### 1.15 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. All items of plant and equipment have an asset capitalisation threshold of \$5,000 except for:

- Land which has a capitalisation threshold of \$1; and
- Computers, communications equipment, office furniture & fittings, meters & traffic equipment which have a capitalisation threshold of \$1,000.

Network assets are an aggregate of interrelated assets that perform a specific service which, individually are likely to be below the capitalisation threshold levels, but collectively are above the capitalisation threshold for their class. Networked assets include computers and communication equipment, parking meters, and library books.

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

- Land and site improvements
- Buildings and other structures
- Plant and equipment
- Office furniture and fittings
- Transport assets
- Water
- Sewerage
- Drainage
- Solid waste disposal
- Other assets and leasehold improvements
- 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 revenue at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

#### b) Capital and operating expenditure

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

#### c) Valuation

With the exception of plant and equipment, office furniture and fittings and work in progress which are measured at cost, all property, plant and equipment is measured on the revaluation basis, at fair value, in accordance with *AASB 116 Property, Plant and Equipment*. Council maintains a four year rolling schedule for comprehensive revaluations.

Comprehensive valuations are performed by a mixture of independent, professionally qualified valuers and experienced Council Officers. A Comprehensive Revaluation involves the asset or a representative sample being physically inspected and a Replacement Cost being arrived at from first principles for the asset class. The fair value is then determined by combining the replacement cost and remaining useful life based on condition to give written down current replacement cost.

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

In between comprehensive valuations, desktop or indexation reviews are conducted by either professionally qualified valuers or Council Officers. This process involves the review and assessment of any factors that may have materially impacted the condition rating of assets within the class as well as a review of cost assumptions compared to the latest industry indexes, Council cost information as well as the advice of internal engineers and independent third parties.

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

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

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

Further details on the valuation of assets is contained in note 17(b).

### **d) Capital work in progress**

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

### **e) Depreciation**

Land is not depreciated as it has an unlimited useful life. Depreciation on other property, plant and equipment assets is calculated on a straight-line basis so as to write-off the value 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 first day of the month following acquisition or, in respect of internally constructed assets, from the first day of the month following the date an asset is completed and commissioned ready for use to the Council.

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

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

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

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments and subsequent estimation of remaining useful lives performed as part of the comprehensive revaluation process for assets measured at depreciated current replacement cost are used to estimate the characteristic and remaining useful lives of these assets at each reporting date. Generally all above ground assets are individually inspected at a comprehensive revaluation and a statistically significant sample of below ground assets are inspected in accordance with industry standards. Details of the range of estimated characteristic useful lives for each class of asset are shown in Note 17(a).

At each comprehensive revaluation the characteristic life and remaining life for each asset is determined. In between revaluations a council resolution or specific significant events i.e. natural disasters result in individual asset inspections and the remaining life is changed accordingly. In all other cases the remaining life is decreased by one year between comprehensive revaluations which is consistent with the duty cycle and maintenance regime of the asset in question.

### **f) Unfunded depreciation**

Council has previously elected not to fund depreciation expenses for assets that will not be replaced or where external funding sources other than loans will be obtained to fund their replacement. Depreciation was previously funded to the extent necessary to meet Council defined future service delivery levels to the community unless insufficient revenue sources were available to cover this depreciation amount. This practice ceased on 30 June 2013.

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

### g) Land under roads

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.

### 1.16 Intangible assets

Expenditure on internally generated intangible assets is recognised from the date of the approval by Council of a capital expenditure authorisation for the acquisition or development of the asset. This approval is taken to indicate that the project meets the criteria for recognition in *AASB138 Intangible assets*.

Intangible assets with a cost or other value exceeding \$5,000 are recognised as intangible assets in the financial statements, items with a lesser value being expensed.

Expenditure on internally generated assets, up to the decision to generate the asset in a particular form, is research expenditure and is not capitalised. It is recognised as an expense in the period in which it is incurred.

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

It has been determined that there is not an active market for any of the Council's intangible assets. Therefore, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation methods, estimated useful lives and residual values are reviewed at the end of each reporting period and adjusted where appropriate. To ensure they reflect the probability of continuing future benefits, intangible assets are assessed for impairment. Details of the estimated useful lives assigned to each class of intangible assets are shown in Note 18.

At the reporting date intangible assets consist of software only.

### 1.17 Biological assets

The Council operates a nursery to produce bedding plants and trees for its own use. In view of the immaterial nature of this operation the accounting procedures related to biological assets have not been applied. The costs incurred in this operation are included in Council's general operations as they are incurred.

### 1.18 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.

Generally Council will ensure that assets which have been impaired will have this reflected via a reduced useful life and written down value by revaluing the asset downwards thereby negating the need to impair the asset.

### 1.19 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. Council does not currently have any finance leases.

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

### 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.

### 1.20 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.

### 1.21 Liabilities - employee benefits

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

#### a) Salaries and wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 19 as a payable.

#### b) Annual leave

A liability for annual leave is recognised. The current portion (expected to be settled within 12 months) is calculated on current wage and salary levels and includes related employee on-costs. The non-current (amounts not expected to be settled within 12 months) portion is calculated on projected future wage and salary levels and related employee on-costs, discounted to present values. This liability represents an accrued expense and is reported in Note 19 as a payable.

#### c) Sick leave

Council has an obligation to pay sick leave on termination to certain employees and therefore a liability has been recognised for this obligation. This liability represents an accrued expense and is reported in Note 19 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 28.

#### 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 date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. This liability is reported in Note 20 as a provision.

#### f) RDO liability

A liability for rostered days off (RDO) is recognised, and measured as the amount unpaid at reporting date, at current pay rates in respect of employees' services up to that date.

### 1.22 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. Borrowing costs which include interest calculated using the effective interest rate method and administration fees, are expensed in the period in which they are incurred. Costs that are not settled in the period in which they are incurred are included in payables. No borrowing costs are capitalised on qualifying assets.

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

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

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

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.

### 1.23 Other provisions

#### a) Restoration provision

A provision is made for the cost of restoration of assets and other future restoration costs where it is probable the Council will be liable, or required, to incur such a cost on the cessation of use of the facility. Further details can be found in Note 20.

Council previously held a provision for the restoration of landfill sites. These landfill sites were located within the Douglas Shire Council and as such, the provision was transferred to Douglas at de-amalgamation.

#### b) Developer contribution credits

A provision is made for the cost of trunk infrastructure assets constructed by developers on behalf of Council. The provision is raised when construction works are sufficiently progressed that the value and timing of payment can be reliably measured. Corresponding assets are also recognised within work in progress at this time. Where the value of the trunk infrastructure assets cannot be reliably measured, a contingent liability and corresponding contingent asset are disclosed.

The provision is classified as current where payment is expected to be settled within 12 months and is classified as non-current where payment is not expected to be settled within 12 months. Where payment for the trunk infrastructure assets is not expected to be settled within 12 months, the value of the payment is discounted using an average of the Consumer Price Index for the year with resulting changes to the provision recognised as an operating expense.

Further details can be found in Note 20.

### 1.24 Council capital

Council's capital represents the net carrying value of the capital assets less the amount of capital debt as at the reporting date and includes the initial value of operating assets and liabilities recognised at its inception. Council previously held accumulated unspent cash arising from the funding of depreciation in the funded depreciation reserve. Council has resolved to disperse this reserve as at 30 June 2014 with the closing balance to be transferred to retained earnings.

### 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 Reserves held for future capital expenditure

#### a) Constrained works reserve

State/Federal grants and developer contributions that are capital in nature are constrained for the purpose of ensuring that funds are available for capital works projects such as roadways, drainage and parks etc. The funds held in this reserve will be utilised through infrastructure works exclusively in the precinct and for the identified purpose.

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

### b) Beach protection reserve

The purpose of this reserve is to provide funds for the maintenance and capital works programs required on beachfront properties for the protection of personal assets. Reserve funds can be utilised to undertake sand nourishment programs, the construction of groins and the construction of infrastructure designed to protect existing capital infrastructure where works are required to protect personal property. Council will determine the proportion of costs that will be allowed to be funded from this reserve on a case by case basis with the decision being based on an assessment of the degree of public benefit to be gained from the works. Council has resolved to disperse this reserve as at 30 June 2014 with the closing balance to be transferred to retained earnings.

### c) Future asset acquisition reserve

This capital reserve represents cash reserves set aside to provide for the acquisition of new assets and infrastructure in the future by Council. Funds from this reserve are used by Council to fund the purchase of new assets and infrastructure. Assets representing this reserve will be kept as part of Council's general pool of assets. Council has resolved to disperse this reserve as at 30 June 2014 with the closing balance to be transferred to retained earnings.

### d) Outdoor dining fees reserve

This reserve was created for the accumulation of funds in the form of annual outdoor dining fees for the beautification of public areas. These funds are accumulated to provide for the beautification of public areas in accordance with existing management plans and operational works programs. Council has resolved to disperse this reserve as at 30 June 2014 with the closing balance to be transferred to retained earnings.

### e) Cleaner seas initiative reserve

Cleaner seas initiative reserve represents cash reserves set aside to provide funding for wastewater treatment plant upgrades to support increases in wastewater treatment standards. The majority of the Cleaner seas project was finalised in the 2009/10 financial year. The remaining balance of this reserve was utilised in the 2012/13 financial year bringing the reserve balance to nil as at 30 June 2013. Any remaining ongoing expenditure relating to the project will be treated as an operating expense.

### f) Natural disaster reserve

Natural disaster reserve represents cash reserves set aside to fund Council's trigger point or excess contribution towards the rehabilitation of Council assets following a natural disaster. Council has resolved to disperse this reserve as at 30 June 2014 with the closing balance to be transferred to retained earnings.

### g) Cairns Water augmentation reserve

Cairns Water augmentation reserve represents cash reserves set aside to fund Cairns Water augmentation or reduction in loan principal outstanding. Council has resolved to disperse this reserve as at 30 June 2013 with the closing balance to be transferred to the Cairns Water constrained works reserve.

### h) Public art reserve

Public art reserve represents cash reserves set aside to fund the acquisition of future public art assets.

### i) Daintree ferry reserve

Council previously held a provision for the ongoing capital and operational costs associated with the ferry services on the Daintree river. The Daintree ferry services were located within the Douglas Shire Council and as such, the provision was transferred to Douglas at de-amalgamation.

## 1.27 Reserves held for funding future recurrent expenditure

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

### a) Future operational expenditure reserve

Future operational expenditure reserve represents cash reserves set aside to fund future operational expenditure. Council has resolved to disperse this reserve as at 30 June 2014 with the closing balance to be transferred to retained earnings.

### b) Blue Water special charge reserve

Blue Water special charge reserve represents cash reserves set aside to help manage the risk of major storms or other events that may impact on Blue Water Canal, Half Moon Creek and Access Channel.

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

### c) Southern corridor reserve

Southern corridor reserve represents cash reserves set aside for the purpose of Cairns Southern Corridor Master Planning Taskforce operation, project management and Master Plan/Sub Plan development.

### d) Resources, waste and environmental reserve

Council previously held a provision to meet expenses of a recurrent nature. This reserve pertained solely to Douglas Shire Council and as such, the provision was transferred to Douglas at de-amalgamation.

### e) Investment attraction reserve

The purpose of this reserve is to attract targeted investment support to stimulate significant economic benefits and value-add to the wider regional economy beyond the growth of the business itself. Council has resolved to disperse this reserve as at 30 June 2014 with the closing balance to be transferred to retained earnings.

## 1.28 Retained surplus/(deficit)

The retained surplus/deficit represents that part of Council's equity which is cash backed and not identified to meet specific future funding needs at the reporting date. The balance of this account represents the cumulative unrestricted surplus amount available to Council that may be used as a general funding source to be offset against expenditure in the following reporting period or, if a deficit, the additional amount of revenue required to be raised to achieve a total overall balance funding position. In accordance with the *Local Government Regulation 2012* all councils must demonstrate the ability to recover any retained deficits in future reporting periods through the budget process.

## 1.29 National competition policy

The Council has reviewed its activities to identify its business activities. Details of these activities are disclosed in Note 35.

## 1.30 Rounding and comparatives

Amounts included in the financial statements have been rounded to the nearest dollar.

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

## 1.31 Financial risk management

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

### a) Investments

Council is allocated Category 2 investment power under the *Statutory Bodies Financial Arrangements (SBFA) Regulation 2007*. All investments are denominated in Australian dollars and undertaken in Australia. The tone of Council's investment policy is risk averse. Council does not invest in derivatives or other high risk investments.

The credit risk of the institution, measured by the Standard & Poor's rating, as well as the risk associated with the investment time horizon, the type of investment product and the liquidity needs of Council are considered before authorising an investment decision.

### b) Financing

All loan funding is conducted through the Queensland Treasury Corporation. Borrowing by Council is constrained by the provisions of the *SBFA Act 1982*. Details of financial instruments and the associated risks are shown at note 32.

## 1.32 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 paid into the trust account by the Council. Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

The monies are disclosed in the notes to the financial statements for information purposes only in Note 29.

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

### 1.33 Taxation

Income of local authorities and public authorities is exempt from Commonwealth taxation. Council is subject to 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 Type 1 and 2 activities of Council pay an income tax equivalent to Council in accordance with the requirements of the *Local Government Act 2009*.

Where a Type 1 or 2 activity is subject to the National Tax Equivalents Regime, the income tax expense is calculated on the operating surplus adjusted for permanent differences between taxable and accounting income. These transactions are eliminated upon consolidation.

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

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

### 2 Analysis of results by function

(a) Income, expenses and assets have been attributed to the following functions:

#### Year ended 30 June 2014

Functions	Gross program income				Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurring operations	Net Result	Assets
	Recurring		Capital				Recurring	Capital					
	Grants	Other	Grants	Other									
	2014	2014	2014	2014									
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Corporate Services	-	638,150	87,795	-	-	725,945	(20,337,478)	18,832	-	(20,318,646)	(19,699,332)	(19,592,701)	6,777,381
Finance	2,843,653	166,496,858	-	-	(55,330,774)	114,009,737	(10,469,230)	(341,243,592)	-	(351,712,822)	103,540,506	(237,703,085)	325,260,832
Human Resources and Organisational Change	147,071	-	-	-	-	147,071	(3,144,048)	-	-	(3,144,048)	(2,996,977)	(2,996,977)	-
Planning and Environment	6,293	11,115,997	-	-	-	11,122,290	(15,473,893)	-	324,032	(15,149,861)	(4,027,571)	(4,027,571)	6,344,446
Infrastructure Services	184,076	2,070,906	12,594,726	6,664,441	-	21,514,148	(85,862,058)	(3,842,839)	3,632,890	(86,071,988)	(79,974,170)	(64,557,840)	1,543,423,513
Community, Sport and Cultural Services	1,955,967	4,511,336	2,931,382	168,785	(10,032)	9,557,438	(47,298,199)	(779,532)	-	(48,077,731)	(40,840,932)	(38,520,293)	156,337,130
Cairns Water	3,522	116,587,610	12,003	5,598,051	-	122,201,186	(116,592,002)	(1,336,212)	39,722,320	(78,205,894)	39,721,461	43,995,292	1,154,064,704
Cairns Resource Recovery	-	29,984,271	14,000	-	(51,624)	29,946,647	(29,984,271)	(16,458)	4,666,346	(25,334,383)	4,614,722	4,612,264	15,570,769
Cairns Works	-	9,907,535	-	-	-	9,907,535	(9,907,535)	-	7,046,842	(2,860,693)	7,046,842	7,046,842	805,697
Discontinued Operations	(254,414)	(17,514,099)	(885,157)	-	-	(18,653,670)	12,838,763	-	-	12,838,763	(4,929,750)	(5,814,907)	-
Total Council Continuing Operations	4,886,168	323,798,564	14,754,749	12,431,277	(55,392,430)	300,478,327	(326,229,951)	(347,199,801)	55,392,430	(618,037,303)	2,454,799	(317,558,976)	3,208,584,472

#### Year ended 30 June 2013

Functions	Gross program income				Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurring operations	Net Result	Assets
	Recurring		Capital				Recurring	Capital					
	Grants	Other	Grants	Other									
	2013	2013	2013	2013									
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Corporate Services	33,955	534,301	100,000	-	-	668,255	(23,544,284)	(58,819)	-	(23,603,103)	(22,976,028)	(22,934,848)	7,421,420
Finance	5,788,363	164,860,274	-	231,084	(51,514,183)	119,365,537	(12,891,244)	(10,486)	-	(12,901,730)	106,243,209	106,463,807	356,169,634
Human Resources and Organisational Change	171,800	-	-	-	-	171,800	(2,990,605)	-	-	(2,990,605)	(2,818,805)	(2,818,805)	-
Planning and Environment	-	10,742,818	-	(205,177)	-	10,537,641	(15,858,336)	-	364,934	(15,493,402)	(4,750,584)	(4,955,761)	6,105,886
Infrastructure Services	295,402	3,019,741	18,047,361	9,128,496	-	30,491,000	(92,474,900)	(3,290,654)	1,769,668	(93,995,885)	(87,390,088)	(63,504,885)	1,641,606,574
Community, Sport and Cultural Services	1,098,861	5,120,667	7,098,816	47,141	-	13,365,499	(48,095,873)	(249,132)	37,154	(48,307,851)	(41,839,177)	(34,942,352)	164,500,025
Cairns Water	2,477	119,360,374	552,287	6,604,914	-	126,520,052	(119,360,326)	(3,989,230)	35,650,814	(87,698,742)	35,653,344	38,821,310	1,237,273,587
Cairns Resource Recovery	-	28,720,472	47,850	-	(29,578)	28,738,744	(28,720,472)	281,267	7,021,588	(21,417,617)	6,992,010	7,321,127	22,203,536
Cairns Works	-	4,624,411	-	-	-	4,624,411	(4,624,411)	-	6,699,584	2,075,173	6,699,584	6,699,584	1,081,620
Discontinued Operations	(1,034,658)	(32,434,827)	(7,172,907)	-	-	(40,642,392)	33,534,271	452,272	-	33,986,543	64,786	(6,655,849)	(340,666,009)
Total Council Continuing Operations	6,356,200	304,548,230	18,673,407	15,806,458	(51,543,742)	293,840,553	(315,026,180)	(6,864,783)	51,543,742	(270,347,219)	(4,121,749)	23,493,328	3,095,696,273

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

### 2 Analysis of Results by Function

#### (b) Components of Council functions

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

##### **Corporate Services**

Corporate Services are responsible for the provision of efficient, effective and accountable administrative services to Council and the community it serves. The core branches include Governance, Service Quality, Information Services and Record Management functions.

##### **Finance**

Finance provides professional financial management, service and advice to enable our customers to achieve their goals. The core functions include Financial Accounting, Management Accounting, Payroll, centralised Procurement and Cairns Shared Services.

##### **Human Resources and Organisational Change**

Human Resources and Organisational Change are responsible for the provision of sustainable human resources and organisational change services that support internal and external customers. Core functions include Corporate Training, Recruitment and Selection, HR/IR Consultancy and WH&S.

##### **Planning and Environment**

Planning and Environment delivers Council's aim of achieving sustainability by maintaining a healthy economy, vibrant communities and a thriving biophysical environment. This includes Development and Regulatory Services, Planning Strategies and Economic Development.

##### **Infrastructure Services**

Infrastructure Services is responsible for ensuring infrastructure assets and facilities are procured, maintained and operated within a framework of strategic planning and management that is consistent with corporate objectives and best value service delivery.

The program provides the strategic planning and the provision of essential transport, drainage and parks infrastructure, maintenance, construction and operational services to the community. It also facilitates the coordination of Council's capital projects delivery.

##### **Community, Sport and Cultural Services**

Community, Sport and Cultural Services manages a number of the region's public facilities; including the Botanical Gardens, Sugarworld, Civic Theatre, Tanks Art Centre, museums and art galleries and the region's libraries. This department also services parks and gardens with barbeque and picnic facilities, sports grounds and playgrounds.

##### **Cairns Water**

Cairns Water is responsible for the provision of water and wastewater services to consumers throughout the Cairns region. This includes supplying safe, reliable drinking water to consumers, collection and treatment of domestic sewerage and commercial and industrial trade waste, planning for and delivering water and wastewater infrastructure and maintenance of the community's water and wastewater infrastructure.

##### **Cairns Resource Recovery**

Cairns Resource Recovery is responsible for the provision of solid waste services to consumers throughout the Cairns region, including collection, recycling and disposal of domestic, commercial and industrial solid waste, planning for and delivering solid waste infrastructure and maintenance of the community's solid waste infrastructure.

##### **Cairns Works**

Cairns Works is the principal provider of operational services to Council in the sub-programs of transport, drainage, parks and foreshores and infrastructure management. Services delivered include construction of municipal civil engineering projects, programmed and reactive maintenance activities and operational tasks on Cairns Regional Council assets in accordance with agreed levels of service. External work is also undertaken when and where there is an overall benefit to Council and the community.

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

	2014	2013
Note	\$	\$
<b>3 Revenue analysis</b>		
<b>(a) Rates, levies and charges</b>	1.9(a)	
General rates	99,830,088	95,985,780
Separate rates	681,041	519,155
Water	19,352,645	18,509,483
Water consumption	23,079,415	23,626,512
Sewerage	62,294,874	59,466,182
Garbage charges	23,650,332	22,499,076
Rates and utility charge revenue	<u>228,888,395</u>	<u>220,606,188</u>
Less: Discounts	(51,389)	(42,133)
Less: Pensioner remissions	<u>(2,147,400)</u>	<u>(2,030,834)</u>
Net rates and utility charges	<u><u>226,689,606</u></u>	<u><u>218,533,221</u></u>
<b>(b) Fees and charges</b>	1.9(g)	
Building and property fees	4,017,787	3,344,684
Regulatory and parking fees	6,547,996	6,416,600
Water and waste fees	5,106,713	5,051,305
Other fees and charges	2,487,139	2,605,653
	<u>18,159,635</u>	<u>17,418,242</u>
<b>(c) Interest revenue</b>		
Investments	1.9(f) style="text-align: right;">3,612,536	3,616,314
Overdue rates and utility charges	<u>2,297,033</u>	<u>2,261,015</u>
	<u><u>5,909,569</u></u>	<u><u>5,877,329</u></u>
<b>(d) Other recurrent revenue</b>		
Contract and recoverable works	10,882,852	5,906,587
Reimbursements and cost recoveries	1,351,342	1,232,372
Rental and leases	1.9(e) style="text-align: right;">790,742	811,287
Sundry and other recurrent revenue	1.9(i) style="text-align: right;">4,622,388	3,005,778
	<u>17,647,324</u>	<u>10,956,024</u>
<b>4 Grants, subsidies, contributions and donations</b>	1.9(b)	
<b>(a) Recurrent – grants, subsidies, contributions and donations are analysed as follows:</b>		
General purpose grants	4,121,852	6,364,548
Donations	764,315	211,324
	<u>4,886,167</u>	<u>6,575,872</u>
<b>(b) Capital – grants, subsidies, contributions and donations are analysed as follows:</b>		
(i) Monetary revenue designated for capital funding purposes:		
Government subsidies and grants	1.9(b) style="text-align: right;">15,115,665	20,131,372
Contributions	1.9(d) style="text-align: right;"> <u>5,587,899</u>	<u>5,771,794</u>
	20,703,564	25,903,166
(ii) Non-monetary revenue received:		
Developer assets contributed by developers at fair value	1.9(c) style="text-align: right;">6,482,462	8,576,699
<b>Total capital grants, subsidies, contributions and donations</b>	<u><u>27,186,026</u></u>	<u><u>34,479,865</u></u>

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

	<b>2014</b>	<b>2013</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>5 Gain/(loss) on disposal of non-current assets</b>		
Proceeds from the sale of non-current assets	931,013	1,515,793
Less: total book value of non-current assets sold	(895,704)	(1,988,747)
Effect of discontinued operations	-	45,877
Total gain/(loss) on the disposal of capital assets	<u>35,309</u>	<u>(427,077)</u>

## 6 Employee benefits

Total staff wages and salaries	72,646,803	68,950,775
Councillors' remuneration	1,013,081	1,018,626
Annual, sick and long service leave entitlements	12,527,851	12,856,212
Superannuation	<u>8,801,481</u>	<u>8,438,362</u>
	94,989,216	91,263,975
Other employee related expenses	<u>4,103,781</u>	<u>4,272,368</u>
	99,092,997	95,536,343
Less: Capitalised employee expenses	<u>(5,327,778)</u>	<u>(4,065,974)</u>
	<u>93,765,219</u>	<u>91,470,369</u>

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

	<b>2014</b>	<b>2013</b>
	<b>employees</b>	<b>employees</b>
Total Council employees at the reporting date:		
Elected members	10	11
Administration staff	640	700
Depot and outdoors staff	536	629
Effect of de-amalgamation	-	(145)
Total full time equivalent employees	<u>1,186</u>	<u>1,195</u>

## 7 Materials and services

Agency and temporary employment services	4,123,117	3,254,643
Audit of the Annual Financial Statements by the Auditor-General of Queensland	235,352	230,568
Communication and IT	3,346,967	2,025,686
Donations paid and grants to community groups	3,998,009	3,425,994
Electricity	8,504,312	7,751,283
External services and hire	25,856,866	21,053,173
Garbage collection services	15,312,217	11,549,947
Other materials and services	7,250,744	13,565,479
Rentals - operating leases	653,473	639,297
Repairs and maintenance	<u>10,151,252</u>	<u>9,007,013</u>
	<u>79,432,309</u>	<u>72,503,083</u>

## 8 Finance costs

Finance costs charged by the Queensland Treasury Corporation	5,678,011	5,860,465
Bank charges	419,928	361,610
Impairment of receivables	<u>(153,297)</u>	<u>5,437,269</u>
	<u>5,944,642</u>	<u>11,659,344</u>

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

	<u>Note</u>	<u>2014</u> \$	<u>2013</u> \$
<b>9 Depreciation and amortisation</b>	1.15(e)		
<b>a) Depreciation of non-current assets</b>			
Land improvements		2,419,138	2,464,414
Buildings and other structures		11,876,343	11,699,301
Plant and equipment		6,825,072	6,226,016
Office furniture and fittings		144,163	347,819
Transport assets		28,534,455	26,981,554
Water		13,784,290	13,894,222
Sewerage		19,315,467	17,984,576
Drainage		6,793,509	6,232,713
Solid waste disposal		639,968	732,713
Other assets and leasehold improvements		843,213	866,848
		<u>91,175,618</u>	<u>87,430,176</u>
<b>b) Amortisation of intangible assets</b>			
Computer software		519,714	419,447
Total amortisation of intangible assets		<u>519,714</u>	<u>419,447</u>
		<u>91,695,332</u>	<u>87,849,623</u>
<b>10 Capital expenses</b>			
(Gain)/loss on sale of capital assets	5	(35,309)	427,077
Loss on write-off of non-current assets	12	5,991,518	6,437,705
Total capital expenses		<u>5,956,209</u>	<u>6,864,782</u>

## 11 Discontinued operations

### De-amalgamation of Cairns Regional Council

#### a) Description

As a result of the *Local Government (De-amalgamation Implementation) Regulation 2013* (LGDIR) the Douglas Shire Council was re-established on 1 January 2014, based on the boundaries as they existed immediately prior to the 2008 amalgamations. On 1 January 2014, the Douglas Shire Council commenced operations and the continuing Cairns Regional Council now operates independently of the excised Douglas Shire component.

A transfer committee, comprising the Transfer Manager and Council's Chief Executive Officer, were responsible for making decisions on matters such as the transfer of assets and liabilities to Douglas Shire Council, establishment of joint agreements to ensure continuity of business and deciding on de-amalgamation costs.

#### b) Financial separation methodology

Since March 2008, Cairns Regional Council operated as one integrated business and transactions relating to Douglas Shire Council area were not separately identified or segregated in Council's accounting system. Most of Council's services operated seamlessly across the Douglas region and remaining council area. Therefore, it was necessary for the Transfer Committee to determine a financial separation methodology to allocate revenue and expenses, and assets and liabilities between the two components of Council, i.e. Cairns and Douglas.

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

### ***Revenue and expenses***

Revenue allocated to Douglas comprised rates, levies, charges and fees collected from residents in the Douglas area, together with income arising from assets that were transferred to Douglas as well as other revenue, including interest on term deposits. The balance of Council revenue was allocated to Cairns.

Expenses allocated to Douglas include expenses that can be directly attributed to the assets that have been allocated to Douglas, as well as other operating expenses. The balance of Council expenses were allocated to Cairns.

Revenue and expenses allocated to Douglas were allocated from Council's underlying financial information on a direct basis wherever possible. The direct basis is where the revenue or expenses can be directly associated with a specific activity or physical location associated with the Douglas area. Where direct attribution was not practicable, revenue and expenses were allocated using either (a) a clear driver that was readily identifiable and was an appropriate basis on which to allocate, or (b) by applying an appropriate ratio to the revenue or expenses across the whole of Council area and then apportioning them on that basis between Douglas and Cairns.

All revenue and expenses have been recognised in the same way as revenue and expenses from continuing operations.

### ***Assets and liabilities***

Assets and liabilities were being directly attributed to Douglas based on the specific assets and liabilities transferred on 1 January 2014 wherever possible. 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 and borrowings were allocated based on the opening balances on amalgamation and the direct allocation of new borrowings and repayments over the period of amalgamation.

Following the finalisation of the 30 June 2013 financial statements, the property, plant and equipment closing balance allocation between the Cairns and Douglas components was subject to further review. A reconciliation performed post finalisation of the 30 June 2013 separate financial statements identified asset transactions which were not correctly allocated resulting in an increase to the Douglas property, plant and equipment allocation of \$13,274,898 as at 30 June 2013 and a corresponding reduction in the Cairns component by the same amount. The Douglas component of property, plant and equipment at 30 June 2013 was increased to \$329,682,880 from \$316,407,982 as previously reported. Respectively, the Cairns component of property, plant and equipment at 30 June 2013 was decreased to \$2,889,072,534 from \$2,902,347,432 as previously reported.

### **c) Events Post De-amalgamation**

The financial separation of Cairns Regional Council and Douglas Shire Council was concluded in April 2014 with the Transfer Committee approving a set of separated financial statements as at 31 December 2013. Cairns Regional Council remains responsible for the settlement of all liabilities that arose for the period up to 31 December 2013, regardless of whether the liability related to the continuing Cairns Regional Council component or the de-amalgamated Douglas Shire component. Additional liabilities (costs) have arisen since the completion of the separate financial statements. As corresponding invoices were received, Cairns Regional Council recognised the expense, finalised payment to the supplier and recovered the funds from the new Douglas Shire Council. These transactions were not included in the result of the discontinued operation below and are not material.

In addition to the above, Cairns Regional Council received settlement for short term investment interest and grant debtors post de-amalgamation of which a portion related to Douglas Shire Council. The trade receivable is included in assets transferred on 31 December 2013 below. Douglas Shire Council was compensated for their portion through an additional cash transfer.

The net result of recovered supplier payments and revenue received detailed above was an additional cash transfer to Douglas Shire Council of \$1,352,705 which was made in August 2014.

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

### d) Results of discontinued operation

The financial performance and cash flow information presented are for the 6 month period ending 31 December 2013 (transfer date) and the financial year ended 30 June 2013.

	<b>6 months to 31 December 2013</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Revenue	18,653,671	40,642,392
Expenses	(12,838,764)	(33,986,543)
<b>Net result from discontinued operations</b>	<b>5,814,907</b>	<b>6,655,849</b>

### Cash flows from (used in) discontinued operations

Net cash inflow/(outflows) from operating activities	4,418,774	7,170,627
Net cash inflow/(outflows) from investing activities	(395,735)	(6,483,030)
Net cash inflow/(outflows) from financing activities	(48,583)	(94,434)
<b>Net (decrease)/increase in cash generated by the discontinued operations</b>	<b>3,974,456</b>	<b>593,163</b>
Cash and cash equivalents at beginning of the financial year	15,756,766	15,163,603
Cash and cash equivalents at end of the financial year	<b>19,731,222</b>	<b>15,756,766</b>
Comprising of:		
Cash and cash equivalents	9,156,367	10,066,053
Short term deposits	10,574,855	5,690,713
Total cash and cash equivalents	<b>19,731,222</b>	<b>15,756,766</b>

### d) Effects of De-Amalgamation on the Financial position of Cairns Regional Council

The carrying amounts of assets and liabilities as at the 6 month period ending 31 December 2013 (transfer date) and the financial year ended 30 June 2013 were:

Property, plant and equipment	333,270,497	316,407,982
Cash and cash equivalents	19,731,222	15,756,766
Trade and other receivables, inventory and other assets	4,010,198	8,501,261
Provisions and other liabilities	(13,485,832)	(17,206,092)
Borrowings	(2,282,493)	(2,330,892)
<b>Net assets and liabilities</b>	<b>341,243,592</b>	<b>321,129,025</b>

The net effect of the removal of Douglas Shire Council from Council's balance sheet resulted in a loss on de-amalgamation of \$341,243,592. Council did not receive consideration or cash inflows arising from the transfer.

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
<b>12 Write-off of capital assets</b>			
Buildings and other structures		787,006	459,184
Plant and equipment		253,931	(36,629)
Transport assets		3,599,917	2,639,029
Water		696,248	202,452
Sewerage		637,958	2,993,795
Drainage		-	92,478
Solid waste disposal		16,458	3,498
Other assets and leasehold improvements		-	83,898
	10	<u>5,991,518</u>	<u>6,437,705</u>
<b>13 Cash and cash equivalents</b>			
	1.11		
Cash in operating bank account	32	117,910	353,374
Cash in other banks and on hand	32	29,470	30,172
Term deposits	32	16,000,000	5,024,449
Deposits and investments held with QTC	32	38,348,912	46,435,924
Balance per Statement of Cash Flows		<u>54,496,292</u>	<u>51,843,919</u>
Externally and internally imposed expenditure restrictions at the reporting date relate to the following cash assets:			
Unspent government grants and subsidies		14,711,697	16,980,126
Unspent developer contributions		27,190,443	44,090,944
Funds set aside by Council and held in reserves for future projects		2,677,965	62,048,622
Total unspent restricted cash for capital projects	24	<u>44,580,105</u>	<u>123,119,692</u>
Cash, deposits and investments are held with the Commonwealth Bank of Australia in a normal business cheque account and through deposits with various institutions including Queensland Treasury Corporation, National Australia Bank, Bendigo Bank, Cairns Penny Savings and Loans and ECU Australia.			
<b>14 Short term deposits</b>			
Current fixed short term investments			
Unrestricted	32	30,000,000	35,000,000
Effect of discontinued operations		-	(5,690,713)
		<u>30,000,000</u>	<u>29,309,287</u>

All cash investments are in Australian dollars. Investments are held in Westpac Banking Corporation, Bank of Queensland and National Australia Bank and are considered to be low risk investments.

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
<b>15 Trade and other receivables</b>			
<b>a) Current</b>			
	1.12		
Rateable revenue and utility charges		15,332,103	14,319,212
Water charges		3,327,408	4,419,538
Fees and charges		4,503,281	1,268,516
Accrued interest on investments		303,277	258,989
Accrued capital contributions		23,000	4,260,601
Grants receivable		650,069	9,524,394
Other accrued revenue		5,125,539	4,711,382
Other debtors		2,490,854	2,316,604
Less: impairment provision	15(b)	<u>(1,467,047)</u>	<u>(6,833,860)</u>
		<u>30,288,484</u>	<u>34,245,376</u>
Prepayments		<u>1,567,150</u>	<u>1,556,896</u>
		<u><u>31,855,634</u></u>	<u><u>35,802,272</u></u>
Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors received.			
<b>b) Impairment provision</b>			
Opening balance at 1 July		6,833,860	1,976,784
Effect of discontinued operations		(30,973)	-
Receivables written off in period		(5,048,180)	(380,589)
Provisions recognised		(287,660)	5,237,665
Closing balance at 30 June	15(a)	<u><u>1,467,047</u></u>	<u><u>6,833,860</u></u>
<b>16 Inventories</b>			
Stores and materials		2,366,006	986,963
Work in progress		191,566	54,957
		<u><u>2,557,572</u></u>	<u><u>1,041,920</u></u>

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

### 17 Property, plant and equipment

#### a) Movements in property, plant and equipment 2014

Asset class	Note	Land and site improvements	Buildings and other structures	Plant and equipment	Office furniture and fittings	Transport assets	Water	Sewerage	Drainage	Solid waste disposal	Other assets and leasehold improvements	Work in progress	Total
Basis of measurement		Fair Value \$	Fair Value \$	Cost \$	Cost \$	Fair Value \$	Fair Value \$	Cost \$	\$				
<b>Asset values</b>													
Opening gross value as at 1 July 2013		266,304,787	328,521,002	62,909,402	2,890,782	1,376,513,998	1,038,554,202	953,283,679	648,800,554	25,727,704	8,023,889	85,419,709	4,796,949,708
Minor correction to opening balance	34	141,747	456	(98,260)	-	250,225	-	-	910	-	-	-	295,078
Additions at cost		-	-	-	-	-	-	-	-	-	-	127,697,209	127,697,209
Contributed assets at valuation		-	-	-	-	2,406,440	1,151,568	1,263,597	1,660,857	-	-	-	6,482,462
Disposals		-	-	(3,164,059)	-	-	-	-	-	-	-	-	(3,164,059)
Write-offs		-	(2,292,652)	(509,369)	-	(4,622,289)	(3,867,840)	(1,574,521)	-	(43,260)	-	-	(12,909,931)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)		-	-	-	-	8,930,988	28,189,715	(5,120,073)	31,897,861	832,548	-	-	64,731,039
Internal transfers		6,704,706	9,075,229	5,517,370	62,830	16,768,835	4,491,425	5,042,848	1,954,063	723,137	1,356,805	(55,309,737)	(3,612,489)
Effect of de-amalgamation		(20,024,979)	(34,549,395)	(6,386,790)	(135,456)	(179,332,661)	(119,686,990)	(62,870,759)	(36,680,426)	(9,999,716)	(274,886)	(16,894,670)	(486,836,728)
Closing gross value as at 30 June 2014		253,126,261	300,754,640	58,268,294	2,818,156	1,220,915,536	948,832,080	890,024,771	647,633,819	17,240,413	9,105,808	140,912,511	4,489,632,289
<b>Accumulated depreciation and impairment</b>													
Opening balance as at 1 July 2013		24,416,902	141,238,768	26,082,262	2,173,201	397,189,714	511,827,252	285,333,712	109,249,319	7,515,974	3,007,031	-	1,508,034,135
Correction to opening balance	34	18,204	147	(8,610)	-	128,991	4,707	12,047	35,973	-	-	-	191,459
Depreciation provided in period		2,419,138	11,876,344	6,825,074	144,163	28,534,454	13,784,290	19,315,468	6,793,510	639,968	843,212	-	91,175,621
Disposals		-	-	(2,268,355)	-	-	-	-	-	-	-	-	(2,268,355)
Write-offs		-	(1,505,646)	(255,438)	-	(1,022,372)	(3,171,592)	(936,563)	-	(26,802)	-	-	(6,918,413)
Revaluation adjustment to the asset revaluation surplus		-	-	-	-	2,823,543	1,700,491	3,300,238	(36,306,883)	371,137	-	-	(28,111,474)
Effect of de-amalgamation		(375,901)	(16,966,767)	(2,411,398)	(74,121)	(43,193,413)	(63,365,135)	(19,821,630)	(5,849,608)	(1,884,967)	(89,915)	-	(154,032,855)
Closing balance as at 30 June 2014		26,478,343	134,642,846	27,963,535	2,243,243	384,460,917	460,780,013	287,203,272	73,922,311	6,615,310	3,760,328	-	1,408,070,118
Total written down value as at 30 June 2014		226,647,918	166,111,794	30,304,759	574,913	836,454,619	488,052,067	602,821,499	573,711,508	10,625,103	5,345,480	140,912,511	3,081,562,171
Residual value		178,640,200	167,888	8,238,646	-	156,228,014	109,761	13,026	19,401,401	9,165	-	-	-
Range of estimated useful life in years		3-100	30-60	3-20	2-10	10-100	20-80	20-80	40-150	10-100	7-50	-	-
Additions comprise:													
Renewals		-	-	-	-	-	-	-	-	-	-	94,660,497	94,660,497
New assets		-	-	-	-	-	-	-	-	-	-	33,036,712	33,036,712
Total additions		-	-	-	-	-	-	-	-	-	-	127,697,209	127,697,209

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

### 17 Property, plant and equipment

#### a) Movements in property, plant and equipment 2013

Asset class

Basis of measurement

#### Asset values

Opening gross value at 1 July 2012

Correction to opening balance

Additions at cost

Contributed assets at valuation

Assets classified as held for sale

Disposals

Write-offs

Revaluation adjustment to the asset revaluation surplus

Internal transfers

Changes to future rehabilitation costs

Closing gross value at 30 June 2013

Asset class	Land and site improvements	Buildings and other structures	Plant and equipment	Office furniture and fittings	Transport assets	Water	Sewerage	Drainage	Solid waste disposal	Other assets and leasehold improvements	Work in progress	Total
Basis of measurement	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	\$
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value at 1 July 2012	248,338,189	313,147,133	54,054,997	2,725,234	1,311,003,657	1,010,599,281	911,417,165	616,790,728	23,904,789	8,825,257	95,804,828	4,596,611,258
Correction to opening balance	-	-	-	-	-	-	-	-	-	(455)	-	(455)
Additions at cost	-	-	-	-	-	-	-	-	-	-	111,286,625	111,286,625
Contributed assets at valuation	264,364	29,533	-	-	3,071,238	1,659,345	1,524,052	2,949,474	-	-	-	9,498,006
Assets classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	(4,551,188)	-	-	(98,010)	(669,375)	-	-	-	-	(5,318,573)
Write-offs	(2,469,545)	(1,373,697)	(821,908)	-	(3,925,842)	(2,026,056)	(17,589,798)	(118,831)	(4,102)	(1,705,139)	-	(30,034,918)
Revaluation adjustment to the asset revaluation surplus	5,975,425	(2,588,493)	3,657	-	51,689,842	19,527,021	21,837,581	21,424,948	450,598	-	-	118,320,579
Internal transfers	14,196,354	19,306,526	14,223,844	165,548	14,675,103	8,892,621	36,764,054	7,754,235	1,404,164	904,226	(121,671,744)	(3,385,069)
Changes to future rehabilitation costs	-	-	-	-	-	-	-	-	(27,745)	-	-	(27,745)
Closing gross value at 30 June 2013	266,304,787	328,521,002	62,909,402	2,890,782	1,376,513,998	1,038,554,202	953,283,679	648,800,554	25,727,704	8,023,889	85,419,709	4,796,949,708

#### Accumulated depreciation and impairment

Opening balance at 1 July 2012

Depreciation provided in period

Disposals

Write-offs

Revaluation adjustment to the asset revaluation surplus

Internal transfers

Closing balance at 30 June 2013

Opening balance at 1 July 2012	15,049,989	125,406,310	22,840,204	1,793,929	352,745,479	494,587,838	273,366,064	98,845,362	6,556,687	3,674,022	-	1,394,865,884
Depreciation provided in period	2,687,270	12,757,267	6,789,035	379,272	29,421,283	14,912,437	19,604,779	6,796,547	798,972	945,238	-	95,092,100
Disposals	-	-	(3,071,938)	-	-	(52,341)	(205,547)	-	-	-	-	(3,329,826)
Write-offs	(2,469,545)	(865,188)	(862,472)	-	(1,003,329)	(1,801,857)	(14,274,410)	(16,419)	(228)	(1,612,229)	-	(22,905,677)
Revaluation adjustment to the asset revaluation surplus	6,672,570	4,424,176	1,207	-	18,398,272	4,162,173	6,867,186	3,623,829	162,241	-	-	44,311,654
Internal transfers	2,476,618	(483,797)	386,226	-	(2,371,991)	19,002	(24,360)	-	(1,698)	-	-	-
Closing balance at 30 June 2013	24,416,902	141,238,768	26,082,262	2,173,201	397,189,714	511,827,252	285,333,712	109,249,319	7,515,974	3,007,031	-	1,508,034,135

Total written down value as at 30 June 2013

Total written down value as at 30 June 2013	241,887,885	187,282,234	36,827,140	717,581	979,324,284	526,726,950	667,949,967	539,551,235	18,211,730	5,016,858	85,419,709	3,288,915,573
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Residual value

Range of estimated useful life in years

Residual value	178,500,200	210,488	8,251,568		155,420,008							
Range of estimated useful life in years	3-100	30-60	3-20	2-10	10-100	20-80	20-80	40-150	10-100	7-50		

Total written down value as at 30 June 2013

Less assets held for distribution

Total written down value for continuing operations as at 30 June 2013

Total written down value as at 30 June 2013	241,887,885	187,282,234	36,827,140	717,581	979,324,284	526,726,950	667,949,967	539,551,235	18,211,730	5,016,858	85,419,709	3,288,915,573
Less assets held for distribution	11,795,473	17,568,990	3,545,429	61,886	134,376,405	55,694,469	41,728,840	30,893,637	7,057,540	212,574	13,455,932	316,391,175
Total written down value for continuing operations as at 30 June 2013	230,092,412	169,713,244	33,281,711	655,695	844,947,879	471,032,481	626,221,127	508,657,598	11,154,190	4,804,284	71,963,777	2,972,524,398

Additions comprise:

Renewals

New assets

Total additions

Renewals	-	-	-	-	-	-	-	-	-	-	74,322,842	74,322,842
New assets	-	-	-	-	-	-	-	-	-	-	36,963,783	36,963,783
Total additions	-	-	-	-	-	-	-	-	-	-	111,286,625	111,286,625

**Notes to the financial statements**

For the year ended 30 June 2014

**17 Property, plant and equipment**

**b) Fair Value Measurements**

**(i) Recognised fair value measurements**

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

- Land and site improvements
- Buildings and other structures
- Transport assets
- Drainage assets
- Water assets
- Sewerage assets
- Solid waste disposal assets
- Other assets and leasehold improvements

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 21 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).

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

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

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

<b>At June 2014</b>	<b>Level 2</b> (significant other observable inputs)	<b>Level 3</b> (significant unobservable inputs)	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Recurring fair value measurements</b>			
Land	187,203,721		187,203,721
Site Improvements		39,444,197	39,444,197
Buildings	26,475,095	89,627,339	116,102,434
Other Structures		50,009,360	50,009,360
Transport assets	-	836,454,619	836,454,619
Water	-	488,052,067	488,052,067
Sewerage	-	602,821,499	602,821,499
Drainage	-	573,711,508	573,711,508
Solid waste disposal	-	10,625,103	10,625,103
Other assets and leasehold improvements	-	5,345,480	5,345,480
	213,678,815.58	2,696,091,172	2,909,769,988

**Non-recurring fair value measurements**

Council has no non-recurring assets and therefore this measurement is not reported.

## Notes to the financial statements

For the year ended 30 June 2014

### 17 Property, plant and equipment

#### b) Fair Value Measurements

There were no transfers between Levels 1 and 2 during the year, nor between Levels 2 and 3. Council's policy is to recognise transfers in and out of the fair value hierarchy Levels as at the end of the reporting period.

#### (ii) Valuation techniques used to derive fair values

Council adopted AASB 13 *Fair Value Measurement* for the first time this financial year and has reviewed each valuation to ensure compliance with the requirements of the new standard. There have been no changes in valuation as a result of this review.

#### Specific valuation techniques used to value Council assets comprise:

##### Land and site improvements (Level 2 and 3)

Land and site improvements were comprehensively revalued effective 30 June 2013 by independent valuer, Knight Frank. A desktop review has been subsequently undertaken in 2014, again by Knight Frank, to determine fair value as at 30 June 2014.

For the purposes of the valuation, land assets were categorised as either specialised or non-specialised.

The first category, specialised assets includes freehold or Council controlled land that is of a specialised nature constrained for various purposes as well as the added value of the structural improvements located on state owned land, reserves and/or other property other than freehold allotments. Level 3 valuation inputs were to used value specialised assets.

Non-specialised assets in this valuation are those for which there is an active and identifiable market. They include vacant or improved property that do not form part of a specialised property holding. Level 2 inputs were used in the valuation of non-specialised assets.

Specialised assets do not have an active market and have been valued using the "Depreciated Replacement Cost" (DRC) approach. Where only land is involved, the replacement of the asset is the primary consideration. Where there is an active market for land of that type, the Market Value approach has been applied to establish the Replacement Cost of the asset. This approach has been taken with all "Specialised" land.

Non-specialised assets include vacant parcels of land and improved properties that would be capable of separate sale. As there are established and active markets for properties of this type, they have been valued using the Market Value approach and have been directly compared with relevant sales evidence.

It is assumed that land is free of all toxic and hazardous waste and is fit for current use. It has been further assumed that any current contaminated operation being undertaken has been appropriately addressed and poses no future or current risk of current or future contamination.

Site improvements are assessed with the assumption that all stand within similar condition or state as per previous comprehensive inspections with the exception of reasonable 'fair wear and tear'.

##### Buildings and other structures (Level 2 and 3)

Buildings and other structures were comprehensively revalued effective 30 June 2013 by independent valuer, Knight Frank. A desktop review has been subsequently undertaken in 2014, again by Knight Frank, to determine fair value as at 30 June 2014.

For the purposes of the valuation, building assets were categorised as either specialised or non-specialised.

The first category, specialised assets, include structural improvements located on freehold or Council controlled land that is of a specialised nature constrained for various purposes.

Non-specialised assets in this valuation are those for which there is an active and identifiable market. They include vacant or improved property that do not form part of a specialised property holding.

Specialised assets do not have an active market and have been valued using the DRC approach.

## Notes to the financial statements

For the year ended 30 June 2014

### 17 Property, plant and equipment

#### b) Fair Value Measurements

In the case of buildings, the notion of "Specialised" has considered the function presented by those particular assets as a whole. While it recognised that a number of the buildings may not necessarily be specialised, for the most part the layout and format of such assets as an aggregation would not lend itself to a more typical use as seen in the broader market. Nevertheless, under the presumption of 'going concern' in relation to the ownership entity, such assets could only be sold as part of the overall operation and consequently fall into the "Specialised" category. Their depreciated value can be assessed by analysing the market for comparable improved property. In this way, Market Value principles have been used where possible to establish the DRC, or added value, of these improvements.

The DRC methodology has also considered both useful and remaining life applicable to each particular building or structure. In the first case, the useful life has been established with due regard to the estimated time (in years) that a building (or structure) can be expected to serve its intended function in its present application or installation. Effective life of a building or structure has been established by reference to observed physical deterioration, and considered functional or economic obsolescence.

Non-specialised assets include improved properties that would be capable of separate sale. As there are established and active markets for properties of this type, they have been valued using the Market Value approach and have been directly compared with relevant sales evidence.

Buildings with a replacement cost greater than \$500,000 have been componentised. In assessing componentised values, the percentage that each particular element has in the total makeup within the building by reference to the applied replacement cost was used. With regard to the makeup of those elements, a useful life has been established, with an equivalent effective life based on the considered remaining life of the overall asset as applied. This more granular assessment has been undertaken without the benefit of a formal condition report and has considered the individual elements by reference to the overall function of the asset.

The categorised specialised assets are considered to fall within Level 3 given the subjectivity in applying depreciation for which there is no quantifiable measure beyond professional opinion. However, assessment had regard to the applied value and relativity between asset classes which is believed to support such assessments.

In respect to Level 2 assets, the valuation had regard to the available sales evidence of similar assets which can assist in quantifying the depreciation applied.

In both cases observable inputs have included available building cost information, building cost indices, built form functionality and physical characteristics based on our previous inspection, as well as the position location and underlying area designations afforded to the assets.

Some assets in the other structures class were internally revalued effective 30 June 2013. Valuations were carried out by Council Officers with relevant knowledge and experience in the area. Typically the assets revalued internally represented those assets where it was not cost effective to undertake an external revaluation due to the geographically distributed nature of the asset, individual "minor" asset costs or difficulty in accessing the asset concerned. Valuation was based on recently constructed similar items. In determining the valuation for 30 June 2014, the index determined for the remaining buildings asset class was applied.

Buildings are assessed with the assumption that all stand within similar condition or state as per previous comprehensive inspections with the exception of reasonable 'fair wear and tear'.

#### Other assets at value (Level 3)

##### *Current replacement cost*

##### Park and playground equipment

Park and playground equipment was last comprehensively valued effective 30 June 2012. As part of the revaluation, a complete register of all equipment in place was compiled. The equipment itself was condition inspected and all equipment was revalued based on 2012 catalogue prices. A 20% allowance for the project management and installation of the play equipment was also applied to the valuation. This is considered to be a reasonable approximation of the costs involved with these tasks.

Park and playground equipment values have been reviewed with reference to relevant cost indices and other relevant sources. There was no evidence to suggest any cost increases and given the results the Building and Other Structure review it has been determined not to apply any indexation to this asset class this year. A comprehensive valuation of this asset class is planned for 2016.

The valuation of park and playground equipment has been determined as Level 3.

## Notes to the financial statements

For the year ended 30 June 2014

### 17 Property, plant and equipment

#### b) Fair Value Measurements

##### *Accumulated depreciation*

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

Estimated useful lives and residual values are disclosed in note 17a.

##### Infrastructure assets (Level 3)

All Council infrastructure assets (including transport, water and waste assets) were fair valued using the DRC methodology. The 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 reproduction cost or replacement cost using the modern equivalent asset, as appropriate to the particular asset. All cost calculations have been based on the estimated current costs at 30 June 2014. In all cases the assets have been disaggregated sufficiently to ensure a reliable measure of cost and service capacity.

In developing the respective unit rates current schedules of asset structure, estimates of cost for similar projects and allowances for ground conditions and locality have all been considered. The adopted unit rates are consistent with "green field" conditions and have incorporated any relevant contributing data.

To arrive at the "fair value" for infrastructure assets, the direct construction costs have been increased by appropriate on-cost factors to allow for various items that are relevant to the provision of infrastructure. These include survey, planning, investigation and design, engineering supervision, contract administration supervision, construction contingencies, local conditions and traffic control. The factors vary according to the type of work, the location and local conditions, and are detailed against each asset category below.

Indices have been selected from a variety of sources, and have in all cases been selected and applied in order to best match the asset class under consideration.

The DRC was determined using methods relevant to the asset class as described under individual asset categories below.

#### 1 a) Land and site improvements - calculation of current replacement cost

##### Land

##### *Current replacement cost*

Land was comprehensively revalued effective 30 June 2013 by independent valuer, Knight Frank. A desktop review has been subsequently undertaken in 2014, again by Knight Frank, to determine fair value as at 30 June 2014.

No movement in valuation has been recognised this financial year. It was determined that whilst the broader property market conditions in the general Cairns locality have been seen to improve, such activity was observed as being focused in established residential markets, predominantly detached housing sectors. Research showed limited transactions suggesting any material increase in values in the broader land markets. As such, the valuers concluded that there is insufficient evidence to suggest any material change.

##### Site improvements

##### *Current replacement cost*

Site Improvements were comprehensively revalued effective 30 June 2013. Assets within this category were either valued by independent valuer, Knight Frank, or suitably qualified Council Officers. An indexation review has been undertaken in 2014 to determine fair value as at 30 June 2014.

## Notes to the financial statements

For the year ended 30 June 2014

### 17 Property, plant and equipment

#### b) Fair Value Measurements

No movement in valuation has been recognised this financial year. In verifying current construction costs as against the replacement costs calculations established in the assessment as at 30 June 2013, current published building indices were referenced as well as local construction costing detail. This research suggests the construction industry has remained relatively flat and generally competitive over the past 12 months. With the local building industry remaining in a relatively subdued state over this period there has been no noticeable increase in costs. It was concluded that there is insufficient evidence to suggest any material change. Similarly, analysis by Council officers indicated minimal movement in costs throughout the financial year.

#### 2 a) Buildings and other structures - calculation of current replacement cost

##### Buildings

###### *Current replacement cost*

Buildings were comprehensively revalued effective 30 June 2013 by independent valuer, Knight Frank. A desktop review has been subsequently undertaken in 2014, again by Knight Frank, to determine fair value as at 30 June 2014.

No movement in valuation has been recognised this financial year. Research showed that the local building industry has remained in a relatively subdued state over the past 12 months with no noticeable increase in costs. It was concluded that there is insufficient evidence to suggest any material change.

##### Other structures

###### *Current replacement cost*

Other structures were comprehensively revalued effective 30 June 2013. Assets within this category were either valued by independent valuer, Knight Frank, or suitably qualified Council Officers. An indexation review has been undertaken in 2014 to determine fair value as at 30 June 2014.

No movement in valuation has been recognised this financial year. In verifying current construction costs as against the replacement costs calculations established in the assessment as at 30 June 2013, current published building indices were referenced as well as local construction costing detail. This research suggests the construction industry has remained relatively flat and generally competitive over the past 12 months. With the local building industry remaining in a relatively subdued state over this period there has been no noticeable increase in costs. It was concluded that there is insufficient evidence to suggest any material change. Similarly, analysis by Council officers indicated minimal movement in costs throughout the financial year.

#### 3 a) Transport network - calculation of current replacement cost

##### Roads

###### *Current replacement cost*

Council categorises its road infrastructure into rural, suburban and high density urban and CBD roads and then further sub-categorises these into sealed and unsealed roads. All roads are managed in block segments. All road segments are then componentised into formation, pavement and seal (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 designed and constructed to the same standard and uses a consistent amount of labour and materials.

Road assets underwent a comprehensive revaluation effective 30 June 2011.

CRC at 30 June 2014 was determined based on a review of appropriate indices. These indices included movements in local market prices for labour, plant and materials relevant to road construction projects, CPI, LGAQ Cost Index, Road & Bridge Index, Asset Revaluation Index: Engineering Construction and the QLD Non-Building Construction Index. The index results range from 0.75% to 2.9%. The movement in local market prices (0.75%) was deemed the most relevant index for this asset class as CPI and the LGAQ Cost Index are not indicative of construction costs for this asset class and the other cost indexes are considered more representative of cost movements in the south east corner. The Cairns region has experienced a very flat economic market in recent years. This coupled with the entrance of new competitors to the construction materials market have resulted in very minimal movements in construction prices for Council.

## Notes to the financial statements

For the year ended 30 June 2014

### 17 Property, plant and equipment

#### b) Fair Value Measurements

Council's roads are inspected at least once a year with higher order roads inspected twice a year. Council has a rolling road maintenance and renewal program to ensure road assets are well maintained. This minimises any impacts on remaining useful lives. In addition, Council ensures defect notifications are inspected and actioned in a timely manner to conserve the roads condition. As at 30 June 2014, there has been no major weather events that would have required an adjustment to the remaining useful lives of Council's transport network. Council will be undertaking a full condition assessment of its transport network in the 2014/15 year as part of the comprehensive revaluation process.

A comprehensive valuation of road network assets is scheduled for 2015.

#### *Accumulated depreciation*

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

Residual values are used to recognise the difference between a green field and a brown field approach as well as the impacts of different soil types to the valuation of the road pavement.

When the road pavement was initially built, a considerable amount of survey, major set out, clearing and grubbing, excavation (cut and fill), and table drains work was carried out. When the road pavement is replaced, the work required to replace the road pavement does not include the above works to the same extent that was required in the initial construction. The value of this work represents 25% of the pavement value.

At the end of its life, the pavement on good soil is stabilised and put back into "as new" condition again for another life cycle. During the stabilisation process, the pavement material is excavated, processed and re-laid (in a single process). The alternative would be that the material was excavated, carried away, dumped, and new material carried in and laid down. The cost saving of reprocessing the material represents 25% of the pavement cost. Together with the set out, these two actions give a residual value of pavement on good soil of 50%.

On poor soil, the effects of acidic soil, swampy ground, and high water tables contribute to pavement degradation. Re-processing of the pavement is not possible, and the pavement material is removed and replaced with fresh material. The initial formation (earthworks, cut and fill etc, major survey, and set-out) are not required to be repeated, and the residual value of the pavement has therefore been set at 25%.

#### **Residual Road Material Value**

	<b>"Good Soil"</b>	<b>"Poor Soil"</b>
<b>Formation</b>	Value 25% Residual Value 25% Depreciable Amount 0%	Value 25% Residual Value 25% Depreciable Amount 0%
<b>Pavement</b>	Value 75% Residual Value 25% Depreciable Amount 50%	Value 75% Residual Value 0% Depreciable Amount 75%

The "Remaining Useful Life" (RUL) was calculated on an age basis. This assessment was made on the basis that maintenance and renewal schedules for the assets were adhered to and defect notifications were inspected and actioned in a timely manner throughout the year. Additionally, there were no major weather events during the year which would have required an adjustment to the RUL of transport network assets.

Estimated useful lives and residual values are disclosed in note 17a.

#### Bridges

##### *Current replacement cost*

The last comprehensive valuation of bridges was undertaken effective 30 June 2012. As part of the comprehensive valuation, actual replacement values on an individual bridge basis were sourced.

Consistent with road assets, CRC for bridges was determined at 30 June 2014 based on a review of appropriate indices. The same methodology and index utilised for roads (0.75%) was applied to bridges.

A comprehensive valuation of road network assets is scheduled for 2016.

#### *Accumulated depreciation*

In determining the level of accumulated depreciation, bridges were disaggregated into significant components which exhibited different useful lives. Residual values are not utilised for this asset class.

## Notes to the financial statements

For the year ended 30 June 2014

### 17 Property, plant and equipment

#### b) Fair Value Measurements

The RUL was calculated on an age basis. This assessment was made on the basis that maintenance and renewal schedules for the assets were adhered to and defect notifications were inspected and actioned in a timely manner throughout the year. Additionally, there were no major weather events during the year which would have required an adjustment to the RUL.

Estimated useful lives are disclosed in note 17a.

#### Drainage infrastructure

##### *Current replacement cost*

A comprehensive valuation of drainage infrastructure was undertaken by independent valuers, Cardno (Qld) Ltd, effective 30 June 2014. CRC was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity as well as deterioration of estimated remaining life.

As there is a significant level of professional judgement used in determining the valuation due to the level of unobservable data, the valuation of drainage assets has been determined as Level 3.

The valuation process involved the collection and review of asset information, condition based assessment and scoring, review and update of unit rates, application of adjustment factors as well as the review of asset useful and RUL.

A site inspection was conducted by Cardno on a statistically representative sample of the asset class based on diameter, location and age. Visual inspections were undertaken on the structures and inspections via CCTV were undertaken on a sample of pipes.

The purpose of the inspection was to:

- Confirm the existence and extent of the assets as indicated by records;
- Confirm details and measurements;
- Obtain further information on the assets; and
- Determine current condition

Cardno's unit rates were derived from the following sources:

- Cardno's database
- Scheduled rates for construction of asset or similar assets
- Cost models derived by Cardno
- Building Price Index tables
- Recent contract and tender data
- Rawlinson's rates for building and construction

Construction costs for passive assets vary significantly depending on the level of surrounding development and the local ground conditions. It is far easier to construct a pipeline in open country rather than in an urban environment which requires much greater service location, restoration works and traffic control. Similarly, construction in rock is much slower, and therefore more expensive than in good soil. The list of factors taken into consideration is as follows:

#### Development Factors:

- Rural - Construction within areas categorised as rural have less restoration costs as there is generally an absence of permanent infrastructure (e.g. driveways, roads) which would need restoration at the end of the project. In addition, there would be few services to relocate and very limited traffic control would be required.

- Urban - Areas zoned residential are generally contained within this category. Construction within this area would require some reinstatement of road pavement and driveways. The rate of construction would be slower due to the need to locate and/or relocate some services etc. Traffic control would also be required.

- CBD - This category is used for the central business district of a city or town. This area would have large amounts of high quality footpaths, road pavement and associated infrastructure as well as congested services. Construction would involve major disruption to traffic.

**Notes to the financial statements**

For the year ended 30 June 2014

**17 Property, plant and equipment**

**b) Fair Value Measurements**

Soil Factors:

- Sand – Areas where soil is sandy and difficult to excavate and would require shoring.
- Good Soil – Areas where the soil is generally free of rock and presents no great difficulty for excavation.
- Poor Soil – Areas where the water table is relatively high and dewatering is required.

Valuation unit rates (replacement costs) were increased by 20% to allow for Council project overheads including survey, environmental and investigation (6%), engineering design (5%), engineering supervision (3%) and project management (6%).

*Accumulated depreciation*

The depreciation method used should reflect the predicted pattern of consumption of the asset's future economic benefits. For Council, the "straight line" methodology incorporating condition data (where appropriate) best reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Residual values are used to reflect the value of excavation works associated with the development of unlined open drains.

In determining the level of accumulated depreciation, drainage assets were disaggregated into significant components which exhibited different useful lives. Assets were either subject to a site inspection or an assessment to determine RUL. Where site inspections were conducted, the assets were allocated a condition assessment, which was used to estimate RUL as tabled below.

Condition scoring explanations and effect on the RUL are as follows:

Score	Description	Remaining Useful Life %
1 - 2	As New to Good	100% - 85%
2 - 3	Good to Fair	85% - 65%
3 - 4	Fair to Poor	65% - 40%
4 - 5	Poor to Very Poor	40% - 5%

The RUL of assets was calculated as follows:

- Condition based - This was applied to the inspected assets as per the condition scoring table above.
- Condition based (extrapolated) - This was applied to the majority of the non-inspected assets, as per the RUL calculation method table below.
- Age based - This was applied to the assets that were not inspected.

RUL Calculation Method:

Asset Class	Inspected	Useful Life (years)	Age (years)	Adopted
Concrete Pipes and culverts	Yes			Inspection score
Concrete Pipes and culverts	No	100	<=25	Condition 1
Concrete Pipes and culverts	No	100	>20, <=50	Condition 2
Concrete Pipes and culverts	No	100	>100	Condition 3
Concrete Pipes and culverts	No	100	>50	Age based
Steel culverts	No	40		Age based
Steel pipes	No	40		Condition 2
All other pipes	No			Age based
Open drains	Yes			Inspection score
Open drains	No			Condition 2

The 2014 comprehensive revaluation resulted in a decrease in accumulated depreciation for drainage assets. There are two main drivers for this decrease, these being the introduction of residual values for open drain assets and the condition assessment. The residual value used represents excavation works and equates to \$19,401,401. The condition assessment overall, resulted in a reassessment of remaining useful lives due to higher condition ratings. In addition, the useful life for open drains was increased, small structures with a previous useful life of 40 to 70 years was increased to 100 years and large structures was increased from 100 to 150 years.

Estimated useful lives and residual values are disclosed in note 17a.

## Notes to the financial statements

For the year ended 30 June 2014

### 17 Property, plant and equipment

#### b) Fair Value Measurements

#### 3 b) Transport network - Sensitivity of valuation to unobservable inputs

As detailed above, Council's roads, drainage and bridge network has been valued using DRC. 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	5-100hrs/linear metre or sqm	The higher the labour hours, the higher the fair value.
Standard material and plant usage quantities	Varies depending upon the type of material	The higher the usage quantities, the higher the fair value.
Condition rating (useful life)	As specified above - 4-5 (lowest) to 1-2 (highest)	The higher the condition rating, the higher the fair value.
Remaining useful life	5-100 years	The longer the remaining useful life, the higher the fair value.
Residual value (open drains)	0% to 100%	The higher the residual value the higher the fair value.
Residual value (road pavement)	0% to 100%	The higher the residual value the higher the fair value.

#### 4 a) Water and Sewerage

##### *Current replacement cost*

Wastewater treatment plant fair values were determined by independent valuers, Cardno (Qld) Pty Ltd, effective 30 June 2014.

CRC for these assets was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

The result of the revaluation was a decrease in cost. This is the first comprehensive revaluation of this asset class since the new Treatment Plants were capitalised as part of the Cleaner Seas project. The Cleaner Seas project commenced in 2007 with assets completed from 2008 through to 2010. It is recognised that the bulk of the construction work was undertaken in a booming market where costs were significantly higher than those being realised today.

Fair values for all other water and sewerage assets were determined by independent valuers, Cardno (Qld) Ltd as part of a desktop valuation. This resulted in the following indexes being applied:

- Index water mains, meters, water reservoirs, water intake structures, Copperlode Dam, and sewerage pump stations by 3%.
- Index water treatment plants, water pump stations, sewer mains, and sewer manholes by 5%.

As there is a significant level of professional judgement used in determining the valuation due to the level of unobservable data, the valuation of this asset class has been determined as Level 3.

The desktop valuation undertaken by Cardno involved the assessment of relevant cost indices, Cardno's own unit rate movements and professional opinions.

Relevant indices reviewed included Rawlinson's Building Price Index, the Implicit Price Deflator and the Produce Price Index. Cardno's unit rates are derived from a combination of first principles, tender data, actual contract data, professional opinions and building indices, and are updated yearly where possible. Due to the nature of some asset classes such as dams and treatment plants, it is occasionally not likely to have actual contract data available which leads to reliance on professional opinions and indexation as tools for updating the unit rates of such asset classes.

The comprehensive valuation process undertaken by Cardno involved the collection and review of asset information, condition based assessment and scoring, review and update of unit rates as well as the review of asset useful and RUL.

**Notes to the financial statements**

For the year ended 30 June 2014

**17 Property, plant and equipment**

**b) Fair Value Measurements**

A site inspection was conducted by Cardno on all assets. The purpose of the inspection was to:

- Confirm the existence and extent of the assets as indicated by records;
- Confirm details and measurements;
- Obtain further information on the assets; and
- Determine current condition

Cardno's unit rates were derived from the following sources:

- Cardno's database
- Scheduled rates for construction of asset or similar assets
- Cost models derived by Cardno
- Building Price Index tables
- Recent contract and tender data
- Rawlinson's rates for building and construction

Valuation unit rates (replacement costs) were increased by 20% to allow for Council project overheads including survey, environmental and investigation (6%), engineering design (5%), engineering supervision (3%) and project management (6%).

*Accumulated depreciation*

The depreciation method used should reflect the predicted pattern of consumption of the asset's future economic benefits. For Council, the "straight line" methodology incorporating condition data (where appropriate) best reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

In determining the level of accumulated depreciation, wastewater treatment plant assets were disaggregated into significant components which exhibited different useful lives. Useful lives are as follows:

Asset Category	Useful Life
Civil	80
Civil - Steel	50
Mechanical	20
Earthworks	100
Electrical	15
Pipework	80
Valves	30
Buildings	60
Buildings - metal	30
Roads	20
Sheds	20
Telemetry	10
Signage, Landscaping & Fencing	20
Odour	20
Metalworks	40
Tanks	30
Scada and Controls	10
Bores	60
Generators	20

In determining accumulated depreciation, assets were either subject to a site inspection or an assessment to determine RUL. Where site inspections were conducted, the assets were allocated a condition assessment, which was used to estimate RUL. Condition scoring explanations and effect on the RUL are as follows:

Condition Rating	Condition Name	Description	Remaining Useful Life %
1	Excellent	Asset is in 'as new' condition	95%
2	Good	Asset is reliable, asset operates as intended and its appearance and structural integrity is up to the standard expected of an operating asset.	75%
3	Fair	Asset is reliable and operates as intended but early stages of deterioration are evident.	50%
4	Poor	Asset still operates but does not meet intended duty or does not appear sound.	25%
5	Unserviceable	Asset not functioning/needs immediate attention.	5%

## Notes to the financial statements

For the year ended 30 June 2014

### 17 Property, plant and equipment

#### b) Fair Value Measurements

The RUL of assets was calculated based on condition. Condition Based RUL = Useful Life x RUL %.

Where site inspections were not conducted (i.e. assets not comprehensively valued in 2014), the RUL was calculated on an age basis. This assessment was made on the basis that maintenance schedules for the assets were adhered to and defect notifications were inspected and actioned in a timely manner throughout the year. Estimated useful lives and residual values are disclosed in note 17a.

The 2014 comprehensive revaluation of wastewater treatment plants resulted in a decrease in accumulated depreciation. This movement is mostly attributable to a reassessment of remaining useful lives due to higher condition ratings as a result of physical inspections.

#### 5 a) Solid waste disposal

##### *Current replacement cost*

A comprehensive valuation of solid waste disposal assets was undertaken by independent valuers, Cardno (Qld) Ltd, effective 30 June 2014. CRC was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

As there is a significant level of professional judgement used in determining the valuation due to the level of unobservable data, the valuation of solid waste assets has been determined as Level 3.

The valuation process involved the collection and review of asset information, condition based assessment and scoring, review and update of unit rates as well as the review of asset useful and RUL.

A site inspection was conducted by Cardno on all assets. The purpose of the inspection was to:

- Confirm the existence and extent of the assets as indicated by records;
- Confirm details and measurements;
- Obtain further information on the assets; and
- Determine current condition

Cardno's unit rates were derived from the following sources:

- Cardno's database
- Scheduled rates for construction of asset or similar assets
- Cost models derived by Cardno
- Building Price Index tables
- Recent contract and tender data
- Rawlinson's rates for building and construction

Valuation unit rates (replacement costs) were increased by 20% to allow for Council project overheads including survey, environmental and investigation (6%), engineering design (5%), engineering supervision (3%) and project management (6%).

##### *Accumulated depreciation*

The depreciation method used should reflect the predicted pattern of consumption of the asset's future economic benefits. For Council, the "straight line" methodology incorporating condition data (where appropriate) best reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

In determining the level of accumulated depreciation, solid waste disposal assets were disaggregated into significant components which exhibited different useful lives. Useful lives are as follows:

Asset Category	Useful Life
Building	60
Civil	60
Earthworks	150
Electrical	15
Mechanical	20
Metalwork	40
Pipework	60
Roads & Drainage	20
Shed	25
Signage, Fencing and Landscaping	20
Tanks	15
Telemetry	10

In determining accumulated depreciation, assets were either subject to a site inspection. Where site inspections were conducted, the assets were allocated a condition assessment, which was used to estimate RUL as tabled below.

**Notes to the financial statements**

For the year ended 30 June 2014

**17 Property, plant and equipment**

**b) Fair Value Measurements**

Condition scoring explanations and effect on the RUL are as follows:

Condition Rating	Condition Name	Description	Remaining Useful Life %
1	Excellent	Asset is in 'as new' condition.	95%
2	Good	Asset is reliable, asset operates as intended and its appearance and structural integrity is up to the standard expected of an operating asset.	75%
3	Fair	Asset is reliable and operates as intended but early stages of deterioration are evident.	50%
4	Poor	Asset still operates but does not meet intended duty or does not appear sound.	25%
5	Unserviceable	Asset not functioning/needs immediate attention.	5%

The RUL of assets was calculated based on condition. Condition Based RUL = Useful Life x RUL %.

The 2014 comprehensive revaluation of waste assets resulted in an increase in accumulated depreciation for this asset class. This movement is attributable to a reassessment of remaining useful lives based on condition assessments undertaken via physical inspections.

Estimated useful lives and residual values are disclosed in note 17a.

**5 b) Water and Sewerage Infrastructure - Sensitivity of valuation to unobservable inputs**

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

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Number of labour hours	5-100hrs/linear metre or sqm	The higher the labour hours, the higher the fair value.
Standard material and plant usage quantities	Varies depending upon the type of material	The higher the usage quantities, the higher the fair value.
Condition rating (useful life)	As specified above - 5 (lowest) to 1 (highest)	The higher the condition rating, the higher the fair value.
Remaining useful life	5-100 years	The longer the remaining useful life, the higher the fair value.
Residual value (sewer pipes)	0% to 50%	The higher the residual value the higher the fair value.

**(iii) Changes in Fair Value Measurements using significant unobservable inputs (Level 3)**

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

**(iv) Valuation processes**

Council's valuation policies and procedures are recommended by the Executive Team which comprises the Chief Executive Officer, Chief Financial Officer and the General Managers of each Council department and approved by Council. They are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information. Council's current policy for the valuation of property, plant and equipment (recurring fair value measurements) is discussed in note 1.15(c).

# CAIRNS REGIONAL COUNCIL

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

	2014	2013	
Note	\$	\$	
<b>18 Intangible assets</b>			
Computer software	1.16	8,112,803	5,174,477
<b>Computer software</b>			
Opening gross carrying value		3,768,904	2,339,536
Additions at cost		198,258	1,586,930
Write-offs		-	(157,562)
Effect of de-amalgamation		(383,698)	-
Closing gross carrying value		3,583,465	3,768,904
<b>Accumulated depreciation</b>			
Opening balance		1,962,689	1,662,873
Amortisation for the period		519,714	457,378
Write-offs		-	(157,562)
Effect of de-amalgamation		(14,183)	-
Closing balance		2,468,220	1,962,689
<b>Less assets held for distribution</b>		-	(16,807)
<b>Work in progress</b>		6,997,558	3,385,069
Net carrying value at end of period		8,112,803	5,174,477
The computer software has a useful life of three years. Straight line amortisation has been used with an estimated residual value of nil.			
<b>19 Trade and other payables</b>			
<b>Current</b>			
Creditors and accruals	1.20	38,170,571	24,637,057
Annual leave	1.21(b)	7,556,076	7,169,252
Sick leave	1.21(c)	1,711,011	1,584,932
Other entitlements	1.21(f)	245,822	201,652
		47,683,480	33,592,893
<b>Non-current</b>			
Annual leave	1.21(b)	3,245,808	2,983,697
<b>20 Provisions</b>			
<b>Current</b>			
Developer contribution credits	1.23(b)	1,132,398	1,281,925
Property restoration: Landfill sites	1.23(a)	-	-
Long service leave	1.21(e)	1,057,241	964,143
		2,189,639	2,246,068
<b>Non-current</b>			
Developer contribution credits	1.23(b)	127,705	124,555
Property restoration: Landfill sites	1.23(a)	-	-
Long service leave	1.21(e)	11,814,398	12,094,299
		11,942,103	12,218,854
<b>Details of movements in provisions:</b>			
<b>Long service leave</b>	1.21(e)		
Balance at the beginning of the financial year		13,058,442	14,272,081
Long service leave entitlements arising		1,805,755	2,239,493
Long service leave entitlements paid		(1,992,558)	(3,453,132)
Balance at end of financial year		12,871,639	13,058,442

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

	2014	2013
Note	\$	\$
<b>20 Developer contribution credits</b>		
	1.23(b)	
Balance at the beginning of the financial year	1,406,480	2,432,397
Net movement during the reporting period	<u>(146,377)</u>	<u>(1,025,917)</u>
Balance at the end of the period	<u>1,260,103</u>	<u>1,406,480</u>
Current portion	<u>1,132,398</u>	<u>1,281,925</u>
Non-current portion	<u>127,705</u>	<u>124,555</u>
	<u>1,260,103</u>	<u>1,406,480</u>

This is the present value of the estimated developer contribution credits. Of these costs, \$1,132,398 is expected to be incurred in the 2014/15 financial year at the completion of the respective developments. The remaining costs of \$127,705 are expected to be incurred in financial years subsequent to 2014/15.

<b>Property restoration: Landfill sites</b>	1.23(a)	
Balance at the beginning of the financial year	-	10,399,154
Effect of discontinued operations	-	<u>(10,399,154)</u>
Balance at the end of the period	-	<u>-</u>

## 21 Borrowings

### a) Bank overdraft

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 dollars and carried at amortised cost, interest being expensed as it accrues. Borrowings are underwritten by the Queensland State Government. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary from 4 July 2023 to 14 October 2028.

There have been no defaults or breaches of the loan agreement during the period. Principal and interest repayments are made monthly in arrears.

### Details of borrowings at the reporting date are:

#### Current

Queensland Treasury Corporation	<u>3,772,164</u>	<u>3,380,105</u>
	<u>3,772,164</u>	<u>3,380,105</u>

#### Non-current

Queensland Treasury Corporation	<u>79,133,094</u>	<u>83,122,117</u>
	<u>79,133,094</u>	<u>83,122,117</u>

#### Details of movements in borrowings:

##### Queensland Treasury Corporation

Opening balance at beginning of financial year	88,833,113	92,311,809
Loans raised	-	-
Principal repayments	<u>(3,645,362)</u>	<u>(3,478,696)</u>
	85,187,751	88,833,113
Effect of discontinued operations	<u>(2,282,493)</u>	<u>(2,330,892)</u>
Book value at end of financial year	<u>82,905,258</u>	<u>86,502,221</u>
Loan market value at the reporting date	<u>98,405,331</u>	<u>100,398,987</u>

This represents the value of the debt if Council repaid it at reporting date. As it is the intention of Council to hold the debt for its full term, no provision has been made in these accounts.

## 22 Other liabilities

### Current

Unearned revenue	<u>755,042</u>	<u>620,719</u>
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# CAIRNS REGIONAL COUNCIL

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

	2014	2013
Note	\$	\$
<b>23 Asset revaluation surplus</b>		
1.25		
<b>a) Asset revaluation surplus</b>		
Movements in the asset revaluation surplus were as follows:		
Balance at beginning of the period	475,948,559	401,939,634
Net adjustment to non-current assets at the end of period to reflect changes in the fair value of:		
Land and site improvements	-	(697,145)
Buildings and other structures	-	(7,010,219)
Transport assets	6,107,445	33,291,570
Water	26,489,224	15,364,848
Sewerage	(8,420,311)	14,970,395
Drainage	68,204,744	17,801,119
Solid waste disposal	461,411	288,357
Increase in asset revaluation surplus	17(a) 92,842,513	74,008,925
Balance at the end of the period	<u>568,791,072</u>	<u>475,948,559</u>
<b>b) Asset revaluation surplus analysis</b>		
The closing balance of the asset revaluation surplus is comprised of the following asset categories:		
Land and site improvements	232,198	232,198
Buildings and other structures	16,346,430	16,346,430
Transport assets	232,209,385	226,101,940
Water	97,622,580	71,133,355
Sewerage	122,648,835	131,069,146
Drainage	97,361,919	29,157,175
Solid waste disposal	749,767	288,357
Other assets and leasehold improvements	1,619,958	1,619,958
	<u>568,791,072</u>	<u>475,948,559</u>

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
<b>24 General reserves</b>			
Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit the amount that is available for discretionary or future use. In prior years, Council accounted for these restrictions using a system of reserves.			
On 23 June 2014, Council passed a resolution to close its existing reserves with the exception of the Constrained Works Reserve, Public Art Reserve, Bluewater Reserve and Southern Corridor reserve as these reserves have external restrictions placed upon them.			
<b>a) Depreciation reserves held for funding future capital expenditure</b>			
Balance at the beginning of the period		43,072,182	38,115,329
Depreciation funded in the period		91,695,335	89,883,135
Less: funds utilised in the period		(100,712,866)	(84,926,282)
Less: effect of de-amalgamation		(5,174,590)	-
Transfer to retained earnings		(28,880,061)	-
Balance at the end of the period		<u>-</u>	<u>43,072,182</u>
<b>b) Summary of reserves held for funding future capital</b>			
(i) Constrained works reserve	1.26(a)	41,902,140	61,071,070
(ii) Beach protection reserve	1.26(b)	-	3,619,990
(iii) Future asset acquisition reserve	1.26(c)	-	3,168,938
(iv) Outdoor dining fees reserve	1.26(d)	-	2,608,038
(v) Cleaner seas initiative reserve	1.26(e)	-	-
(vi) Natural disaster reserve	1.26(f)	-	550,000
(vii) Cairns Water augmentation reserve	1.26(g)	-	-
(viii) Public art reserve	1.26(h)	511,976	511,940
(ix) Daintree ferry reserve	1.26(i)	-	2,362,582
Total reserves		<u>42,414,116</u>	<u>73,892,558</u>
<b>c) Summary of reserves held for funding future recurrent expenditure:</b>			
(i) Future operational expenditure reserve	1.27(a)	-	1,807,076
(ii) Blue Water special charge reserve	1.27(b)	(452,611)	20,815
(iii) Southern corridor reserve	1.27(c)	2,618,600	2,618,600
(iv) Resources, waste and environmental reserve	1.27(d)	-	1,208,461
(v) Investment attraction reserve	1.27(e)	-	500,000
		<u>2,165,989</u>	<u>6,154,952</u>
<b>d) Summary of unspent loan cash reserve:</b>			
Balance at the beginning of financial year		-	273,521
Loan cash expended in period		-	(273,521)
Balance at end of the financial year		<u>-</u>	<u>-</u>
Total reserves	13	<u>44,580,105</u>	<u>123,119,692</u>
<b>e) Movements in capital reserves are analysed as follows:</b>			
(i) <b>Constrained works reserve</b>			
Balance at beginning of the period		61,071,070	55,828,596
Transfer from retained surplus, grants and subsidies and contributions received in the period which are restricted to specific capital projects		21,588,724	32,902,169
Transfers to the capital account funds expended		(25,235,170)	(27,659,695)
Transfer to retained earnings		(15,522,484)	-
Balance at end of the period		<u>41,902,140</u>	<u>61,071,070</u>

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

Note	2014 \$	2013 \$
<b>24 e) (ii) Beach protection reserve</b>		
Balance at beginning of the period	3,619,990	3,245,172
Transfer from retained surplus for future expenditure	-	500,000
Transfers to the capital account funds expended	(2,600,000)	(125,182)
Transfer to retained earnings	(1,019,990)	-
Balance at end of the period	<u>-</u>	<u>3,619,990</u>
<b>(iii) Future asset acquisition reserve</b>		
Balance at beginning of the period	3,168,938	4,504,469
Transfer from retained surplus for future expenditure	-	-
Transfers to the capital account funds expended	(33,270)	(1,335,531)
Transfer to retained earnings	(3,135,668)	-
Balance at end of the period	<u>-</u>	<u>3,168,938</u>
<b>(iv) Outdoor dining fees reserve</b>		
Balance at beginning of the period	2,608,038	2,279,459
Transfer from retained surplus for future expenditure	-	328,579
Transfers to the capital account funds expended	(2,000,000)	-
Transfer to retained earnings	(608,038)	-
Balance at end of the period	<u>-</u>	<u>2,608,038</u>
<b>(v) Cleaner seas initiative reserve</b>		
Balance at beginning of the period	-	457,216
Transfer from retained surplus for future expenditure	-	2,530
Transfers to the capital account funds expended	-	(459,746)
Balance at end of the period	<u>-</u>	<u>-</u>
<b>(vi) Natural disaster reserve</b>		
Balance at beginning of the period	550,000	550,000
Transfer from retained surplus for future expenditure	-	-
Transfer to retained earnings	(550,000)	-
Balance at end of the period	<u>-</u>	<u>550,000</u>
<b>(vii) Cairns Water augmentation reserve</b>		
Balance at beginning of the period	-	949,038
Transfer to constrained works reserve	-	(949,038)
Balance at end of the period	<u>-</u>	<u>-</u>
<b>(viii) Public art reserve</b>		
Balance at beginning of the period	511,940	331,307
Transfer from retained surplus for future expenditure	52,226	183,673
Transfers to the capital account funds expended	-	-
Transfer to retained earnings	(52,190)	(3,040)
Balance at end of the period	<u>511,976</u>	<u>511,940</u>
<b>(ix) Daintree ferry reserve</b>		
Balance at beginning of the period	2,362,582	1,923,457
Transfer from retained surplus for future expenditure	-	495,621
Transfers to the capital account funds expended	(28,308)	(56,496)
Transfer to retained earnings	(2,334,274)	-
Balance at end of the period	<u>-</u>	<u>2,362,582</u>

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

Note	2014 \$	2013 \$
<b>24 f) Movements in recurrent reserves are analysed as follows:</b>		
(i) <b>Future operational expenditure reserve</b>		
Balance at beginning of the period	1,807,076	1,753,356
Transfer from retained surplus for future expenditure	-	442,067
Transfer to retained earnings	(1,807,076)	(388,347)
Balance at end of the period	-	1,807,076
(ii) <b>Blue Water special charge reserve</b>		
Balance at beginning of the period	20,815	400,437
Transfer from retained surplus for future expenditure	647,712	561,343
Transfer to retained earnings	(1,121,138)	(940,965)
Balance at end of the period	(452,611)	20,815
(iii) <b>Southern corridor reserve</b>		
Balance at beginning of the period	2,618,600	2,618,600
Transfer from retained surplus for future expenditure	-	-
Balance at end of the period	2,618,600	2,618,600
(iv) <b>Resources, waste and environment reserve</b>		
Balance at beginning of the period	1,208,461	1,208,461
Transfer to retained earnings	(1,208,461)	-
Balance at end of the period	-	1,208,461
(v) <b>Investment attraction reserve</b>		
Balance at beginning of the period	500,000	-
Transfer from retained surplus for future expenditure	-	500,000
Transfer to retained earnings	(500,000)	-
Balance at end of the period	-	500,000
<b>25 Commitments for expenditure</b>		
a) <b>Operating leases</b>		
Minimum lease payments in relation to non-cancellable operating leases are as follows:		
Not later than 1 year	162,510	161,091
Later than 1 year but not later than 5 years	769,666	765,666
Later than 5 years	4,446,638	4,916,168
	5,378,813	5,842,925

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

<u>Note</u>	<u>2014</u> \$	<u>2013</u> \$
<b>25 b) Contractual commitments</b>		
Contractual commitments at the reporting date but not recognised in the financial statements are as follows:		
<b>Contract for Regional Waste Management Facility:</b>		
Not later than 1 year	9,965,018	9,396,417
Later than 1 year but not later than 5 years	42,414,389	39,797,124
Later than 5 years	84,003,942	116,870,990
	<u>136,383,349</u>	<u>166,064,531</u>
<b>Contract for Other commitments:</b>		
Not later than 1 year	15,044,282	10,500,111
Later than 1 year but not later than 5 years		27,089,713
Later than 5 years	2,840,803	506,096
	<u>17,885,085</u>	<u>38,095,920</u>
<b>c) Capital commitments</b>		
Commitment for the construction of the following capital assets contracted for at the reporting date but not recognised as liabilities are as follows:		
Capital assets	26,964,120	20,747,996
Land purchase	-	1,600,000
	<u>26,964,120</u>	<u>22,347,996</u>
Not later than 1 year	26,780,345	16,289,646
Later than 1 year but not later than 5 years	183,775	6,058,350
	<u>26,964,120</u>	<u>22,347,996</u>

## 26 Events after the reporting date

There were no material financial adjusting events after the reporting date.

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

	<u>Note</u>	<u>2014</u> \$	<u>2013</u> \$
<b>27 Contingent liabilities</b>			
<b>a) Contingent liabilities</b>			
Details and estimates of maximum amounts of contingent liabilities are as follows:			
Various claims are pending against Council. In the opinion of Council's solicitor the potential loss on all claims as at 30 June 2014 should not exceed:		535,200	145,000
Additional claims may exist, however, these have not been quantified to date.			
Cairns Regional Council is a member of the Queensland local government workers compensation self-insurance scheme, Local Government Workcare. Under this scheme Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there were 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. Council's maximum exposure to the bank guarantee is:	32	3,816,331	3,776,923
Cairns Regional Council is a member of the Local Government Mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or it is unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution is to the total pool contributions in respect to any year that a deficit arises. As at 30 June 2013, the financial statements of Local Government Mutual Queensland reported an accumulated surplus and it is not anticipated any liability will arise. As at 30 June 2013, the financial statements of Local Government Mutual Queensland reported a members' equity balance of \$22,557,143 (2012: \$14,173,836).			
<b>b) Loan and bank guarantees</b>			
Council has guaranteed a loan from Commonwealth Bank of Australia to Cairns Roller Sports Association. The loan balance outstanding at the reporting date was:		126,492	150,346
Council has guaranteed a loan from ANZ Bank to Southside Swallows Gymnastics. The loan balance outstanding at the reporting date was:		26,093	35,800
Council has guaranteed a loan from Bendigo Bank to West Cairns Bowls Club. The loan balance outstanding at the reporting date was:		146,664	168,639
Council has guaranteed a loan to Marlin Cairns Bowls Club. As at 30 June 2014 this loan had not been funded.		350,000	-
Council has guaranteed a loan from Bendigo Bank to Cairns Basketball Incorporated. This loan was finalised during the 2013/14 financial year.		-	20,951
Council has provided a bank guarantee in favour of Basketball Australia on behalf of Taipans Basketball Incorporated. This guarantee was finalised during the 2013/14 financial year.		-	500,000
<b>c) Native title</b>			
There are a number of native title claim applications over land and sea in the Cairns Regional Council area. The only minor concerns to Council at the present time are over land for which Council is trustee. Council is in continued negotiations with these applicants.			

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

### 28 Superannuation

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

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

The scheme has three elements referred to as:

- The City Defined Benefits Fund 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 AASB119. 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*.

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.

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.

The audited general purpose financial report of the scheme as at 30 June 2012 (the most recent available) which was not subject to any audit qualification, indicates that the assets of the scheme are sufficient to meet the vested benefits.

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

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

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

There are currently 71 councils contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 71 councils. Council made less than 4% of the total contributions to the plan in the 2013/14 financial year.

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

	2014	2013
Note	\$	\$
The amount of superannuation contributions paid by Cairns Regional Council to the superannuation scheme in this period for the benefit of employees was:	6 <u>8,683,660</u>	<u>8,319,638</u>
Cairns Regional Council also contributes to the scheme for the benefit of elected members. The amount of contributions paid for this benefit during the reporting period was:	6 <u>117,821</u>	<u>118,724</u>

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
<b>29 Trust funds held for outside parties</b>	1.32		
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities		144,572	121,067
Security deposits		3,957,018	3,036,146
Unclaimed monies		32,397	32,397
		<u>4,133,987</u>	<u>3,189,610</u>

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

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

Net result attributable to Council		<u>(317,558,976)</u>	<u>23,493,352</u>
Non-cash operating items:			
Depreciation and amortisation		<u>91,695,332</u>	<u>87,849,623</u>
		<u>91,695,332</u>	<u>87,849,623</u>
Investing and development activities:			
Capital grants, subsidies and contributions		(27,186,026)	(34,479,865)
Profit/(loss) on disposal of non-current assets		(35,309)	427,077
Capital expenses		5,991,518	6,437,705
		<u>(21,229,817)</u>	<u>(27,615,083)</u>
Changes in operating assets and liabilities			
(Increase)/decrease in receivables		(290,963)	10,191,388
(Increase)/decrease in inventories		(1,515,652)	292,362
Increase/(decrease) in payables		14,352,698	(5,742,431)
Increase/(decrease) in provisions		(333,180)	(12,638,711)
Increase/(decrease) in other liabilities		134,323	5,579
		<u>12,347,226</u>	<u>(7,891,813)</u>
Effect of discontinued operations		342,622,172	17,466,381
<b>Net cash inflow from operating activities</b>		<u>107,875,937</u>	<u>93,302,460</u>

### 31 Controlled entity and investments in associates

#### Controlled entity - Cairns Regional Gallery Limited

Cairns Regional Gallery Limited is a company limited by guarantee and does not have any share capital. Significant control is exercised by Cairns Regional Council over the operations of the gallery. Of the eleven directors, six positions are allocated to Cairns Regional Council elected representatives. As of reporting date, three of these positions are vacant. Control is able to be exercised by Council by determining the composition of the Board as well as the capacity to appoint and remove directors and approve grant funding.

The accounts of Cairns Regional Gallery Limited have been assessed and have not been consolidated with Council's accounts as at the reporting date due to immateriality. Information relating to the financial position of the Gallery is set out below.

Net assets at the reporting date	<u>4,787,300</u>	<u>3,335,394</u>
Contribution from Council for operating funding	<u>1,099,420</u>	<u>858,188</u>

#### Investment in associate - Advance Cairns Limited

Council previously held a 50% interest in Advance Cairns (Operations) Limited, a regional advocacy and economic development organisation, which was classified as an investment in an associate.

Whilst Council no longer holds this investment, a contribution of \$259,325 was made to Advance Cairns Pty Ltd, a company limited by guarantee, during the 2013/14 financial year (2013: \$253,000). This contribution was made in accordance with a Relational Agreement between Council and Advance Cairns Pty Ltd which is effective from 1 July 2011 to 30 June 2014.

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

### 32 a) Financial instruments

Council has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

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

#### Financial risk management

Council is responsible for the establishment and oversight of the risk management framework, together with developing and monitoring risk management policies. Council's management approves policies for overall risk management, as well as specifically for managing credit, liquidity and market risk.

Council's risk management policies are established to identify and analyse the risks faced, to set appropriate limits and controls and to monitor these risks and adherence against limits. Council aims to manage volatility to minimise potential adverse effects on the financial performance of Council.

Council does not enter into derivatives.

#### i) Credit risk

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

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

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

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

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

	Note	2014 \$	2013 \$
<b>Financial assets</b>			
Cash and cash equivalents - bank	13	117,910	353,374
Cash and cash equivalents - on hand	13	29,470	30,172
Cash and cash equivalents - QTC	13	38,348,912	46,435,924
Cash and cash equivalents - short term deposits	13	16,000,000	5,024,449
Investments with approved deposit taking institutions	14	30,000,000	29,309,287
Receivables - rates	15	18,659,511	18,738,750
Receivables - other	15	11,628,973	15,506,626
<b>Other credit exposures</b>			
Guarantee	27a)	3,816,331	3,776,923
<b>Total</b>		<u>118,601,107</u>	<u>119,175,505</u>

#### Cash and cash equivalents

Council may be exposed to credit risk through its investments in the QTC Cash Fund and QTC Working Capital Facility. The QTC Cash Fund is an asset management portfolio that invests with a wide range of high credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed. Working Capital Facility deposits have a duration of one day and all investments are required to have a minimum credit rating of "A-", therefore the likelihood of the counterparty having capacity to meet its financial commitments is strong.

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

### Other financial assets

Other investments are held with financial institutions, which are rated A-1+, A-2 and unrated based, and whilst not capital guaranteed, the likelihood of a credit failure is assessed as remote.

### Trade and other receivables

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

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

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

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Receivables</b>		
Fully performing	21,379,229	21,065,074
Past due		
Less than 30 days	1,716,271	902,954
31 to 60 days	223,845	226,556
61 to 90 days	57,318	220,916
Over 90 days	7,011,924	6,552,912
Impaired	1,467,047	6,833,860
Total	<u>31,855,634</u>	<u>35,802,272</u>

### ii) Liquidity risk

Liquidity risk is the risk that Council will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Council is exposed to liquidity risk through its normal course of business and through its borrowings with QTC.

Council manages its exposure to liquidity risk by maintaining sufficient cash deposits and term deposits, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in note 21. The following lines of credit were available at the end of the reporting period.

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
QTC working capital facility	-	4,000,000

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

<b>Total contractual cash flows</b>	<b>0 to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>	<b>Carrying amount</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2014</b>					
Trade and other payables	38,170,571	-	-	38,170,571	38,170,571
Loans - QTC	9,198,641	36,794,565	81,979,139	127,972,345	127,972,345
	<u>47,369,212</u>	<u>36,794,565</u>	<u>81,979,139</u>	<u>166,142,916</u>	<u>166,142,916</u>
<b>2013</b>					
Trade and other payables	24,637,057	-	-	24,637,057	24,637,057
Loans - QTC	9,208,089	36,840,024	89,729,117	135,777,230	135,777,230
	<u>33,845,146</u>	<u>36,840,024</u>	<u>89,729,117</u>	<u>160,414,287</u>	<u>160,414,287</u>

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

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

### iii) Market risk

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

#### *Interest rate risk*

Council is exposed to interest rate risk through investments and borrowings with QTC. Council has access to a mix of variable and fixed rate funding options through QTC so that interest rate risk exposure can be minimised.

#### *Sensitivity*

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

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

	Note	Net carrying amount \$	Profit		Equity	
			1% increase \$	1% decrease \$	1% increase \$	1% decrease \$
<b>2014</b>						
QTC cash fund	13	38,348,912	383,489	(383,489)	383,489	(383,489)
Other investments	14	30,000,000	300,000	(300,000)	300,000	(300,000)
Loans - QTC	21	(82,905,258)	(829,053)	829,053	(829,053)	829,053
<b>Net total</b>		<b>(14,556,346)</b>	<b>(145,563)</b>	<b>145,563</b>	<b>(145,563)</b>	<b>145,563</b>
<b>2013</b>						
QTC cash fund	13	46,435,924	464,359	(464,359)	464,359	(464,359)
Other investments	14	29,309,287	293,093	(293,093)	293,093	(293,093)
Loans - QTC	21	(86,502,222)	(865,022)	865,022	(865,022)	865,022
<b>Net total</b>		<b>(10,757,011)</b>	<b>(107,570)</b>	<b>107,570</b>	<b>(107,570)</b>	<b>107,570</b>

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

QTC Generic Debt Pool - the generic debt pool products approximate a fixed rate loan. There is a negligible impact on interest sensitivity from changes in interest rates for generic debt pool borrowings.

### b) Fair value

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

The fair value of borrowings with QTC is based on the market value of the debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is discussed in Note 21.

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

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

### 33 Correction of Prior Period Error

In the process of reviewing Council's assets at 30 June 2014, it was discovered that a portion of Council's work in progress related to capital projects which will not be finalised. As no asset will ever be realised from this work in progress, it no longer meets the recognition criteria of an asset.

This error has been corrected by adjusting the closing balance of work in progress as at 30 June 2013. The adjustment reduced the net value of work in progress by \$681,753.

#### Impact on financial statement line items:

	Previously Reported	Adjustment	2013 Restated
<u>Statement of Comprehensive Income</u>			
<i>Recurrent expenses</i>			
Materials and Services	71,821,330	681,753	72,503,083
<u>Statement of Financial Position</u>			
<i>Non-current assets</i>			
Property, plant and equipment	2,973,206,151	(681,753)	2,972,524,398
<u>Statement of Cash Flows</u>			
<i>Cash flows from operating activities</i>			
Payments to Suppliers	87,222,877	681,753	87,904,630
<i>Cash flows from investing activities</i>			
Payments for property, plant and equipment	111,968,378	(681,753)	111,286,625
<u>Statement of Changes in Equity</u>			
<i>Equity</i>			
Council capital	2,680,274,347	(681,753)	2,679,592,594

No changes have been made to depreciation in the comparative year as work in progress is not depreciated.

### 34 Minor correction to non-current assets opening balance

Following the finalisation of the financial statements for the year ended 30 June 2013, a variance was identified between the closing balances of the financial statements and Council's fixed asset register for property, plant and equipment.

This was amended by processing a correction to the non-current assets opening balance of \$295,078 for asset values and \$191,459 for accumulated depreciation. Refer to Note 17a) for further details.

# CAIRNS REGIONAL COUNCIL

## Notes to the financial statements

For the year ended 30 June 2014

### 35 National Competition Policy

#### Activities to which the Code of Competitive Conduct is applied

Definition of Activities:

Section 43(4) of the *Local Government Act 2009* defines a significant business as a business activity of a local government that:

- a) is conducted in competition, or potential competition, with the private sector (including off-street parking, quarries, sporting facilities, for example); and
- b) meets the threshold prescribed under a regulation.

The significant business activity thresholds are required to be reviewed and gazetted each year by the Minister. The threshold for 2013/14 is based upon advice from the Department of Local Government, Community Recovery and Resilience and the Consumer Price Index, CPI (All Groups: Brisbane), for the March quarter has been applied to the base amounts outlined in Section 9 of the *Local Government Regulation 2012*.

**Type 1** Is a business activity where the threshold expenditure for 2013/14 adjusted by the consumer price index is expected to be set as follows:

- a) for water and sewerage combined activities - \$ 42.64 million
- b) for other activities - \$25.54 million

**Type 2** a) for water and sewerage combined activities - \$12.77 million  
b) for other activities - \$8.55 million

**Type 3** Section 47 of the *Local Government Act 2009* requires that the Code of Competitive Conduct (CCC) be applied to the following activities:

- a) Roads activity means a business activity that involves:
  - i) constructing or maintaining a State controlled road, that the State put out to competitive tender or
  - ii) submitting a competitive tender in relation to –
    - i. constructing or maintaining a road in the local government area, that the local government put out to competitive tender; or
    - ii. constructing or maintaining a road in another local government area that the local government put out to competitive tender.
- b) A building certifying activity is a business activity that:
  - i) involves performing building certifying functions (within the meaning of the Building Act, section 8); and
  - ii) is prescribed under a regulation.

Council may also apply the CCC to any other business activity. For CCC purposes, Council defines a business activity as:

- c) A business activity means:
  - i) trading in goods and services to clients in competition with the private sector; or
  - ii) the submission of a competitive tender in the local government's own tendering process in competition with others for the provision of goods and services to itself.

A local government may elect to apply a Code of Competitive Conduct (CCC) to their identified type 3 business activities. This requires the application of full cost pricing, identifying the cost of Community Service Obligations (CSO) and eliminating the advantages and disadvantages of public ownership within that activity.

# CAIRNS REGIONAL COUNCIL

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

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

Type 1 commercialised business units of Council include:

- Cairns Water which manages the water and wastewater activities.
- Cairns Works activities including road maintenance, drainage, minor works, parks, street litter and public toilet cleaning.
- Cairns Resource Recovery which manages the solid waste activities.

Details of Community Service Obligations for Type 1 activities for the period ended 30 June 2014 are:

Activities	CSO Description	2014 \$	2013 \$
<b>Water</b>	Service locations - Telstra, etc	44,950	78,999
	Maintenance of fire hydrants	475,808	497,990
	Access charges forgone	417,889	1,357,315
	Water charges forgone	1,652,826	2,352,862
	<b>Total</b>	<b>2,591,472</b>	<b>4,287,166</b>
<b>Wastewater</b>	Service locations - Telstra, etc	136,639	73,075
	Water charges	993,719	(708,395)
	<b>Total</b>	<b>1,130,358</b>	<b>(635,320)</b>
<b>Cairns Works</b>	Water charges	(17,302)	-
<b>Solid Waste Management</b>	Free dumping general waste	553,659	321,453
	Free disposal vouchers	10,500	10,500
	Free dumping vegetation	227,340	268,685
	Free Mulch	76,946	-
	Free transportation costs between transfer stations	210,662	429,364
	Rates based financial assistance	41,683	36,791
	Schools Recycling	29,921	29,375
	In Kind Waste & Recycling Collections	4,735	600
	Water charges - Transfer stations	-	(77,724)
<b>Total</b>	<b>1,155,448</b>	<b>1,019,044</b>	

The Type 3 activities listed below are those to which the Code of Competitive Conduct applies for the period ended 30 June 2014:

	Ticket Link \$	Car Parking \$	Caravan Parks \$	Building Regulation & Certification \$	Design Services \$
Revenue for services provided to Council	2,600	(123)	-	903	2,325,641
Revenue for services provided to external clients	422,376	1,132,473	542,317	826,994	3,855
Community service obligations net of charges	23,288		11,609	-	-
	448,264	1,132,350	553,926	827,897	2,329,496
Less: Expenditure	449,093	651,638	318,876	945,996	2,192,693
Surplus/(deficit)	(829)	480,712	235,050	(118,099)	136,803

# CAIRNS REGIONAL COUNCIL

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

	<b>Fleet Services</b>	<b>Survey Services</b>	<b>Project Services</b>	<b>Facilities Management</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue for services provided to Council	29,242,107	1,087,153	2,045,713	5,373,774
Revenue for services provided to external clients	(287,089)	-	-	1,193
Community service obligations net of charges	-	-	-	2,040
	28,955,018	1,087,153	2,045,713	5,377,007
Less: Expenditure	29,516,469	944,896	1,905,057	5,415,097
Surplus/(deficit)	(561,451)	142,257	140,656	(38,090)

<b>Description of CSO's provided to business activities:</b>		<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
<b>Activities</b>	<b>CSO Description</b>		
<b>Ticket Link</b>	Assistance to community hirers	23,288	22,500
<b>Car Parking</b>	Water charges	(2,120)	(2,075)
<b>Caravan Parks</b>	Rental revenue forgone	10,716	10,506
	Water charges	-	(14,442)
		10,716	(3,936)
<b>Facilities Maintenance</b>	Equipment revenue forgone to state government agencies	2,040	2,000

# CAIRNS REGIONAL COUNCIL

## Management Certificate For the year ended 30 June 2014

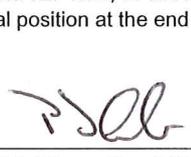
These general purpose financial statements have been prepared pursuant to Sections 176 and 177 of the *Local Government Regulation 2012* (the Regulation) and other prescribed requirements.

In accordance with Section 212(5) of the Regulation we certify that these general purpose financial statements:

- (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 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.

  
\_\_\_\_\_

Mayor

  
\_\_\_\_\_

Chief Executive Officer

Date: 24 / 9 / 14

Date: 24 / 09 / 2014

## INDEPENDENT AUDITOR'S REPORT

To the Mayor of Cairns Regional Council

### Report on the Financial Report

I have audited the accompanying financial report of Cairns Regional Council, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Mayor and the Chief Executive Officer.

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

The Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Local Government Act 2009* and *Local Government Regulation 2012*, including compliance with Australian Accounting Standards. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

### *Independence*

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

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

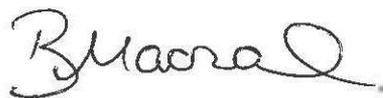
### *Opinion*

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

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
  - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of Cairns Regional Council for the financial year 1 July 2013 to 30 June 2014 and of the financial position as at the end of that year.

### **Other Matters - Electronic Presentation of the Audited Financial Report**

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



B MACRAE FCPA  
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office  
Brisbane

# CAIRNS REGIONAL COUNCIL

## Current-year Financial Sustainability For the year ended 30 June 2014

### Measures of Financial Sustainability

	How the measure is calculated	Target	30 June 2014 Result
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	Between 0% and 10%	0.90%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	Greater than 90%	103.82%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	Not greater than 60%	10.91%

#### Note 1 - Basis of Preparation

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

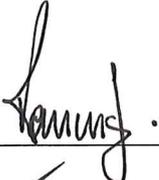
#### Note 2 - Discontinued Operations

The above ratios were calculated based upon the continuing Cairns Regional Council only and exclude the discontinuing Douglas Shire Council.

#### Certificate of Accuracy For the year ended 30 June 2014

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

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

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
Chief Executive Officer

Date: 24 / 9 / 14

Date: 24 / 09 / 2014

## INDEPENDENT AUDITOR'S REPORT

To the Mayor of Cairns Regional Council

### Report on the Current-Year Financial Sustainability Statement

I have audited the accompanying current-year financial sustainability statement, which is a special purpose financial report of Cairns Regional Council for the year ended 30 June 2014, comprising the statement and explanatory notes, and certificates given by the Mayor and Chief Executive Officer.

#### *The Council's Responsibility for the Current-Year Financial Sustainability Statement*

The Council is responsible for the preparation and fair presentation of the current-year financial sustainability statement in accordance with the *Local Government Regulation 2012*. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation and fair presentation of the statement that is accurately calculated and is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the current-year financial sustainability statement based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the statement is free from material misstatement.

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

My responsibility is to form an opinion as to whether the statement has been accurately calculated based on the Council's general purpose financial report. My responsibility does not extend to forming an opinion on the appropriateness or relevance of the reported ratios, nor on the Council's future sustainability.

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

### *Independence*

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

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

### *Opinion*

In accordance with s.212 of the *Local Government Regulation 2012*, in my opinion, in all material respects, the current-year financial sustainability statement of Cairns Regional Council, for the year ended 30 June 2014, has been accurately calculated.

### *Emphasis of Matter – Basis of Accounting*

Without modifying my opinion, attention is drawn to Note 1 which describes the basis of accounting. The current-year financial sustainability statement has been prepared in accordance with the *Financial Management (Sustainability) Guideline 2013* for the purpose of fulfilling the Council's reporting responsibilities under the *Local Government Regulation 2012*. As a result, the statement may not be suitable for another purpose.

### **Other Matters - Electronic Presentation of the Audited Statement**

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



B MACRAE FCPA  
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office  
Brisbane

# **CAIRNS REGIONAL COUNCIL**

## **Appendix A**

For the year ended 30 June 2014

**THE FOLLOWING REPORT DOES NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS. IT HAS BEEN PROVIDED AS ADDITIONAL MANAGEMENT INFORMATION TO ASSIST THE READER IN THEIR ANALYSIS OF THE FINANCIAL STATEMENTS.**

# CAIRNS REGIONAL COUNCIL

Long-Term Financial  
Prepared as at 30 June 2014

## Measures of Financial Sustainability

	Measure	Target	Actuals at 30 June 2014	Projected for the years ended								
				30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	0.90%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	10.91%	7.00%	12.00%	18.00%	35.00%	41.00%	35.00%	29.00%	25.00%	22.00%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	103.82%	90.00%	89.00%	79.00%	78.00%	76.00%	84.00%	71.00%	77.00%	88.00%
Asset sustainability ratio (alternative calculation)	An alternative calculation for the projected years has been performed removing new capital works expenditure from the depreciation forecast (with the exception of demand driven new assets). The result demonstrates that if Council were to opt to only build renewal assets that the benchmark would be achieved.	greater than 90%		92.00%	92.00%	83.00%	83.00%	81.00%	91.00%	79.00%	90.00%	106.00%

### Cairns Regional Council's Financial Management Strategy

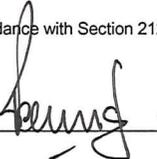
Council aims to operate within a set of conservative guide-posts to ensure we are financially sustainable in the short, medium and long term. As part of our financial strategy, we have the above three sustainability indicators that have been set by the Department of Local Government, Community Recovery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

The above ratios have been calculated using Council's most recently adopted budget review.

### Certificate of Accuracy For the long-term financial sustainability statement prepared as at 30 June 2014

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

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

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
Chief Executive Officer

Date: 27, 9, 14

Date: 24, 09, 2014