ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2017

Mackay Regional Council
Financial Statements
For the year ended 30 June 2017

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Mackay Regional Council
Statement of Comprehensive Income
For the year ended 30 June 2017

	Note	2017 $	2016 $
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	206,556,344	214,039,988
Fees and charges	3(b)	16,677,499	15,988,066
Rental income		935,333	972,924
Interest income	3(c)	5,648,502	6,029,150
Sales contracts and recoverable works	3(d)	6,552,450	5,920,615
Other recurrent income		3,456,235	4,000,152
Grants, subsidies, contributions and donations	4(a)	16,574,040	8,658,558
		256,400,403	255,609,453
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	23,098,759	42,095,347
Other capital income		2,376,768	2,111,301
		25,475,527	44,206,648
Total income		281,875,930	299,816,101
Expenses			
Recurrent expenses			
Employee benefits	5	(78,134,223)	(78,145,302)
Materials and services	6	(95,517,418)	(92,359,903)
Finance costs	7	(11,713,781)	(12,603,485)
Depreciation and amortisation	8	(72,947,567)	(74,760,813)
		(258,312,989)	(257,869,503)
Capital expenses	9	(13,041,041)	(36,411,378)
Total expenses		(271,354,030)	(294,280,881)
Net result		10,521,900	5,535,220
Other comprehensive income			
Items that will not be reclassified to net result			
Increase / (decrease) in asset revaluation surplus	17	(5,332,265)	(333,003,549)
Total other comprehensive income for the year		(5,332,265)	(333,003,549)
Total comprehensive income for the year		5,189,635	(327,468,329)

The above statement should be read in conjunction with the accompanying notes and summary of significant account policies.

Mackay Regional Council
Statement of Financial Position
As at 30 June 2017

	Note	2017 $	2016 $
Current assets			
Cash and cash equivalents	10	61,773,413	159,379,727
Investments	11	115,000,000	-
Trade and other receivables	12	20,905,152	20,088,066
Other assets		2,396,405	2,034,413
Inventories		2,644,880	2,455,500
Non-current assets classified as held for sale		1,357,500	1,180,600
Total current assets		204,077,350	185,138,306
Non-current assets and investments			
Investments	11	3,897,001	4,087,933
Trade and other receivables	12	1,450,000	1,450,000
Property, plant and equipment	13	3,228,931,312	3,227,424,319
Intangible assets		3,862,324	1,903,747
Total non-current assets		3,238,140,637	3,234,865,999
Total assets		3,442,217,987	3,420,004,305
Current liabilities			
Trade and other payables	14	21,256,801	20,771,494
Borrowings	15	12,991,221	12,285,619
Provisions	16	38,828,055	37,008,569
Other liabilities		1,255,243	1,394,893
Total current liabilities		74,331,320	71,460,575
Non-current liabilities			
Borrowings	15	160,071,535	172,619,122
Provisions	16	14,035,550	12,326,116
Total non-current liabilities		174,107,085	184,945,238
Total liabilities		248,438,405	256,405,813
Net community assets		3,193,779,582	3,163,598,492
Community equity			
Retained surplus		1,948,461,131	1,937,844,195
Asset revaluation surplus	17	1,245,318,451	1,225,754,297
Total community equity		3,193,779,582	3,163,598,492

The above statement should be read in conjunction with the accompanying notes and summary of significant account policies.

Mackay Regional Council
Statement of Changes in Equity
For the year ended 30 June 2017

	Note	Retained Surplus	Asset Revaluation Surplus	Total
		$	$	$
Balance as at 1 July 2016		1,937,844,195	1,225,754,297	3,163,598,492
Opening balance adjustment	13,17	95,036	24,896,419	24,991,455
		1,937,939,231	1,250,650,716	3,188,589,947
Net result		10,521,900	-	10,521,900
Increase / (decrease) in asset revaluation surplus		-	(5,332,265)	(5,332,265)
Total comprehensive income for the year		10,521,900	(5,332,265)	5,189,635
Balance as at 30 June 2017		1,948,461,131	1,245,318,451	3,193,779,582
Balance as at 1 July 2015		1,928,492,912	1,558,757,846	3,487,250,758
Opening balance adjustment		3,816,063	-	3,816,063
		1,932,308,975	1,558,757,846	3,491,066,821
Net result		5,535,220	-	5,535,220
Increase / (decrease) in asset revaluation surplus		-	(333,003,549)	(333,003,549)
Total comprehensive income for the year		5,535,220	(333,003,549)	(327,468,329)
Balance as at 30 June 2016		1,937,844,195	1,225,754,297	3,163,598,492

The above statement should be read in conjunction with the accompanying notes and summary of significant account policies.

Mackay Regional Council
Statement of Cash Flows
For the year ended 30 June 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		234,694,216	237,402,623
Payments to suppliers and employees		(173,554,047)	(169,251,327)
Interest income		4,163,865	6,789,383
Non capital grants, subsidies, contributions and donations		16,574,040	8,658,558
Borrowing costs		(11,301,632)	(11,749,168)
Net cash inflow from operating activities	21	70,576,442	71,850,069
Cash flows from investing activities			
Payments for property, plant and equipment		(60,711,688)	(67,895,148)
Payments for investments		(115,000,000)	-
Other capital income		2,376,768	2,111,301
Other capital expenses		(1,878,144)	-
Proceeds from sale of property, plant and equipment		1,347,930	1,096,125
Capital grants, subsidies, contributions and donations		17,524,363	21,729,290
Net cash outflow from investing activities		(156,340,771)	(42,958,432)
Cash flows from financing activities			
Repayment of borrowings		(11,841,985)	(11,181,330)
Net cash outflow from financing activities		(11,841,985)	(11,181,330)
Net increase / (decrease) in cash		(97,606,314)	17,710,307
Cash at beginning of the period		159,379,727	141,669,420
Cash at end of the period	10	61,773,413	159,379,727

The above statement should be read in conjunction with the accompanying notes and summary of significant account policies.

Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2017

1) Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements are for the period 1 July 2016 to 30 June 2017. They are prepared in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*.

They comply with Australian accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB). Mackay Regional Council (MRC) 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). Therefore, in some instances these financial statements do not comply with IFRS. The main impacts are offsetting of revaluation gains and losses within a class of assets and the timing of recognition of non-reciprocal grant revenue.

These financial statements have been prepared under the historical cost convention except for financial assets and liabilities, certain classes of property, plant and equipment and investment property which are measured at fair value and assets held for sale which are measured at fair value less cost of disposal.

MRC is constituted under the Queensland *Local Government Act 2009* and is domiciled in Australia. The Australian dollar is used as its functional and presentation currency. Amounts included in the financial statements have been rounded to the nearest $1.

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

b) Basis of consolidation

The financial statements do not incorporate the assets and liabilities of entities controlled by MRC because they are not considered material.

c) New and revised accounting standards

Some Australian accounting standards and interpretations have been issued but are not yet effective. Those standards have not been applied in these financial statements. MRC will implement them when they are effective. The standards are not expected to have a material impact upon MRC's future financial statements.

This year MRC has applied AASB 124 Related Party Disclosures for the first time. As a result, MRC has disclosed more information about related parties and transactions with those related parties. This information is presented in note 24.

AASB 15 Revenue from Contracts with Customers is effective from 1 January 2018 and will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of interpretations. It contains a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers. MRC is still reviewing the way that revenue is measured and recognised to identify whether this standard will have a material impact.

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2018. MRC has reviewed this standard and does not believe it will have a material impact on future financial statements.

AASB 16 Leases comes into effect from 1 July 2019. MRC has reviewed the potential effect of this standard and concluded that it is not material at this point in time.

d) Estimates and judgements

Where necessary, judgements, estimates and assumptions have been used in preparing these financial statements. Those that have a significant effect, or risk of causing an adjustment to MRC's assets and liabilities relate to non-cash contributions (refer note 4b), valuation and depreciation of property, plant and equipment (note 13), annual leave (note 14), provisions (note 16) and contingent liabilities (note 19).

Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2017

e) Taxation

The income of local government and public authorities is exempt from income tax. However, MRC is subject to Fringe Benefits Tax (FBT), Goods and Services Tax (GST) and payroll tax on certain activities. The net amount of GST recoverable from the Australian Taxation Office (ATO) or payable to the ATO is shown as an asset or liability.

2) Analysis of results by function

a) Components of MRC by function

The goals and activities relating to MRC's components are as follows:

Office of the Mayor and Chief Executive Officer

The goal of the Office of the Mayor and Chief Executive Officer (CEO) is to support MRC to be open, accountable and transparent and to deliver value for money community outcomes. This function includes legal and administrative support for the Mayor, Councillors and CEO.

Organisational Services

The goal of Organisational Services is to provide accurate, timely and appropriate information to support sound decision making and meet statutory requirements. This includes advice and support to other departments particularly in areas of people and culture, workplace health and safety, governance, financial and asset information. Organisational Services also manages MRC’s extensive fleet, contract and procurement activities as well as managing and maintaining all MRC owned buildings.

Development Services

The goal of Development Services is to facilitate the growth and prosperity of the region through well planned and quality development incorporating the economic development of the area. This ensures that the Mackay region is well designed, efficiently serviced and economically sustainable whilst taking into consideration the regions tropical climate. This function sustainably manages and cares for our natural surroundings and resources and ensures our open spaces are accessible and valued.

Community and Client Services

The goal of Community and Client Services is to provide opportunities for all residents, workers and visitors to participate in cultural and recreational activities which foster inclusion and stronger communities. The program includes libraries, entertainment venues, art galleries and museums, community development and sport and recreation programs.

Engineering and Commercial Infrastructure

The goal of Engineering and Commercial Infrastructure is to provide high quality, sustainably managed and efficient roads, water, sewerage and waste management services. The engineering function is responsible for providing and maintaining transport infrastructure; including the roads, bridges and drainage network. While the Commercial Infrastructure function supports healthy and safe communities and natural environments by sustainably managing water and sewerage services. This function also protects and supports the community by providing sustainably managed refuse collection and disposal services.

Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2017

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

Function	Income				Total income	Expenses		Total expenses	Net result	Assets
	Recurrent		Capital			Recurrent	Capital			
	Grants	Other	Grants	Other						
	$									
Year ended 30 June 2017										
Office of Mayor and CEO	463,621	326,234	-	-	789,855	(4,921,138)	-	(4,921,138)	(4,131,283)	-
Development Services	163,608	5,069,540	615,253	44,084	5,892,485	(28,960,261)	(1,754,149)	(30,714,410)	(24,821,925)	6,655,179
Organisational Services	11,181,996	106,426,882	6,622,459	1,751,818	125,983,155	(50,003,971)	(6,274,256)	(56,278,227)	69,704,928	501,801,154
Community and Client Services	1,147,555	9,151,469	-	-	10,299,024	(27,668,079)	-	(27,668,079)	(17,369,055)	2,189,892
Engineering	3,597,260	6,751,513	9,841,156	82,444	20,272,373	(35,100,481)	(1,074,671)	(36,175,152)	(15,902,779)	1,725,889,443
Commercial Infrastructure	20,000	112,100,725	6,019,891	498,422	118,639,038	(111,659,059)	(3,937,965)	(115,597,024)	3,042,014	1,205,682,319
Total	16,574,040	239,826,363	23,098,759	2,376,768	281,875,930	(258,312,989)	(13,041,041)	(271,354,030)	10,521,900	3,442,217,987
Year ended 30 June 2016										
Office of Mayor and CEO	2,640	40,065	-	-	42,705	(4,588,991)	-	(4,588,991)	(4,546,286)	-
Development Services	404,502	5,608,113	1,804,042	61,153	7,877,810	(29,345,144)	(1,520,555)	(30,865,699)	(22,987,889)	5,988,032
Organisational Services	7,081,066	108,533,505	138,420	1,777,364	117,530,355	(55,896,120)	(3,541,657)	(59,437,777)	58,092,578	495,979,008
Community and Client Services	1,330,785	8,494,928	-	22,000	9,847,713	(26,680,798)	-	(26,680,798)	(16,833,085)	1,671,826
Engineering	(160,435)	8,286,376	25,703,768	248,841	34,078,550	(31,895,154)	(20,837,502)	(52,732,656)	(18,654,106)	1,732,281,466
Commercial Infrastructure	-	115,987,908	14,449,117	1,943	130,438,968	(109,463,296)	(10,511,664)	(119,974,960)	10,464,008	1,184,083,973
Total	8,658,558	246,950,895	42,095,347	2,111,301	299,816,101	(257,869,503)	(36,411,378)	(294,280,881)	5,535,220	3,420,004,305

Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2017

	Note	2017 $	2016 $

3) Revenue analysis

Revenue is recognised at the fair value of the consideration received or receivable at the time indicated below:

a) Rates, levies and charges

Rates and associated revenue received prior to the commencement of the rating period is recognised in the period of receipt. Otherwise, it is recognised at the commencement of the rating period.

		2017 $	2016 $
General rates		114,400,548	116,101,176
Separate and special rates and charges		4,426,667	7,010,509
Water consumption and charges		39,461,225	42,283,261
Sewerage charges		46,739,656	47,026,600
Garbage charges		20,451,396	20,445,846
		225,479,492	232,867,392
Less: discounts		(16,745,137)	(16,685,027)
Less: pensioner and other remissions		(2,178,011)	(2,142,377)
		206,556,344	214,039,988

b) Fees and charges

Revenue from fees and charges is recognised upon unconditional entitlement to the funds. Generally, this is at the time of lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.

		2017 $	2016 $
Application fees		1,244,874	1,279,296
Licence fees and registrations		1,973,543	1,895,967
Fines and penalties		420,434	463,689
Venues, events and cultural fees		4,454,939	3,598,194
Waste and recycling fees		5,136,577	5,407,208
Other fees and charges		3,447,132	3,343,712
		16,677,499	15,988,066

c) Interest income

Interest earned on term deposits is accrued over the term of the investment.

		2017 $	2016 $
Interest on investments		4,870,741	4,694,780
Other interest income		777,761	1,334,370
		5,648,502	6,029,150

d) Sales contracts and recoverable works

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

MRC generates revenue from a number of services including contracts for water, sewerage and road works. Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. Where consideration is received for the service in advance, it is recognised as revenue in the period the service is performed.

		2017 $	2016 $
Roads recoverable works		4,944,237	4,377,766
Water operations		685,157	801,033
Sewer operations		909,756	651,257
Other sales contracts and recoverable works		13,300	90,559
		6,552,450	5,920,615

Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2017

	Note	2017 $	2016 $

4) Grants, subsidies, contributions and donations

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which MRC obtains control over them.

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

Developers also pay infrastructure charges for trunk infrastructure such as pump 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 associated performance obligation. Consequently, the infrastructure charges are recognised as revenue when received.

Non-cash contributions with a value in excess of the recognition threshold of $5,000 are recognised as revenue and as non-current assets.

Physical assets contributed to MRC by developers in the form of road works, stormwater, water and sewerage infrastructure and park equipment are recognised as revenue when the development becomes "on maintenance" (i.e. MRC 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 from developers are recognised at the fair value of the contribution received on the date of acquisition.

a) Recurrent

	2017 $	2016 $
General purpose grants	9,442,138	6,321,185
Government grants and subsidies	6,925,475	1,828,222
Non-government grants and subsidies	42,461	24,818
Donations	148,823	189,532
Contributions	15,143	294,801
	16,574,040	8,658,558

b) Capital

	2017 $	2016 $
Government grants and subsidies	15,271,880	17,671,348
Contributions	2,252,483	4,057,942
	17,524,363	21,729,290
Contributed developer assets at fair value	5,574,396	20,366,057
	23,098,759	42,095,347

5) Employee benefits

	2017 $	2016 $
Staff wages and salaries	62,655,491	62,543,588
Councillor remuneration	1,314,559	1,307,765
Annual, sick and long service leave entitlements	13,543,660	13,541,089
Superannuation	7,951,542	8,091,375
Other employee related expenses	37,055	73,473
	85,502,307	85,557,290
Less: capitalised employee costs	(7,368,084)	(7,411,988)
	78,134,223	78,145,302

Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2017

	Note	2017 $	2016 $
6) Materials and services			
Advertising and marketing		1,088,707	1,105,807
Audit fees - Queensland Audit Office		163,500	156,600
Communications and IT		1,840,292	1,670,657
Consultants and services		3,596,285	2,377,970
Contractors		25,682,973	24,122,481
Donations, grants and subsidies		2,911,292	4,384,752
Electricity		7,103,713	6,017,223
Equipment and hire fees		8,126,552	6,620,821
Fuel		2,061,405	1,946,586
Legal fees		1,303,980	1,619,659
Insurance		3,280,261	3,821,035
Rates and charges		1,861,551	2,002,879
Registrations and subscriptions		2,178,274	2,102,847
Repairs and maintenance		24,000,521	25,605,198
Other materials and services		10,318,112	8,805,388
		95,517,418	92,359,903
7) Finance costs			
Finance costs - QTC		11,301,632	11,749,168
Bank charges		224,527	398,206
Impairment of receivables		11,546	298,634
Unwinding of discounted provisions		176,076	157,477
		11,713,781	12,603,485
8) Depreciation and amortisation			
Depreciation of non-current assets		72,185,774	74,060,771
Amortisation of intangible assets		761,793	700,042
		72,947,567	74,760,813
9) Capital expenses			
Loss on sale / disposal			
Property, plant and equipment		7,958,034	35,280,828
Non-current assets held for sale		84,000	241,000
Intangibles		3,003	-
		8,045,037	35,521,828
Revaluation (increase) / decrease			
Investment property		190,932	(784,911)
		190,932	(784,911)
Impairment loss on non-current assets held for sale		8,100	86,400
Other capital expenses		4,796,972	1,588,061
		4,805,072	1,674,461
		13,041,041	36,411,378

10) Cash and cash equivalents

Cash and cash equivalents include cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions and 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. Cash deposits 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.

Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2017

	Note	2017 $	2016 $

MRC's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary or future use. Externally imposed expenditure restrictions at the reporting date relate to unspent government grants and subsidies to the amount of $12,082,670.

MRC may be exposed to credit risk through its investments in the Queensland Treasury Corporation (QTC) Cash Fund, which 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.

		2017 $	2016 $
Cash at bank and on hand		14,012,366	20,338,667
Deposits at call		47,761,047	139,041,060
		61,773,413	159,379,727

Funds held in trust on behalf of outside parties include security deposits lodged to guarantee performance, bonds and unclaimed monies paid into the trust account by MRC. MRC performs only a custodian role in respect of these monies. As these funds cannot be used by MRC they are not brought to account in these financial statements.

		2017 $	2016 $
Security deposits		1,545,242	2,049,475
Mackay Artspace gift fund		15,684	3,256
		1,560,926	2,052,731

11) Investments

Fair value of investment property is measured at the current market value, which is derived by reference to market based evidence; including observable historical sales data for properties of similar nature and specification. Revaluations are conducted annually at 30 June by an independent, registered valuer. This was last conducted by Opteon Property Group.

MRC holds shares in Mackay Region Enterprises Pty Ltd and Connect Housing Group (formerly Mackay Regional Housing Company). The shares in these companies are not listed on any stock exchange and there is no active market. As a result, the fair value of these investments cannot be reliably measured and therefore they have been measured at cost.

MRC has category 1 investment powers and currently holds term deposits with various financial institutions; all of which are considered to be low risk with fixed rates and fixed original terms to maturity of 12 months or less. All term deposits are intended to be held to maturity.

		2017 $	2016 $
Current			
Fixed term deposits		115,000,000	-
		115,000,000	-
Non-current			
Investment property		3,895,000	4,085,932
Shares		2,001	2,001
		3,897,001	4,087,933
		118,897,001	4,087,933

Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2017

	Note	2017 $	2016 $

12) Trade and other receivables

Trade receivables are recognised at the amounts due at the time of sale or service delivery (i.e. the agreed purchase price/contract price). Settlement of these amounts is required within 30 days from invoice date. Interest is charged on outstanding rates at a rate of 11% per annum. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.

The collectability of receivables is assessed periodically and if there is objective evidence that MRC will not be able to collect all amounts due, the carrying amount is reduced for impairment. The loss is recognised in finance costs. All known bad debts were written-off at 30 June.

MRC is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover rates arrears. For this reason MRC does not generally impair any rates receivables. However, in the case of rates on state leased land, where the lease has been cancelled or land leased by MRC, the right to sell is forfeit. In these cases where other avenues to pursue the debt are doubtful, a provision for impairment will be made, pending the exhaustion of all legal options.

	2017	2016
Current		
Rates and utility charges	11,204,890	11,818,668
Interest receivable	2,571,533	1,086,896
GST recoverable	2,073,763	1,604,778
Other debtors	5,095,274	5,643,324
Less: provision for impairment of debt	(40,308)	(65,600)
	20,905,152	20,088,066
Non-current		
Other debtors	1,450,000	1,450,000
Total receivables	22,355,152	21,538,066
Movement in accumulated impairment losses		
Opening balance at 1 July	(65,600)	(2,827,726)
Impairment debts written off during the year	-	2,070,958
Additional impairments recognised	-	(65,600)
Impairment reversed	25,292	756,768
Closing balance at 30 June	(40,308)	(65,600)
Aged receivables		
Not past due	9,931,089	8,459,813
Past due 31-60 days	15,763	46,610
Past due 61-90 days	28,655	24,246
More than 90 days	12,419,953	13,072,997
Impaired	(40,308)	(65,600)
	22,355,152	21,538,066

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13) Property, plant and equipment

Asset Values	Land	Site improvements	Buildings	Heritage and cultural assets	Roads, bridges and drainage network	Water	Sewerage	Waste infrastructure	Plant and equipment	Work in progress	Total
Basis of measurement	Fair Value $								Cost $		
Asset cost											
Opening balance at 1 July 2016	140,275,302	109,724,533	194,547,095	4,461,797	2,199,109,284	750,058,542	788,482,662	64,881,320	57,405,007	56,007,416	4,364,952,958
Additions	-	-	-	-	-	-	-	-	-	60,711,688	60,711,688
Contributed assets	-	54,509	-	-	3,365,790	679,730	1,628,049	-	-	-	5,728,078
Assets not previously recognised*	-	-	-	-	111,355	-	-	-	-	-	111,355
Written off / disposed	(9,591)	(3,431,622)	(932,930)	-	(1,659,167)	(3,339,370)	(3,050,663)	-	(4,634,534)	-	(17,057,877)
Revaluation	-	-	12,998,381	-	(390,355)	(23,083)	(328,767)	-	-	-	12,256,176
Transfers between asset class / category	461,625	2,422,907	8,063,334	45,192	23,789,511	9,043,273	8,764,299	375,879	8,159,874	(64,119,267)	(2,993,373)
Closing balance at 30 June 2017	140,727,336	108,770,327	214,675,880	4,506,989	2,224,326,418	756,419,092	795,495,580	65,257,199	60,930,347	52,599,837	4,423,709,005
Accumulated depreciation											
Opening balance at 1 July 2016	-	24,353,105	58,105,445	265,068	499,458,621	267,656,534	238,311,089	27,724,018	21,654,759	-	1,137,528,639
Opening balance adjustment**	-	-	-	-	-	(24,896,419)	-	-	-	-	(24,896,419)
Contributed assets	-	-	-	-	107,199	15,250	31,233	-	-	-	153,682
Assets not previously recognised*	-	-	-	-	16,319	-	-	-	-	-	16,319
Written off / disposed	-	(1,677,473)	(348,309)	-	(584,496)	(1,415,621)	(831,467)	-	(2,895,548)	-	(7,752,914)
Depreciation	-	2,842,165	3,369,410	54,531	32,726,350	13,146,737	12,972,822	900,345	6,173,414	-	72,185,774
Revaluation	-	-	17,542,970	-	(2,161)	2,305	(509)	7	-	-	17,542,612
Transfers between asset class / category	-	-	(291,120)	-	291,120	-	-	-	-	-	-
Closing balance at 30 June 2017	-	25,517,797	78,378,396	319,599	532,012,952	254,508,786	250,483,168	28,624,370	24,932,625	-	1,194,777,693
Written down value at 30 June 2017	140,727,336	83,252,530	136,297,484	4,187,390	1,692,313,466	501,910,306	545,012,412	36,632,829	35,997,722	52,599,837	3,228,931,312
Useful life range (years)	Indefinite	5 - 100	10 - 100	35 - 100	5 - 100	10 - 100	3 - 100	5 - 100	2 - 50		

The residual value of plant and equipment at the balance date was $11,952,784 and renewals relating to work in progress totalled $35,589,775.

* *As part of ongoing asset data improvements, additional assets not previously recognised were identified and brought to account. This resulted in a net adjustment of $95,036. If the amounts disclosed above as assets not previously recognised had been accounted for in the past, they would have been recorded in determining the net position in previous years which would be included in equity in the current year. Consequently, MRC adjusted these against the opening balance in the Statement of Changes in Equity^*

** *The reported opening balance adjustment is the effect of an overstatement of accumulated depreciation at 30 June 2016 in the water asset class. The written down useful lives of the affected assets have been corrected as at 1 July 2016 and therefore has no impact on the asset values, which are accurately reported as at 30 June 2017 above^*

^ *Given the total of these adjustments was immaterial to both equity and property, plant and equipment balances, MRC has not adjusted any of the comparative figures or completed the prior period error disclosure as required under AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*

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Asset Values	Land	Site improvements	Buildings	Heritage and cultural assets	Roads, bridge and drainage network	Water	Sewerage	Waste infrastructure	Plant and equipment	Work in progress	Total
Basis of measurement	Fair Value $								Cost $		
Asset cost											
Opening balance at 1 July 2015	228,130,537	104,633,645	191,291,080	3,679,116	2,588,494,539	603,515,657	688,858,117	55,482,282	52,629,633	74,274,207	4,590,988,813
Additions	-	50,503	-	-	-	-		6,798,334		67,895,148	74,743,985
Contributed assets	-	1,377,782	-	141,609	12,829,145	1,690,524	4,633,932				20,672,992
Assets not previously recognised	-	970,218	25,429	-	4,000,386	662,910	279,697				5,938,640
Written off / disposed	(2,103,689)	(2,065,623)	(1,461,812)	-	(25,137,090)	(1,630,974)	(13,183,099)		(3,563,294)		(49,145,581)
Revaluation	(86,637,309)	(150,565)	(1,867,085)	-	(415,078,170)	128,861,831	100,341,874	(1,749,315)			(276,278,739)
Transfers between asset class / category	885,763	4,908,573	6,559,483	641,072	34,000,474	16,958,594	7,552,141	4,350,019	8,338,668	(86,161,939)	(1,967,152)
Closing balance at 30 June 2016	140,275,302	109,724,533	194,547,095	4,461,797	2,199,109,284	750,058,542	788,482,662	64,881,320	57,405,007	56,007,416	4,364,952,958
Accumulated depreciation											
Opening balance at 1 July 2015	-	21,520,613	55,908,641	208,497	545,104,339	179,276,244	168,687,816	26,885,277	17,592,389		1,015,183,816
Contributed assets	-	93,215	-	4,488	32,030	99,991	77,211				306,935
Assets not previously recognised	-	152,166	6,944	-	1,673,699	217,601	72,167				2,122,577
Written off / disposed	-	(545,068)	(449,333)	-	(4,279,740)	(622,680)	(5,287,637)		(1,743,169)		(12,927,627)
Depreciation	-	3,036,483	3,271,692	52,083	40,079,006	10,087,383	10,889,844	838,741	5,805,539		74,060,771
Revaluation	-	66,917	(632,499)	-	(83,121,934)	78,597,995	63,871,688				58,782,167
Transfers between asset class / category	-	28,779	-	-	(28,779)						-
Closing balance at 30 June 2016	-	24,353,105	58,105,445	265,068	499,458,621	267,656,534	238,311,089	27,724,018	21,654,759	-	1,137,528,639
Written down value at 30 June 2016	140,275,302	85,371,428	136,441,650	4,196,729	1,699,650,663	482,402,008	550,171,573	37,157,302	35,750,248	56,007,416	3,227,424,319
Useful life range (years)	Indefinite	5 - 100	15 - 80	35 - 100	5 - 100	10 - 100	3 - 100	5 - 100	1 - 50		

The residual values of plant and equipment, heritage and cultural assets and buildings at the balance date were $11,318,437, $474,968 and $3,497,520 respectively. Renewals relating to work in progress during the period totalled $35,273,170.

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a) Recognition

Items of property, plant and equipment with a total value of less than $5,000, except for land which has a recognition threshold of $1, are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised and included in the relevant asset class.

Land under the roads and reserve land which falls under the *Land Act 1994* or the *Land Title Act 1994* is controlled by the Queensland Government pursuant to the relevant legislation. This land is not recognised in these financial statements.

b) Measurement

Acquisitions of property, plant and equipment 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 architects' fees, engineering design fees and all other establishment costs.

The costs of property, plant and equipment constructed by MRC, includes the cost of all materials used in construction, direct labour and other costs directly attributable to bring the asset to the location and condition for it to operate in the manner intended.

Expenditure incurred in either maintaining the operational capacity or useful life of assets is considered maintenance and is treated as an expense as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

Property, plant and equipment received in the form of contributions, is recognised as assets and revenue at fair value where that value exceeds the recognition threshold for the respective class.

c) Depreciation

Assets are depreciated from the year of acquisition or, in respect of internally constructed assets, from the time an asset is complete and commissioned ready for use, at which time they are re-classified from work in progress to the appropriate property, plant and equipment class.

Property, plant and equipment assets having a limited useful life are depreciated on a straight-line basis over their estimated useful lives. Land, heritage and cultural artwork and road formations are not depreciated.

Where assets have significant 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 MRC.

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.

d) Valuation

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

In the intervening years, MRC uses internal engineers and asset managers to assess the condition and cost assumptions associated with all infrastructure assets, the results of which are considered in combination with an appropriate cost index for the region. Together these are used to form the basis of a management valuation for infrastructure asset classes in each of the intervening years. With respect to the valuation of the land and improvements and buildings asset classes in the intervening years, management engage independent, professionally qualified valuers to perform a "desktop" valuation. A desktop valuation involves management providing updated information to the valuer regarding additions, deletions and changes in assumptions such as useful life, residual value and condition rating. The valuer then determines suitable indices which are applied to each of these asset classes.

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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.

An analysis performed by management has indicated that, on average, the variance between an indexed asset value and the valuation by an independent valuer, when performed, is not significant and the indicies used by MRC are sound. Materiality concepts are considered in determining whether the difference between the carrying amount and the fair value of an asset is material, in which case revaluation is warranted.

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

e) Impairment

Property, plant and equipment is assessed for indicators of impairment annually. If an indicator of possible impairment exists, MRC determines the assets recoverable amount. Any amount, by which the assets carrying amount exceeds the recoverable amount, is recorded as an impairment loss.

f) Fair value measurement

The methods used to estimate fair value comprise:
Level 1 – calculated using quoted prices in active markets
Level 2 – estimated using inputs that are directly and indirectly observable, such as prices for similar assets
Level 3 – estimated using unobservable inputs for the asset

All MRC infrastructure assets are recorded at fair value using written down current replacement cost. This valuation comprises assets 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. MRC first determined the gross cost of replacing the full-service potential of the asset then adjusted this amount to take account of the expired service potential of the asset.

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

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.

Land

Fair value of land is measured at current market value, which is derived by reference to market based evidence including observable historical sales data for properties of similar nature and specification. The most appropriate sales evidence within the locality is applied, with valuations based on the general usability, probable use and most likely zoning (in line with surrounding developments based on highest and best use of the site and its potential).

Where there is a lack of comparable sales evidence, the valuation is based on the closest comparable sales in terms of the characteristics of the parcel and sales evidence.

MRC's fair value measurement has been either a level 2 or 3, depending on the assumptions as to whether the land is subject to restriction as to use and whether there is an active market. Land fair values were determined by independent valuer, Opteon Property Group, effective 30 June 2016.

Site improvements

Site improvement fair values were last valued at 30 June 2014 by independent valuers, Assetic Pty Ltd. Fair values are benchmarked by the valuer to externally available published rates and internally generated data for similar works performed by MRC and contractors.

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All assets were physically inspected to determine asset attributes and conditions for inclusion in the 2014 valuation. These conditions were in turn used to reflect the remaining life of the assets.

Registered valuers, AssetVal Pty Ltd advised a cost movement index of 1.7% for the period ended 30 June 2017. Indices movement from the date of the last valuation to present was determined to be immaterial by internal stakeholders, and as such no movement is reflected in the financial statements.

Buildings
A comprehensive revaluation of building assets was undertaken as at 30 June 2017 by independent valuers, Australian Valuation Solutions. MRC's fair value measurement has been either a level 2 or 3, depending on the assumption as to whether the building is specialised and if a market exists. Where buildings are of a specialist nature and there is no active market for the assets, fair value has been based on replacement with a new asset having similar service potential including allowances for preliminaries and professional fees. For non-specialist buildings, fair value is derived by reference to market based evidence including observable historical sales data for comparative properties of similar nature and specification.

All assets were physically inspected to determine asset attributes and condition. Condition assessment was made using a scale with 0 indicating an asset with a very high level of remaining service potential and 5 representing an asset near the end of its useful life. The condition rating directly translates to the level of depreciation applied and was used to estimate remaining useful life.

In determining replacement costs, unit rates have been applied to the individual asset components to determine current replacement cost. Unit rates have been based on greenfield project costs and include all materials, labour and direct costs. These unit rates have been developed based on a variety of sources including MRC project costs, product suppliers and published construction cost information such as Rawlinson's and Cordell's.

Heritage and cultural assets
Where an active market exists for heritage and cultural assets, fair value is measured at current market value. This is derived by reference to market based evidence, including observable historical sales data for similar works by artists or artists of similar reputation.

In the absence of an active market, the fair value of heritage and cultural assets, including public works, monuments and structures are determined using information available from specialised subscription data services and the valuer's industry contacts. These include artists, agents, dealers and specialist manufacturers who work with artists to create large-scale public artworks.

Heritage and cultural assets were determined by Bettina MacAulay of MacAuley Partners, effective 30 June 2014. MRC's fair value measurement has been either a level 2 or 3, depending on the assumption as to whether an active market exists.

Registered valuers, AssetVal Pty Ltd advised a cost movement index of 2.1% for the period ended 30 June 2017. Indices movement from the date of the last valuation to present was determined to be immaterial by internal stakeholders, and as such no movement is reflected in the financial statements.

Roads, bridges and drainage network
A full valuation of the roads, bridges and drainage network was undertaken by independent valuers, AssetVal Pty Ltd, effective 30 June 2015.

Infrastructure assets were componentised where required with unit rates applied to the individual components in order to determine the replacement costs. Assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted, the assets were allocated a condition rating, which is based on factors such as the age of the asset, overall condition as noted by the valuer during inspection, economic and or functional obsolescence. Condition assessment was made using a 5 point scale with 1 indicating an asset with a very high level of remaining service potential and 5 representing an asset near the end of its useful life. The condition rating directly translates to the level of depreciation applied and was used to estimate remaining useful life.

The unit rates applied were based on brownfield projects costs and include all materials, labour and overheads. Fair values are benchmarked by the valuer to externally available published rates and internally generated data for similar works performed by MRC and contractors.

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During the financial year, MRC was affected by Tropical Cyclone Debbie on 28 March 2017 which has resulted in some damage to roads. The majority of the costs associated with this event are funded under the state government's Natural Disaster Relief and Recovery Arrangements (NDRRA). Under these arrangements, MRC is required to contribute to each activated natural disaster event up to a maximum trigger point. The trigger point for this event is $767,655.

MRC has not recognised an impairment loss at the date of this report. The affected network is still being assessed for damage and estimates to restore infrastructure to pre-disaster standard are unable to be reliably quantified.

Registered valuers, AssetVal Pty Ltd advised a cost movement index of 0.6% for the period ended 30 June 2017. Indices movement from the date of the last valuation to present, were considered in conjunction with the effect of the natural disaster event. It was determined that the movement was immaterial by internal stakeholders and as such no valuation adjustment is reflected in the financial statements.

Water and sewerage
The last comprehensive revaluation of water and sewerage infrastructure assets was performed by independent valuers, Cardno Pty Ltd as at 30 June 2016. The valuation methodology maintained that water and sewer assets can be broken into 2 broad groups:

- Active assets: pump stations, bore fields, reservoirs and treatment plants
- Passive assets: mostly network assets such as water and sewerage mains and manholes

Assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted, the assets were allocated a condition rating, which is based on factors such as the age of the asset, overall condition as noted by the valuer during inspection, economic and or functional obsolescence. The condition rating was made using a 5 point scale with 1 indicating an asset with a very high level of remaining service potential and 5 representing an asset near the end of its useful life. The condition rating directly translates to the level of depreciation applied and was used to estimate remaining useful life.

Where site inspections were not conducted, the remaining useful life was calculated on an age basis after taking into consideration current and planned maintenance records.

Fair value of water and sewerage assets is determined using a cost approach and is derived from the following valuer inputs; Rawlinson's Australian Construction Handbook, communication with suppliers to determine applicable unit rates, schedule rates for construction of assets or similar assets and performance of comprehensive condition assessment.

Registered valuers, AssetVal Pty Ltd advised a cost movement index of 1.7% for the period ended 30 June 2017. Indices movement from the date of the last valuation to present was determined to be immaterial by internal stakeholders, and as such no movement is reflected in the financial statements.

Waste infrastructure
Waste assets were last comprehensively revalued at 30 June 2013 by independent valuers, Assetic Pty Ltd. Fair values are benchmarked by the valuer to externally available published rates and internally generated data for similar works performed by MRC and contractors.

All assets were physically inspected to determine asset attributes and conditions. Condition assessment was made using a 7 point scale with 0 indicating an asset with a very high level of remaining service potential and 6 representing an asset at the end of its useful life. These conditions were in turn used to reflect the remaining life of the assets.

Registered valuers, AssetVal Pty Ltd advised a cost movement index of 1.7% for the period ended 30 June 2017. Indices movement from the date of the last valuation to present was determined to be immaterial by internal stakeholders, and as such no movement is reflected in the financial statements.

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	Note	2017 $	2016 $

14) Trade and other payables

Creditors are recognised when goods or services are received, at the amount owed. Amounts owing are unsecured and are generally settled on 30 day terms.

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. The liability is calculated using the present value of remuneration rates that will be paid when the liability is expected to be settled and includes related on-costs.

MRC considers it does not have an unconditional right to defer settlement of the liability therefore all annual leave is classified as a current liability.

	2017 $	2016 $
Creditors and accruals	13,974,054	13,740,068
Annual leave	6,555,593	6,467,288
Other entitlements	727,154	564,138
	21,256,801	20,771,494

15) Borrowings

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost, with interest being expensed as it accrues. Principal and interest repayments are made quarterly in arrears for all QTC borrowings. In respect of the Department of Infrastructure, Local Government, and Planning (DILGP) loan, which is a non-interest bearing loan, principal repayments are made 6 monthly in arrears.

All borrowing costs are expensed in the period in which they are incurred. No interest has been capitalised during the current or comparative reporting period. Expected final payment dates vary from 2024 to 2033. There have been no defaults or breaches of the loan agreement during the period.

The market value of QTC borrowings at the reporting date was $201,111,895. This represents the value of the debt if MRC repaid it all on that date. At the reporting date, it is the intention of MRC to hold the debt for its full term, as such no provision is required to be made in these accounts.

	2017 $	2016 $
Current		
QTC	12,683,221	11,977,619
DILGP	308,000	308,000
	12,991,221	12,285,619
Non-current		
QTC	159,147,535	171,387,122
DILGP	924,000	1,232,000
	160,071,535	172,619,122

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	Note	2017 $	2016 $

16) Provisions

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 MRC's employment which would result in MRC being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attached to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value.

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

Refuse restoration and quarry rehabilitation

A provision is made for the cost of restoring refuse and quarry sites where it is probable MRC will be liable, or required to complete restoration works when the use of the facilities is complete. A provision for restoration in these circumstances is calculated as the present value of anticipated future costs associated with the sites closure; including the decontamination and monitoring of historical residues leaching on refuse sites and refilling the basin, reclamation and rehabilitation of quarry sites.

The calculation provides assumptions which are reviewed annually; such as the application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision, is the costs that will be incurred. Estimates relating to closed refuse and quarry sites are classified as current as MRC cannot defer remediation work when requested under the State Government Environmental Regulations.

Where an underlying tangible asset exists, the provision for restoration is included in the cost of the land and amortised over the expected useful life of the asset. Changes in the provision not arising from the passing of time are added to or deducted from the asset revaluation surplus. If there is no available surplus, increases in the provision are treated as an expense and recovered out of future decreases (if any). Changes to the provision resulting from the passing of time (the unwinding of the discount) are treated as a finance cost.

	2017 $	2016 $
Current		
Refuse restoration	29,007,666	29,462,323
Quarry restoration	1,811,112	536,342
Long service leave	8,009,277	7,009,904
	38,828,055	37,008,569
Non-current		
Refuse restoration	8,829,900	9,000,600
Quarry restoration	3,927,944	1,436,625
Long service leave	1,277,706	1,888,891
	14,035,550	12,326,116

The projected cost of restoring refuse sites is $44,905,277, and is expected to be incurred between 2018 and 2050 after site closure and allowing a period for settlement. The portion estimated to be payable during the next 12 months is $49,933 based on the schedule of works.

The projected cost of restoring quarry sites is $7,726,596, and is expected to be incurred between 2017 and 2055 after site closure and allowing a period for settlement. The portion estimated to be payable during the next 12 months is $1,811,112 based on the schedule of works.

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	Refuse restoration	Quarry restoration	Long service leave	Total
Balance at 1 July	38,462,923	1,972,967	8,898,795	49,334,685
Provisions recognised / derecognised	625,091	4,057,870	1,634,015	6,316,976
Amounts used / paid	-	(193,588)	(1,245,827)	(1,439,415)
Unwinding of discount	151,840	24,236	-	176,076
Discount rate adjustment	(1,402,288)	(122,429)	-	(1,524,717)
Balance at 30 June	37,837,566	5,739,056	9,286,983	52,863,605

17) 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.

During the period an opening balance adjustment of $24,896,419** was recorded. Details of this amount can be found in note 13.

	Balance at 30 June 2016	Balance at 1 July 2016 **	Movement	Balance at 30 June 2017
Land	4,705,337	4,705,337	-	4,705,337
Site improvements	29,901,224	29,901,224	(216,528)	29,684,696
Buildings	5,726,412	5,726,412	(4,544,589)	1,181,823
Heritage and cultural assets	1,080,937	1,080,937	-	1,080,937
Roads, bridge and drainage network	800,010,039	800,010,039	(388,194)	799,621,845
Water	179,844,029	204,740,448	(25,388)	204,715,060
Sewerage	198,558,185	198,558,185	(328,258)	198,229,927
Waste infrastructure	5,928,134	5,928,134	170,692	6,098,826
	1,225,754,297	1,250,650,716	(5,332,265)	1,245,318,451

Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2017

	Note	2017 $	2016 $

18) Commitments for expenditure

Commitments for contractual expenditure at balance date but not recognised in the financial statements are as follows:

		2017	2016
Disposal of garbage		52,146,711	38,221,881
Other operational commitments		11,879,307	18,760,815
Other capital commitments		6,276,754	7,238,023
		70,302,772	64,220,719
This expenditure is payable:			
Within one year		20,388,527	25,890,006
Later than one year but not later than five year		34,490,215	34,609,932
Later than five years		15,424,030	3,720,781
		70,302,772	64,220,719

19) Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

Legal matters

Various claims are pending against MRC. In the opinion of MRC's solicitors, the maximum potential loss on all claims at 30 June should not exceed:

	2017	2016
	1,700,000	3,913,598

Department of Social Services

MRC agreed to act as guarantor for a development project under the Housing Affordability Fund Program. The guarantee provides for affordable housing to be developed and sold at a discount on market rates.
MRC's maximum exposure to the bank guarantee is:

	2017	2016
	8,000,000	8,000,000

Local Government Mutual

MRC 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 2017 the financial statements reported an accumulated surplus and it is not anticipated any liabilities will arise.

Local Government Workcare

MRC is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme, MRC 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 worker's compensation authority may call on any part of the guarantee should the above circumstances arise.
MRC's maximum exposure to the bank guarantee is:

	2017	2016
	2,015,941	2,425,863

20) Superannuation

MRC contributes to the Local Government Superannuation Scheme Queensland (the scheme). The scheme is a multi-employer plan as defined in AASB 119 Employee Benefits.

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

Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2017

	Note	2017 $	2016 $

The scheme has 3 elements referred to as:

- The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund
- The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments
- The Accumulation Benefits Fund (ABF)

The ABF is a defined contribution scheme as defined in AASB 119. MRC 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*.

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

The Regional DBF is a defined benefit plan as defined in AASB 119. MRC is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB 119 because the scheme is unable to account to MRC for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

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

Any amount by which the 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 MRC. Accordingly, there is no recognition in the financial statements of any over or under funding of the scheme.

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

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2015. The actuary indicated that “at the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date".

In the 2015 actuarial report the actuary has recommended no change to the employer contribution level 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 65 councils contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 65 councils. MRC made less than 4% of the total contributions to the plan in the 2017 financial year.

The next actuarial investigation will be made as at 1 July 2018.

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

	Note	2017 $	2016 $
	5	7,951,542	8,091,375

Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2017

21) Reconciliation of net result for the year to net cash flow from operating activities

	Note	2017 $	2016 $
Net result		10,521,900	5,535,220
Non-cash items			
Depreciation and amortisation		72,947,567	74,760,813
Unwinding of discounted provisions		176,076	157,477
		73,123,643	74,918,290
Investing and development activities			
Grants, subsidies, contributions and donations		(23,098,759)	(42,095,347)
Capital income		(2,376,768)	(2,111,301)
Capital expenses		13,041,041	36,411,378
		(12,434,486)	(7,795,270)
Movement in operating assets and liabilities			
Trade and other receivables		(817,085)	(2,813,110)
Other assets		(361,992)	(97,077)
Inventories		(189,380)	149,269
Trade and other payables		485,305	1,074,101
Provisions		388,187	525,791
Other liabilities		(139,650)	352,855
		(634,615)	(808,171)
Net cash inflow from operating activities		70,576,442	71,850,069

22) Financial instruments

MRC has exposure to the following risks arising from financial instruments: liquidity risk and market risk.

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

Liquidity risk

Liquidity risk is the possibility that MRC will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. MRC is exposed to liquidity risk through its normal course of business and through its borrowings. MRC manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows.

The table below sets out the liquidity risk in relation to financial liabilities held by MRC. 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.

Mackay Regional Council
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For the year ended 30 June 2017

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
2017					
Trade and other payables	13,974,054	-	-	13,974,054	-
Loans - QTC	22,827,617	91,310,469	123,395,265	237,533,351	171,830,756
Loans - DLGIP	308,000	924,000	-	1,232,000	1,232,000
	37,109,671	92,234,469	123,395,265	252,739,405	173,062,756
2016					
Trade and other payables	13,740,068	-	-	13,740,068	-
Loans - QTC	22,827,617	91,310,470	146,222,882	260,360,969	183,364,741
Loans - DLGIP	308,000	1,232,000	-	1,540,000	1,540,000
	36,875,685	92,542,470	146,222,882	275,641,037	184,904,741

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

Market risk

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

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

23) National Competition Policy

MRC applies the competitive code of conduct to the business activities of water, sewerage and waste services. This requires the application of full cost pricing, identifying the cost of community service obligations (CSO) and eliminating the advantages and disadvantages of public ownership within that activity.

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

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

Operating Statement	Water and Sewearge Services 2017	Waste Services 2017
Revenue for services provided to MRC	1,947,618	640,157
Revenue for services provided to external clients	86,781,522	25,144,778
Community service obligations (community / sporting rebates)	197,000	45,000
Total	88,926,140	25,829,935
Less: expenditure	72,517,758	20,928,422
Surplus / (deficit)	16,408,382	4,901,513

Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2017

24) Transactions with related parties

Most of the entities and people that are related parties of MRC live and operate within the council region. Therefore, on a regular basis ordinary citizen transactions occur between MRC and its related parties. Examples of such would include payment of rates/animal registration, use of library facilities, contracts for goods and services etc. These transactions have not been disclosed as they were on the same terms and conditions available to the general public or were conducted in accordance with normal policy and process.

a) Transactions with controlled entities

Mackay Region Enterprises Pty Ltd and Artspace Mackay Foundation Ltd are controlled entities of MRC. The transactions of these entities are not material to MRC and are therefore not consolidated within these annual financial statements.

During the reporting period, $40,264 was paid or payable to Artspace Mackay Foundation Ltd. A further $1,539 was received or receivable by MRC, as at 30 June 2017.

An amount of $7,879 was also paid or payable to MRC by Mackay Region Enterprises at 30 June 2017.

b) Transactions with key management personnel

Key management personnel (KMP) include the Mayor, Councillors, CEO and the Strategy, Leadership and Performance Team.

The compensation paid to KMP during the reporting period comprises:

KMP remuneration	
Short term employee benefits	2,911,106
Post employee benefits	326,278
Long term benefits	13,370
Termination benefits	-
	3,250,754

Detailed remuneration disclosures are provided in the annual report.

c) Transactions with other related parties

Other related parties include the close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members. Close family members include a spouse, child and dependent of a KMP or their spouse.

MRC employs 1,113 staff of which only 3 are close family members of KMP. All close family members of KMP were employed through an arm's length process. They are paid in accordance with the Award for the job they perform.

Mackay Regional Council
Financial Statements
For the year ended 30 June 2017

Management Certificate

These general purpose financial statements have been prepared pursuant to s176 and 177 of the *Local Government Regulation 2012* (the Regulation) and other prescribed requirements.

In accordance with s212(5) of the Regulation we certify that:

a) 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

b) the general purpose financial statements, as set out on pages 1 to 27, present a true and fair view, in accordance with Australian Accounting Standards, of MRC's transactions for the financial year and financial position at the end of the year.

Mayor Mackay Regional Council
Cr Greg Williamson

5 OCT 17

Date

Chief Executive Officer
Craig Doyle

5/10/17

Date

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Mackay Regional Council

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of Mackay Regional Council.

In my opinion, the financial report:

a) gives a true and fair view of the council's financial position as at 30 June 2017, and of its financial performance and cash flows for the year then ended

b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Mayor and Chief Executive Officer.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of my report.

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Other information

Other information comprises the information included in Mackay Regional Council's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the Current Year Financial Sustainability Statement and Long-Term Financial Sustainability Statement.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have expressed a separate opinion on the Current Year Financial Sustainability Statement.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the council 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 the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards, and for such internal control as the council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The council is also responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the council or to otherwise cease operations.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017:

a) I received all the information and explanations I required.

b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

C. G. Strickland

QUEENSLAND
13 OCT 2017
AUDIT OFFICE

Charles Strickland
as Delegate of the Auditor-General

Queensland Audit Office
Brisbane

Mackay Regional Council
Financial Statements
For the year ended 30 June 2017

Current Year Financial Sustainability Statement

MRC's performance at 30 June 2017 against key financial ratios and targets:

Key financial sustainability metrics	Target	Actual
Operating surplus ratio (%) Operating result (excluding capital items) as a percentage of operating revenue	0% - 10%	-0.7%
Asset sustainability ratio (%) Capital expenditure on renewals divided by depreciation expense	> 90%	49.3%
Net financial liabilities ratio (%) (Total liabilities less current assets) divided total operating revenue (excluding capital items)	< 60%	17.3%

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 3 reported measures are prepared on an accrual basis and are drawn from MRC's audited general purpose financial statements for the year ended 30 June 2017.

Mackay Regional Council
Financial Statements
For the year ended 30 June 2017

Certificate of Accuracy
Current Year Financial Sustainability Statement

This current-year financial sustainability statement has been prepared pursuant to s178 of *the Local Government Regulation 2012*.

In accordance with s212(5) of the Regulation, we certify that this current-year financial sustainability statement has been accurately calculated.

Mayor Mackay Regional Council
Cr Greg Williamson

5 Oct 17
Date

Chief Executive Officer
Craig Doyle

5/10/17
Date

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Mackay Regional Council

Report on the Current-Year Financial Sustainability Statement

Opinion

I have audited the accompanying current year financial sustainability statement of Mackay Regional Council for the year ended 30 June 2017, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Mackay Regional Council for the year ended 30 June 2017 has been accurately calculated.

Basis of opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the current year financial sustainability statement* section of my report.

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Emphasis of matter – basis of accounting

I draw attention 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. My opinion is not modified in respect of this matter.

Other information

Other information comprises the information included in Mackay Regional Council's annual report for the year ended 30 June 2017, but does not include the Current Year Financial Sustainability Statement and my auditor's report thereon. At the date of this auditor's report, the other information was the General Purpose Financial Report and Long-Term Financial Sustainability Statement.

My opinion on the Current Year Financial Sustainability Statement does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government regulation 2012, I have expressed a separate opinion on the General Purpose Financial Report.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the council 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 responsibilities for the audit of the current year financial sustainability statement

My objectives are to obtain reasonable assurance about whether the current year financial sustainability statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this statement.

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.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Evaluate the overall presentation, structure and content of the statement, including the disclosures, and whether the statement represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

C.G. Strickland

QUEENSLAND
13 OCT 2017
AUDIT OFFICE

Charles Strickland
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Mackay Regional Council
Financial Statements
For the year ended 30 June 2017

Long Term Financial Sustainability Statement

Key financial sustainability metrics	Target	Actual	Projection for the financial year ended								
			2018	2019	2020	2021	2022	2023	2024	2025	2026
Operating surplus ratio (%) Operating result (excluding capital items) as a percentage of operating revenue11111	0% - 10%	-0.7%	-0.4%	-0.2%	0.5%	1.3%	2.0%	2.6%	2.8%	3.4%	4.3%
Asset sustainability ratio (%) Capital expenditure on renewals divided by depreciation expense	> 90%	49.3%	71.2%	61.5%	86.4%	72.4%	101.2%	84.1%	84.8%	87.8%	85.7%
Net financial liabilities ratio (%) (Total liabilities less current assets) divided total operating revenue (excluding capital items)	< 60%	17.3%	20.1%	25.2%	29.1%	32.3%	41.0%	44.5%	42.9%	40.5%	37.9%

MRC’s financial management strategy
Operating surplus ratio
MRC's forecast operating surplus ratio is slightly below benchmark, with small deficits expected until the financial year ending 2019, when a return to a surplus position is expected. These small deficits will be covered by previously constrained reserve funds which will have minimal impact on liquidity.

Asset sustainability ratio
While projected renewal expenditure is lower than the calculated depreciation, MRC continues to invest adequately in asset renewals to ensure continued services to the community over the long term.

Due to significant investments in new assets in the past few years, MRC can boast a relatively new infrastructure asset base, which reduces the immediate need for renewal of those assets. The renewals expenditure is calculated based on sound asset management principles and is designed to optimise the costs of operating and maintaining the asset over its useful life.

Continuing refinement of MRC's asset management plans will improve the ability to make informed decisions regarding asset management into the future.

Net financial liabilities ratio
MRC's net financial liabilities ratio is within acceptable limits for the life of the plan. This indicates the capacity to fund liabilities and a capacity to increase loan borrowings if required. MRC has made a concerted effort to reduce debt and future borrowings in the short term. Despite drawing down on cash reserves and increasing debt in the latter half of the planning horizon to fund significant capital expenditure, MRC remains within the benchmark for this ratio.

Mackay Regional Council
Financial Statements
For the year ended 30 June 2017

Certificate of Accuracy
Long Term Financial Sustainability Statement

This long term financial sustainability statement has been prepared pursuant to s178 of the *Local Government Regulation 2012.*

In accordance with s212(5) of the Regulation, we certify that this long term financial sustainability statement has been accurately calculated.

Mayor Mackay Regional Council
Cr Greg Williamson

5 Oct 17
Date

Chief Executive Officer
Craig Doyle

5/10/17
Date