



ANNUAL FINANCIAL STATEMENTS

For the period 1 July 2010 to 30 June 2011

MACKAY REGIONAL COUNCIL

Financial Statements

For the year ended 30 June 2011

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MACKAY REGIONAL COUNCIL

Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	2011 Actual \$	2010 Actual \$
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	160,325,134	142,157,232
Fees and charges	3(b)	17,548,666	16,056,258
Rental income	3(c)	1,130,046	1,199,985
Interest received	3(d)	4,407,260	4,863,098
Sales contracts and recoverable works	3(e)	9,778,492	6,536,449
Other recurrent income	3(f)	3,766,780	4,290,931
Grants, subsidies, contributions and donations	4(a)	45,769,156	23,917,644
Total recurrent revenue		<u>242,725,534</u>	<u>199,021,597</u>
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	140,972,533	73,168,460
Total revenue		<u>383,698,067</u>	<u>272,190,057</u>
Capital income	5	2,244,252	2,840,388
Total income		<u>385,942,319</u>	<u>275,030,445</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(66,178,949)	(61,660,400)
Materials and services	7	(98,043,208)	(90,272,296)
Finance costs	8	(8,475,135)	(9,103,859)
Depreciation and amortisation	9	(59,377,841)	(51,193,014)
Total recurrent expenses		<u>(232,075,133)</u>	<u>(212,229,569)</u>
Capital expenses	10	(10,108,239)	(9,775,171)
Total expenses		<u>(242,183,372)</u>	<u>(222,004,740)</u>
Net result attributable to council		143,758,947	53,025,705
Net assets and liabilities assumed	15(a)	31,266,923	-
Increase / (decrease) in asset revaluation surplus	21	170,135,776	-
Total comprehensive income for the year		<u><u>345,161,646</u></u>	<u><u>53,025,705</u></u>

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

MACKAY REGIONAL COUNCIL

Statement of Financial Position

as at 30 June 2011

	Note	2011 Actual \$	2010 Actual \$
Current assets			
Cash and cash equivalents	11	159,083,962	69,964,301
Trade and other receivables	12	23,325,754	24,612,401
Inventories	13	1,720,495	1,835,179
		<u>184,130,211</u>	<u>96,411,881</u>
Land held for sale	14	680,000	680,000
Total current assets		<u>184,810,211</u>	<u>97,091,881</u>
Non-current assets			
Property, plant and equipment	15	2,723,592,793	2,377,541,861
Intangible assets	16	1,636,946	1,855,929
Total non-current assets		<u>2,725,229,739</u>	<u>2,379,397,790</u>
Total assets		<u>2,910,039,950</u>	<u>2,476,489,671</u>
Current liabilities			
Trade and other payables	17	27,824,735	24,953,588
Provisions	18	24,168,764	19,965,695
Borrowings	19	8,019,531	5,863,756
Other liabilities	20	2,906,077	1,625,412
Total current liabilities		<u>62,919,107</u>	<u>52,408,451</u>
Non-current liabilities			
Provisions	18	15,140,814	18,747,194
Borrowings	19	182,294,177	100,809,820
Total non-current liabilities		<u>197,434,991</u>	<u>119,557,014</u>
Total liabilities		<u>260,354,098</u>	<u>171,965,465</u>
Net community assets		<u>2,649,685,852</u>	<u>2,304,524,206</u>
Community equity			
Council capital		1,376,520,317	1,274,342,849
Asset revaluation surplus	21	1,140,557,063	970,421,287
Other reserves	22	132,608,472	59,760,070
Total community equity		<u>2,649,685,852</u>	<u>2,304,524,206</u>

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

MACKAY REGIONAL COUNCIL

Statement of Changes in Equity

For the year ended 30 June 2011

	Council capital	Asset revaluation surplus	Other reserves	Total
Note		21	22	
	\$	\$	\$	\$
Balance as at 1 July 2010	1,274,342,849	970,421,287	59,760,070	2,304,524,206
Net result attributable to Council	143,758,947	-	-	143,758,947
Net assets and liabilities assumed	31,266,923	-	-	31,266,923
Increase / (decrease) in asset revaluation surplus	-	170,135,776	-	170,135,776
Total comprehensive income for the year	175,025,870	170,135,776	-	345,161,646
Transfers to and from reserves				
Transfers to / from capital	(48,350,713)	-	48,350,713	-
Transfers to other reserves	(36,554,946)	-	36,554,946	-
Transfers from other reserves	12,057,257	-	(12,057,257)	-
Total transfers to and from reserves	(72,848,402)	-	72,848,402	-
Balance as at 30 June 2011	1,376,520,317	1,140,557,063	132,608,472	2,649,685,852
Balance as at 1 July 2009	1,192,440,391	970,421,287	88,636,823	2,251,498,501
Net result attributable to Council	53,025,705	-	-	53,025,705
Increase / (decrease) in asset revaluation surplus	-	-	-	-
Total comprehensive income for the year	53,025,705	-	-	53,025,705
Transfers to and from reserves				
Transfers to / from capital	31,922,520	-	(31,922,520)	-
Transfers to other reserves	(15,916,479)	-	15,916,479	-
Transfers from other reserves	12,870,712	-	(12,870,712)	-
Total transfers to and from reserves	28,876,753	-	(28,876,753)	-
Balance as at 30 June 2010	1,274,342,849	970,421,287	59,760,070	2,304,524,206

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

MACKAY REGIONAL COUNCIL

Statement of Cash Flows

For the year ended 30 June 2011

	Note	2011 Actual \$	2010 Actual \$
Cash flows from operating activities :			
Receipts from customers		194,922,719	168,344,013
Payments to suppliers and employees		(162,905,671)	(148,992,832)
		<u>32,017,048</u>	<u>19,351,181</u>
Interest received		4,269,148	4,957,244
Non capital grants and contributions		45,769,156	23,917,644
Borrowing costs		(7,745,880)	(7,318,049)
Net cash inflow / (outflow) from operating activities	28	<u>74,309,472</u>	<u>40,908,020</u>
Cash flows from investing activities:			
Payments for property, plant and equipment		(124,931,091)	(116,825,636)
Capital receipts		2,023,687	884,525
Net movement in loans and advances		5,000	11,600
Proceeds from sale of property plant and equipment		2,354,353	12,596,743
Grants, subsidies, contributions and donations		51,718,109	42,292,251
Net cash inflow / (outflow) from investing activities		<u>(68,829,942)</u>	<u>(61,040,518)</u>
Cash flows from financing activities:			
Proceeds from borrowings		89,811,013	-
Repayment of borrowings		(6,170,882)	(6,788,434)
Net cash inflow / (outflow) from financing activities		<u>83,640,131</u>	<u>(6,788,434)</u>
Net increase / (decrease) in cash held		89,119,661	(26,920,932)
Cash at beginning of the financial year		69,964,301	96,885,233
Cash at end of the financial year		<u>159,083,962</u>	<u>69,964,301</u>

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

Notes to the Financial Statements

For the year ended 30 June 2011

1 Summary of significant accounting policies

1. 1 Basis of preparation

These general purpose financial statements for the period 1 July 2010 to 30 June 2011 have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other pronouncements issued by the Australian Accounting Standards Board. They also comply with the requirements of the *Local Government Act 2009* and the *Local Government (Finance, Plans and Reporting) Regulation 2010*.

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

1. 2 Statement of compliance

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

1. 3 Constitution

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

1. 4 Date of authorisation

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

1. 5 Currency

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

1. 6 Adoption of new and revised Accounting Standards

In the current year Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies

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

	Effective for annual report periods beginning on or after:
AASB 9 <i>Financial Instruments</i> (December 2009)	1 January 2013
AASB 124 <i>Related Party Disclosures</i> (December 2009)	1 January 2011
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	1 July 2013

Notes to the Financial Statements

For the year ended 30 June 2011

	Effective for annual report periods beginning on or after:
2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2009)</i>	1 January 2013
2009-12 <i>Amendments to Australian Accounting Standards in relation to AASB 8 Operating Segments (December 2009)</i>	1 January 2011
2009-14 <i>Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (Interpretation 14) (December 2009)</i>	1 January 2011
AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	1 July 2013
AASB 2010-4 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	1 January 2011
AASB 2010-5 <i>Amendments to Australian Accounting Standards</i>	1 January 2011
AASB 2010-6 <i>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets</i>	1 July 2011
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	1 January 2013
AASB 2010-8 <i>Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets</i>	1 January 2012
AASB 2010-9 <i>Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>	1 July 2011
AASB 2010-10 <i>Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters</i>	1 January 2013

Management have yet to assess the impact that *AASB 9 Financial Instruments* and *2009-11 Amendments to Australian Accounting Standards arising from AASB 9* is likely to have on the financial statements of Council as it is anticipated that further amendments will occur. Council does not expect to implement the amendments prior to the adoption date of 1 January 2013.

The reported results and position of the Council will not change on adoption of the other pronouncements as they do not result in any changes to the Council's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements. The Council does not intend to adopt any of these pronouncements before their effective dates.

1. 7 Critical accounting judgements and key sources of estimation uncertainty

In the application of Council's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and 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.

Notes to the Financial Statements

For the year ended 30 June 2011

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 and note 15

Impairment of property, plant and equipment - note 1.18 and note 15

Provisions - note 1.22(e), note 1.24 and note 18

Contingent liabilities - note 25

1. 8 Revenue

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

(a) Rates and levies

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

(b) Grants and subsidies

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

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

(c) Non-cash contributions

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

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

(d) Cash contributions

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

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

Notes to the Financial Statements

For the year ended 30 June 2011

(e) Rental income

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

(f) Interest and dividends

Interest received from term deposits is accrued over the term of the investment. Dividends are recognised once they are formally declared by the directors of the controlled entity.

1. 9 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.

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

Financial assets

Cash and cash equivalents (note 1.10)

Receivables - measured at amortised cost (note 1.11)

Financial liabilities

Payables - measured at amortised cost (note 1.21)

Borrowings - measured at amortised cost (note 1.23)

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

The fair value of financial instruments is determined as follows:

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

The fair value of borrowings, as disclosed in note 19 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.

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

All other disclosures relating to the measurement and financial risk management of financial instruments are included in note 29.

1. 10 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, and bank overdrafts.

Notes to the Financial Statements

For the year ended 30 June 2011

1. 11 Trade and other receivables

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

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

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

Loans and advances are recognised in the same way as other receivables. Terms are usually a maximum of five years with interest charged at negotiated rates. Security is not normally obtained.

1. 12 Inventories

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

Inventories held for distribution (internal consumption) are:

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

These goods are valued at cost, adjusted when applicable for any loss of service potential.

1. 13 Land held for sale

Land acquired with the intention of reselling it (with or without further development) is classified as inventory. This land is valued at the lower of cost or net realisable value. Inventory items are always treated as current assets.

Profit arising upon sale of land is recognised in the Statement of Comprehensive Income on the signing of a valid unconditional contract of sale.

1. 14 Investments

Term deposits in excess of three months are reported as investments, with deposits of less than three months being reported as cash equivalents. At 30 June 2011 Council did not have any term deposits in excess of three months.

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. Items of plant and equipment, infrastructure assets and buildings with a total value of less than \$5,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

Notes to the Financial Statements

For the year ended 30 June 2011

The classes of property, plant and equipment recognised by the Council are reported in note 15.

(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 physical contributions, are recognised as revenue and assets at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

(b) Capital and operating expenditure

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

(c) Valuation

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

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by comprehensively revaluing these assets at least once every three years, with interim valuations using a suitable index being otherwise performed on an annual basis where there has been a material variation in the index.

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

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

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

Details of valuers and methods of valuations are disclosed in note 15(b).

(d) Major plant

The Council has determined that plant which has an individual cost in excess of \$1,000,000 is of high value to the Council. Plant which meets this criteria is major plant if it is prone to a high degree of price fluctuations or in danger of becoming obsolete. The asset class primarily includes specialised earthmoving equipment.

Notes to the Financial Statements

For the year ended 30 June 2011

(e) Capital work in progress

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

(f) Depreciation

Land is not depreciated as it has an unlimited useful life. Depreciation on land improvements and other property, plant and equipment is based on the pattern in which the asset's future economic benefits are expected to be consumed. This may vary from asset to asset, but where appropriate, is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the Council.

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

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

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

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

The estimated useful lives of property, plant and equipment are reviewed annually. Details of the range of useful lives for each class of asset are shown in note 15(a).

(g) Land under roads

The Mackay Regional Council does not control any land under roads. All land under the road network within the Council area has been dedicated and opened for public use under the *Land Act 1994* or the *Land Title Act 1994* and 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

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

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

Notes to the Financial Statements

For the year ended 30 June 2011

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.

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

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

1. 19 Natural Disaster Event

During the financial year, Council experienced a flood event (QLD Flooding and Tropical Cyclones Tasha and Anthony, November 2010 - February 2011) within its boundaries. The series of events resulted in damage to Council's road, bridges and drainage network. The majority of the costs associated with this natural disaster event are funded under the state governments Natural Disaster Relief and Recovery Arrangements (NDRRA). Under these arrangements Mackay Regional Council is required to contribute to each activated natural disaster event up to a maximum trigger point. The trigger point for this event is \$803,000.

1. 20 Operating leases

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

1. 21 Trade and other payables

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

Notes to the Financial Statements

For the year ended 30 June 2011

1. 22 Liabilities - employee benefits

Liabilities are recognised for employee benefits such as wages and salaries, annual leave and long service leave in respect of services provided by the employees up to the reporting date. Liabilities for employee benefits are assessed at each reporting date.

(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 included in note 17 as a payable.

(b) Annual leave

A liability for annual leave is recognised. Council considers it does not have an unconditional right to defer settlement of the liability therefore all annual leave is classified as a current liability. The portion expected to be settled within one year, based on the expected payment date is calculated on current wage and salary levels and includes related employee on-costs. The portion payable later than one year is calculated on projected future wage and salary levels and related employee on-costs, discounted to present values. The cashflows are discounted using market yields on Commonwealth Government Bonds with terms to maturity that match the expected timing of cashflows. This liability represents an accrued expense and is reported in note 17 as a payable.

(c) Sick leave

Sick leave taken in the future will be met by future entitlements and hence no recognition of accrued sick leave entitlements have been made in these financial statements. No entitlement vests with the employee on termination.

(d) Superannuation

The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in note 26.

(e) Long service leave

A liability for long service leave is recognised. The current portion, which is expected to be settled within one year based on the expected payment date, is calculated on current wage and salary levels and includes related employee on-costs. The non-current portion is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The estimated future cash outflows are discounted using market yields on Commonwealth Government Bonds at the reporting date with terms to maturity that match the expected timing of cashflows.

This liability is reported in note 18 as a provision.

1. 23 Borrowings and borrowing costs

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost.

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

Notes to the Financial Statements

For the year ended 30 June 2011

1. 24 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. This liability is provided in respect of gravel pits and refuse dumps.

The provision is measured at the expected cost of the work required discounted to current day values using an appropriate rate. Estimates are reviewed and adjusted annually by Council using relevant statistical indices and local and market knowledge. For the 2010/2011 year the indices used were the ten year average of RBA projected bond yields.

(a) Restoration on assets with no probable future economic benefit

Where the restoration site has no probable future economic benefit, the cost of the provisions for restoration of these sites has to be treated as an expense in the year the provision is first recognised. Changes in the provision due to either time, discount rate or expected future cost are treated as an expense or income in the reporting period in which they arise.

(b) Restoration on assets with probable future economic benefit

Where the restoration site has probable future economic benefit, the cost of the restoration provision is added to the cost of the asset as an improvement and amortised over the expected useful life. Changes in the provision not arising from the passing of time are added to or deducted from the asset revaluation surplus of the asset. If there is no available revaluation 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.

1. 25 Council capital

The Council's capital value represents the net carrying value of the capital assets less the amount of capital debt at the reporting date and includes the initial value of operating assets and liabilities recognised at its inception.

The maintenance of the Council's capital capacity is fundamental to its long term sustainability to continue to deliver essential services to the community, it has therefore been separately identified and the change in value is reported in the Statement of Changes in Equity.

1. 26 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. The asset revaluation surplus does not therefore reflect a surplus that can be related to currently held assets and as Council infrastructure assets are not valued on a market value basis, this surplus does reflect a realisable amount.

Notes to the Financial Statements

For the year ended 30 June 2011

1. 27 Reserves

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

(a) Constrained works reserve

This reserve represents contributions received for capital works where the required works have not yet been carried out. Unspent grants received by Council are also placed in this reserve until the obligation is satisfied.

(b) Capital improvements reserve

This reserve represents funds held for upgrade of Council assets.

(c) Carry forward works reserve

This reserve represents revenue raised for funding programmed works to be completed in future financial years.

(d) NCP financial incentive reserve

This reserve represents funds set aside to undertake works associated with improving competitiveness.

(e) Offstreet parking reserve

This reserve represents amounts held to meet the needs of residents in respect of offstreet parking facilities.

(f) Community housing reserve

This reserve represents unallocated funds received from pensioner housing rentals, which are to be spent on capital works relating to pensioner housing or community housing.

(g) Cleansing reserve

This reserve is held to provide funding for future refuse facilities projects.

(h) Disaster response reserve

This reserve represents unspent funds from the disaster response levy.

(i) Natural environmental reserve

This reserve represents unspent funds from the natural environmental levy and the accumulation of funds for the purchase of strategic environmentally sensitive land.

(j) Water reserve

This reserve represents funds held in respect of certain future water infrastructure requirements.

(k) Sewerage reserve

This reserve represents funds held in respect of certain future sewerage infrastructure requirements.

(l) Gravel quarry reserve

This reserve is held to provide funding for future quarry restoration capital expenditure.

(m) City centre reserve

This reserve represents unspent funds from the city centre special rate levy.

(n) Constrained works reserve - recurrent

This reserve represents amounts which are accumulated within the Council to meet anticipated future recurrent or operating expenditure needs.

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

1. 28 National competition policy

The Council has reviewed its activities to identify its business activities. Details of these activities are disclosed in note 30.

1. 29 Rounding and comparatives

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

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

1. 30 Trust funds held for outside parties

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

The monies are disclosed in the notes to the financial statements for information purposes only in note 27.

1. 31 Taxation

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

The business units pay an income tax equivalent to the Council in accordance with the requirements of the *Local Government Act 2009*.

Where an activity of the business units of the Council 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.

Notes to the Financial Statements

For the year ended 30 June 2011

2 Analysis of results by function

(a) Components of Council functions

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

Corporate Services

Comprises Departmental Management, Human Resources, Financial Services, Procurement and Plant, Information Services, Office of the CEO, Internal Audit, Asset Management, Customer Service, Corporate Communications, Governance, Administration and Councillor Support.

Development Services

Comprises Departmental Management, Strategic Planning, Development Assessment, Development Engineering and Health and Regulatory Services.

Community Services

Comprises Departmental Management, Property Services, Community Development and Libraries, Mackay Convention Precinct and Events, Recreation Services, and Economic Development.

Engineering Services

Comprises Departmental Management, Civil Operations, Technical Services, Parks and Environment and Civil Projects.

Water and Waste Services

Comprises Water, Waste Water and Waste Services; Departmental Management, Planning and Sustainability, Infrastructure Delivery, Operations, Mackay Waste Services and Business Services.

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

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

Year ended 30 June 2011

Functions	Income				Total income	Expenses		Total expenses	Net result	Assets
	Recurrent		Capital			Recurrent	Capital			
	Grants	Other	Grants	Other						
	2011	2011	2011	2011		2011	2011			
\$	\$	\$	\$	\$	\$	\$	\$	\$		
Corporate Services	7,462,183	82,333,570	139,695	225,032	90,160,480	46,103,944	507,627	46,611,571	43,548,909	342,864,353
Development Services	172,591	5,594,796	16,073	-	5,783,460	10,331,124	-	10,331,124	(4,547,664)	9,000
Community Services	1,276,003	7,212,472	450,000	370	8,938,845	22,363,597	-	22,363,597	(13,424,752)	292,101,182
Engineering Services	36,043,773	12,747,390	109,702,365	1,762,930	160,256,458	69,984,577	8,772,048	78,756,625	81,499,833	1,482,927,296
Water and Waste Services	814,607	89,068,149	30,664,400	255,920	120,803,076	83,291,891	828,564	84,120,455	36,682,621	792,138,119
Total	45,769,157	196,956,377	140,972,533	2,244,252	385,942,319	232,075,133	10,108,239	242,183,372	143,758,947	2,910,039,950

Year ended 30 June 2010

Functions	Income				Total income	Expenses		Total expenses	Net result	Assets
	Recurrent		Capital			Recurrent	Capital			
	Grants	Other	Grants	Other						
	2010	2010	2010	2010		2010	2010			
\$	\$	\$	\$	\$	\$	\$	\$	\$		
Corporate Services	8,881,648	74,016,527	25,932	2,314,354	85,238,461	45,436,670	337,454	45,774,124	39,464,337	253,662,075
Development Services	46,000	4,829,224	62,000	-	4,937,224	9,613,961	-	9,613,961	(4,676,736)	9,000
Community Services	726,870	6,376,206	749,807	2,622	7,855,504	20,245,100	(48,229)	20,196,870	(12,341,367)	260,983,776
Engineering Services	14,244,815	10,874,115	47,122,628	523,413	72,764,971	56,186,357	8,618,592	64,804,949	7,960,022	1,221,717,984
Water and Waste Services	18,311	79,007,880	25,208,093	-	104,234,285	80,747,482	867,354	81,614,835	22,619,449	740,116,836
Total	23,917,644	175,103,953	73,168,460	2,840,389	275,030,445	212,229,569	9,775,171	222,004,740	53,025,705	2,476,489,671

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

	Note	2011 Actual \$	2010 Actual \$
3 Revenue analysis			
(a) Rates, levies and charges	1.8(a)		
General rates		88,540,297	78,096,301
Special rates and charges		5,579,756	5,034,781
Water consumption and charges		28,873,775	28,350,420
Sewerage charges		33,641,759	27,911,608
Sewerage trade waste		1,897,552	1,513,699
Garbage charges		16,153,508	13,689,693
Total rates and utility charges revenue		174,686,647	154,596,502
Less: discounts		(12,770,551)	(11,020,945)
Less: pensioner and other remissions		(1,590,962)	(1,418,325)
		160,325,134	142,157,232
(b) Fees and charges			
Fees and charges		17,548,666	16,056,258
(c) Rental income	1.8(e)		
Rental income		1,130,046	1,199,985
(d) Interest received	1.8(f)		
Interest on investments		3,913,310	4,420,175
Interest from overdue rates and utility charges		493,950	442,923
		4,407,260	4,863,098
(e) Sales contracts and recoverable works			
Sales contracts and recoverable works		9,778,492	6,536,449
(f) Other recurrent income			
Other recurrent income		3,766,780	4,290,931

The amount recognised as revenue from contract works during the period is the amount receivable in respect of invoices issued during the period.

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

	Note	2011 Actual \$	2010 Actual \$
4 Grants, subsidies, contributions and donations	1.8(b)		
(a) Recurrent			
General purpose grants		6,842,825	8,277,084
Government grants and subsidies		38,603,669	15,306,824
Non-government grants and subsidies		15,336	-
Donations		307,326	333,736
		<u>45,769,156</u>	<u>23,917,644</u>
(b) Capital			
Government grants and subsidies		35,706,930	29,055,300
Non-government grants and subsidies	1.8(d)	16,011,179	13,236,951
		<u>51,718,109</u>	<u>42,292,251</u>
Donated assets recognised as income during the reporting period:			
Developer assets contributed by developers at fair value	1.8(c)	89,029,728	30,876,209
Other physical assets contributed at fair value		224,696	-
		<u>89,254,424</u>	<u>30,876,209</u>
		<u>140,972,533</u>	<u>73,168,460</u>
5 Capital income			
Other capital income			
Other capital income		<u>2,023,687</u>	<u>884,525</u>
Gain (loss) on the disposal of land held for sale			
Proceeds from the sale of land		485,738	10,756,363
Less: book value of land sold	14	(265,173)	(8,800,500)
		<u>220,565</u>	<u>1,955,863</u>
		<u>2,244,252</u>	<u>2,840,388</u>

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

	Note	2011 Actual \$	2010 Actual \$
6 Employee benefits			
Total staff wages and salaries		54,018,800	49,023,597
Councillor's remuneration		1,099,803	1,126,741
Annual, sick and long service leave entitlements		10,024,866	11,231,884
Superannuation	26	6,531,856	5,845,796
		<u>71,675,325</u>	<u>67,228,018</u>
Other employee related expenses		240,453	302,314
		<u>71,915,778</u>	<u>67,530,332</u>
Less: capitalised employee costs		(5,736,829)	(5,869,932)
		<u><u>66,178,949</u></u>	<u><u>61,660,400</u></u>
7 Materials and services			
Other materials and services		92,462,868	85,606,824
Audit services		331,784	192,164
Donations, grants and subsidies		1,276,126	1,267,985
Legal fees		2,078,098	1,621,000
Insurance		1,894,332	1,584,323
		<u>98,043,208</u>	<u>90,272,296</u>
8 Finance costs			
Finance costs charged by Queensland Treasury Corporation		7,745,880	7,318,049
Bank charges		251,071	256,013
Impairment of receivables		253,414	1,055,767
Refuse restoration - change in present value over time		125,324	427,436
Quarry restoration - change in present value over time		99,446	46,594
		<u>8,475,135</u>	<u>9,103,859</u>
9 Depreciation and amortisation	1.15(f)		
Depreciation of non-current assets			
Land		-	-
Site improvements		1,127,924	1,001,624
Buildings		1,550,716	1,534,495
Plant and equipment		4,047,223	3,758,691
Roads, drainage and bridge works		30,583,688	23,566,772
Water		9,567,068	9,129,773
Sewerage		11,373,989	10,836,162
Waste infrastructure		556,409	911,840
Heritage and cultural assets		26,555	14,849
	15(a)	<u>58,833,572</u>	<u>50,754,206</u>

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

	Note	2011 Actual \$	2010 Actual \$
9 Depreciation and amortisation (continued)			
Amortisation of intangible assets			
Computer software		544,269	438,808
	16	<u>544,269</u>	<u>438,808</u>
Total depreciation and amortisation		<u>59,377,841</u>	<u>51,193,014</u>
10 Capital expenses			
Gain (loss) on the disposal of non-current assets			
Proceeds from the sale of plant and equipment		1,868,615	1,840,380
Less: book value of plant and equipment sold	15(a)	<u>(2,376,242)</u>	<u>(2,129,607)</u>
		<u>(507,627)</u>	<u>(289,227)</u>
Proceeds from the disposal of infrastructure		-	-
Less: book value of infrastructure written off	15(a)	<u>(9,600,612)</u>	<u>(9,485,944)</u>
		<u>(9,600,612)</u>	<u>(9,485,944)</u>
		<u>(10,108,239)</u>	<u>(9,775,171)</u>
11 Cash and cash equivalents			
	1.10		
Cash in operating bank account		3,176,210	1,894,550
Cash on hand		22,367	26,035
Deposits at call		<u>155,885,385</u>	<u>68,043,716</u>
		<u>159,083,962</u>	<u>69,964,301</u>
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:			
Unspent government grants and subsidies		38,466,130	4,516,976
Unspent loan monies		<u>17,390,548</u>	-
Total unspent restricted cash		<u>55,856,678</u>	<u>4,516,976</u>

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

	Note	2011 Actual \$	2010 Actual \$
12 Trade and other receivables	1.11		
Current			
Rates and utility charges		7,067,220	7,754,308
Interest receivable		637,507	499,395
GST recoverable		348,629	3,149,798
Other debtors		15,234,386	12,867,611
Prepayments		1,269,675	1,343,084
Loans and advances to community organisations		-	5,000
Less: provision for impairment of debt		(1,231,663)	(1,006,795)
Total trade and other receivables		<u>23,325,754</u>	<u>24,612,401</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 receivable.

13 Inventories	1.12		
Inventories held for sale:			
Treated water		201,692	136,763
Miscellaneous saleable items		115,318	171,246
		<u>317,010</u>	<u>308,009</u>
Inventories for internal use:			
Plant and equipment stores		393,082	342,122
Stockpile inventory		1,010,403	1,185,048
		<u>1,403,485</u>	<u>1,527,170</u>
Total inventories		<u>1,720,495</u>	<u>1,835,179</u>

14 Land held for sale	1.13		
Opening balance at valuation		680,000	9,982,994
Transfer from (to) other non-current asset category		265,173	(502,494)
Disposals		(265,173)	(8,800,500)
		<u>680,000</u>	<u>680,000</u>

Council has decided to sell land associated with the previous Pioneer Shire Council building as it is no longer required. It is expected to be sold within one year. A contract for sale in the prior year was subsequently withdrawn, resulting in the land remaining for sale.

The land is valued at the lower of carrying value and fair value less cost to sell.

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

15 (a) Property, plant and equipment

	Land	Site improvements	Buildings	Plant and equipment	Heritage and cultural assets	Roads, bridge and drainage network	Water	Sewerage	Waste infrastructure	Works in progress	Total
Basis of measurement	Valuation	Valuation	Valuation	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	
	2011 \$	2011 \$	2011 \$	2011 \$	2011 \$	2011 \$	2011 \$	2011 \$	2011 \$	2011 \$	2011 \$
Asset Values											
Opening gross value	247,379,121	47,230,783	154,012,038	40,784,489	2,273,066	1,295,649,034	486,624,968	524,678,900	14,349,450	132,791,195	2,945,773,044
Additions	-	-	-	-	-	-	-	-	-	124,931,091	124,931,091
Contributed assets at valuation	15,000	-	100,000	124,696	-	65,336,351	10,045,757	13,632,620	-	-	89,254,424
Assets not previously recognised	29,998,100	-	-	-	-	256,367	1,175,185	19,515	-	-	31,449,167
Disposals	-	-	-	(3,163,105)	-	-	-	-	-	-	(3,163,105)
Write-offs	-	(9,450)	-	-	-	(10,006,499)	(2,051,432)	(684,290)	-	-	(12,751,671)
Assets classified as held for sale	(265,173)	-	-	-	-	-	-	-	-	-	(265,173)
Revaluation adjustment to asset revaluation surplus	55,260	5,000	-	-	-	130,349,082	-	-	1,858,606	-	132,267,948
Transfers between classes	2,175,496	5,410,070	3,705,830	6,752,968	47,105	43,238,004	17,536,850	22,955,270	1,283,867	(103,430,746)	(325,286)
Closing gross value	279,357,804	52,636,403	157,817,868	44,499,048	2,320,171	1,524,822,339	513,331,328	560,602,015	17,491,923	154,291,540	3,307,170,439
Accumulated depreciation and impairment											
Opening balance	-	3,747,502	16,504,589	7,740,819	82,621	186,059,673	196,130,555	155,994,958	1,970,466	-	568,231,183
Depreciation provided in period	-	1,127,924	1,550,716	4,047,223	26,555	30,583,688	9,567,068	11,373,989	556,409	-	58,833,572
Depreciation on assets not previously recognised	-	-	-	-	-	2,070	173,306	6,868	-	-	182,244
Depreciation on disposals	-	-	-	(786,863)	-	-	-	-	-	-	(786,863)
Depreciation on write-offs	-	(3,134)	-	-	-	(1,240,766)	(1,511,510)	(395,648)	-	-	(3,151,058)
Revaluation adjustment to asset revaluation surplus	-	-	-	-	-	(39,731,432)	-	-	-	-	(39,731,432)
Transfers between classes	-	-	313,737	-	-	(313,737)	-	-	-	-	-
Closing accumulated depreciation	-	4,872,292	18,369,042	11,001,179	109,176	175,359,496	204,359,419	166,980,167	2,526,875	-	583,577,646
Net value at 30 June 2011	279,357,804	47,764,111	139,448,826	33,497,869	2,210,995	1,349,462,843	308,971,909	393,621,848	14,965,048	154,291,540	2,723,592,793
Residual Value	-	9,884,943	72,016,755	14,468,082	43,125	529,123,394	-	-	428,716	-	-
Range of estimated useful life in years	Land not depreciated	5-100	20-100	3-20	20 Artwork not depreciated	12-80	15-80	15-80	30-100		

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2011

15 (a) Property, plant and equipment

	Land	Site improvements	Buildings	Plant and equipment	Heritage and cultural assets	Roads, bridge and drainage network	Water	Sewerage	Waste infrastructure	Works in progress	Total
Basis of measurement	Valuation	Valuation	Valuation	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	
	2010 \$	2010 \$	2010 \$	2010 \$	2010 \$	2010 \$	2010 \$	2010 \$	2010 \$	2010 \$	2010 \$
Asset Values											
Opening gross value	245,774,599	32,484,563	125,758,462	35,147,493	582,696	1,250,974,505	480,780,097	515,425,314	14,197,634	114,104,564	2,815,229,927
Additions	-	-	-	-	-	-	-	-	-	116,825,636	116,825,636
Contributed assets at valuation	-	-	-	-	-	21,833,630	3,549,402	5,493,177	-	-	30,876,209
Disposals	-	-	-	(4,327,835)	-	-	-	-	-	-	(4,327,835)
Write-offs	-	(17,325)	-	-	-	(9,784,516)	(2,574,940)	(323,829)	-	-	(12,700,610)
Assets classified as held for sale	502,494	-	-	-	-	-	-	-	-	-	502,494
Transfers between classes	1,102,028	14,763,545	28,253,576	9,964,831	1,690,370	32,625,415	4,870,409	4,084,238	151,816	(98,139,005)	(632,777)
Closing gross value	247,379,121	47,230,783	154,012,038	40,784,489	2,273,066	1,295,649,034	486,624,968	524,678,900	14,349,450	132,791,195	2,945,773,044
Accumulated depreciation and impairment											
Opening balance	-	2,747,091	14,970,094	6,180,357	67,772	163,674,937	188,787,394	145,403,600	1,058,626	-	522,889,871
Depreciation provided in period	-	1,001,624	1,534,495	3,758,691	14,849	23,566,772	9,129,773	10,836,162	911,840	-	50,754,206
Depreciation on disposals	-	-	-	(2,198,229)	-	-	-	-	-	-	(2,198,229)
Depreciation on write-offs	-	(1,213)	-	-	-	(1,182,036)	(1,786,612)	(244,804)	-	-	(3,214,665)
Closing accumulated depreciation	-	3,747,502	16,504,589	7,740,819	82,621	186,059,673	196,130,555	155,994,958	1,970,466	-	568,231,183
Net value at 30 June 2010	247,379,121	43,483,281	137,507,449	33,043,670	2,190,445	1,109,589,361	290,494,413	368,683,942	12,378,984	132,791,195	2,377,541,861
Residual Value	-	4,701,497	63,020,636	12,982,052	-	435,920,487	-	-	-	-	-
Range of estimated useful life in years	Land not depreciated	5-100	20-100	3-20	20 Artwork not depreciated	12-80	15-80	15-80	30-100		

Notes to the Financial Statements

For the year ended 30 June 2011

15 (b) Property, plant and equipment valuations were determined by reference to the following:

Land

Assets on hand at 15 March 2008 are included at their current market value at 30 June 2009 as determined by Australian Pacific Valuers. Additional assets acquired from 15 March 2008 to 30 June 2011 have been recognised at their cost, which has been determined to approximate their fair value. A review of indices was carried out at 30 June 2011 which found no material movement in values, and as a result no valuation adjustment was undertaken.

Land under infrastructure and reserve land does not have a value for the purpose of Mackay Regional Council's financial statements

Site improvements

Assets on hand at 15 March 2008 are included at their written down current replacement cost at 30 June 2009 as determined by independent registered valuers, Australian Pacific Valuers. Additional assets acquired from 15 March 2008 to 30 June 2011 have been recognised at their cost, which has been determined to approximate their fair value. A review of indices was carried out at 30 June 2011 which found no material movement in values, and as a result no valuation adjustment was undertaken.

Buildings

Assets on hand at 15 March 2008 were comprehensively revalued at their written down replacement cost as at 30 June 2009 by independent registered valuers, Australian Pacific Valuers. The valuation was based on publicly available data on sales of similar land/buildings in nearby localities prior to 30 June 2009. Such valuations were also influenced by details supplied by the Council in respect of the age, internal features, design and physical condition of each building. Additional assets acquired from 15 March 2008 to 30 June 2011 have been recognised at their cost which has been determined to approximate their fair value. A review of indices was carried out at 30 June 2011 which found no material movement in values, and as a result no valuation adjustment was undertaken.

Plant and equipment

Other plant and equipment is measured at original cost less accumulated depreciation.

Heritage & cultural assets

Artworks (paintings) -

Assets on hand at 15 March 2008 are included at their written down current replacement cost at 30 June 2009 as determined by Grahame Galleries and Editions. Additional assets acquired from 15 March 2008 to 30 June 2011 have been recognised at their cost, which has been determined to approximate their fair value.

Art other (sculptures, street art) -

Assets on hand at 15 March 2008 are included at their written down current replacement cost at 30 June 2009 as determined by Bettina MacAulay. Additional assets acquired from 15 March 2008 to 30 June 2011 have been recognised at their cost, which has been determined to approximate their fair value.

Infrastructure

Road, bridges and drainage infrastructure

Assets on hand at 30 June 2011 are included at their written down current replacement cost as determined by independent registered valuers, Australian Pacific Valuers (APV). The previous comprehensive valuations of Mackay Regional Council road assets performed by APV was dated 30 June 2009.

Notes to the Financial Statements

For the year ended 30 June 2011

15 (b) Property, plant and equipment valuations were determined by reference to the following: (continued)

Road, bridges and drainage infrastructure (continued)

Mackay Regional Council sustained a flood event during the financial year. Council has made every effort to quantify the impact sustained on its network, with physical inspections and assessments based on local knowledge carried out by Council engineers to determine the asset conditions using APV methodologies. An independent review of unit rate indices was also sought at 30 June 2011 which identified a material movement in those indices.

As a result of the revised condition assessments and the material increase in unit rates, a desktop valuation was undertaken by APV to determine the fair value of the roads, bridges and drainage asset class as at 30 June 2011, factoring in additions and disposals.

Water and sewerage infrastructure

Assets on hand at 15 March 2008 are included at their written down current replacement cost at 30 June 2009 as determined by Cardno (Qld) Pty Ltd, consulting engineers. Additional assets acquired from 15 March 2008 to 30 June 2011 have been recognised at their cost, which has been determined to approximate their fair value. A review of indices was carried out at 30 June 2011 which found no material movement in values, and as a result no valuation adjustment was undertaken.

Waste infrastructure

Assets on hand at 15 March 2008 are included at their written down current replacement cost at 30 June 2009 as determined by independent registered valuers, Australian Pacific Valuers. Additional assets acquired from 15 March 2008 to 30 June 2011 have been recognised at their cost, which has been determined to approximate their fair value. A review of indices was carried out at 30 June 2011 which found no material movement in values, and as a result no valuation adjustment was undertaken.

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

	Note	2011 Actual \$	2010 Actual \$
16 Intangible assets	1.16		
Computer software			
Opening gross carrying value		2,912,802	2,280,025
Transfer from / (to) other non-current asset category		325,286	632,777
Closing gross carrying value		<u>3,238,088</u>	<u>2,912,802</u>
Accumulated amortisation			
Opening balance		1,056,873	618,065
Amortisation in the period		544,269	438,808
Closing balance		<u>1,601,142</u>	<u>1,056,873</u>
Net carrying value at end of financial year		<u>1,636,946</u>	<u>1,855,929</u>

The computer software has a finite life of 5 years. Straight line amortisation has been used with no residual value.

17 Trade and other payables	1.21		
Current			
Creditors and accruals		20,734,369	17,928,451
Annual leave		6,342,769	6,420,881
Other Entitlements		747,597	604,256
Total trade and other payables		<u>27,824,735</u>	<u>24,953,588</u>

Current employee benefit expenses are calculated on current wage and salary levels and includes related employee on-costs. The portion payable later than one year, estimated at \$1,887,311 is calculated on projected future wage and salary levels and related employee on-costs, discounted to present values. Further details on employee entitlements are reported in note 1.21.

18 Provisions			
Current			
Refuse restoration	1.24	19,079,988	19,300,000
Long service leave	1.22(e)	5,088,776	665,695
		<u>24,168,764</u>	<u>19,965,695</u>
Non-current			
Refuse restoration	1.24	12,453,930	11,100,000
Quarry restoration	1.24	1,314,446	1,210,000
Long service leave	1.22(e)	1,372,438	6,437,194
		<u>15,140,814</u>	<u>18,747,194</u>

Long service leave benefits are calculated in accordance with Council's obligations. The apportionment of current liability reflects the latest estimates around Council's ability to defer settlement and leave probability calculations. Estimates are reviewed and adjusted annually as a result of change in circumstance and or new information. Further details on employee entitlements are reported in note 1.21.

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

	Note	2011 Actual \$	2010 Actual \$
18 Provisions (continued)			
Details of movements in provisions:			
Refuse restoration			
Balance at beginning of financial year		30,400,000	29,972,564
Increase in provision - change in present value over time		125,324	427,436
Increase in provision - due to change in future cost		1,858,606	-
Amount expended in year		(850,012)	-
Balance at the end of financial year		<u>31,533,918</u>	<u>30,400,000</u>
This is the present value of the estimated future cost of restoring the refuse sites under the State Government Environmental Regulations at the end of its useful life. The projected cost is \$37,730,000 and this cost is expected to be incurred between 2012 and 2021 after closing the sites and allowing a period for settlement.			
Quarry restoration			
Balance at beginning of financial year		1,210,000	1,163,406
Increase in provision - change in present value over time		99,446	46,594
Increase in provision - due to change in future cost		5,000	-
Balance at the end of financial year		<u>1,314,446</u>	<u>1,210,000</u>
This is the present value of the estimated future cost of restoring the quarry sites under the State Government Environmental Regulations at the end of its useful life. The projected cost is \$4,949,431 and this cost is expected to be incurred between 2013 and 2057.			
Long service leave			
Balance at beginning of financial year		7,102,889	5,198,002
Amount provided for in the period		206,719	2,382,290
Amount paid in the period		(848,394)	(477,403)
Balance at the end of financial year		<u>6,461,214</u>	<u>7,102,889</u>
19 Borrowings			
Current			
Loans - Queensland Treasury Corporation	1.23	8,019,531	5,863,756
		<u>8,019,531</u>	<u>5,863,756</u>
Non-current			
Loans - Queensland Treasury Corporation		179,522,177	100,809,820
Loans - other		2,772,000	-
		<u>182,294,177</u>	<u>100,809,820</u>

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

	Note	2011 Actual \$	2010 Actual \$
19 Borrowings (continued)			
Loans - Queensland Treasury Corporation			
Opening balance at beginning of financial year		106,673,576	113,462,010
Loans raised		87,039,013	-
Principal repayments		(6,170,882)	(6,788,434)
Book value at end of financial year		<u>187,541,707</u>	<u>106,673,576</u>
Loans - other			
Opening balance at beginning of financial year		-	-
Loans raised		2,772,000	-
Principal repayments		-	-
Book value at end of financial year		<u>2,772,000</u>	<u>-</u>

All borrowings are in Australian dollars and carried at amortised cost with interest being expensed as it accrues, excluding the Loans - other which is a non-interest bearing borrowing. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary from April 2013 to May 2031. There have been no defaults or breaches of the loan agreement during the period.

The loan market value at the reporting date was \$193,496,112. This represents the value of the debt if Council repaid it all on that date. As it is the intention of Council to hold the debt for its full term, no provision is required to be made in these accounts.

20 Other liabilities

Unearned revenue		<u>2,906,077</u>	<u>1,625,412</u>
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This amount comprises revenue that has been unearned or unallocated at financial year end. Components in this amount can include but are not limited to unearned or unallocated fees and charges eg ticket sales, prepaid annual licences and rental or lease agreements.

21 Asset revaluation surplus

1.26

Movements in the asset revaluation surplus were as follows:

Balance at beginning of financial year		970,421,287	970,421,287
Net adjustment to non-current assets at end of financial year to reflect a change in current fair value:			
Land		55,260	-
Site improvements		-	-
Buildings		-	-
Roads, bridge and drainage network		170,080,516	-
Water		-	-
Sewerage		-	-
Waste infrastructure		-	-
Heritage & cultural assets		-	-
		<u>170,135,776</u>	<u>-</u>
Change in value of future rehabilitation costs charged to the reserve		1,863,606	-
Change in value of future restoration asset funded by the reserve		(1,863,606)	-
Balance at end of financial year		<u>1,140,557,063</u>	<u>970,421,287</u>

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

	Note	2011 Actual \$	2010 Actual \$
21 Asset revaluation surplus (continued)			
Asset revaluation surplus analysis			
The closing balance of the asset revaluation surplus comprises the following asset categories:			
Land		(140,972,871)	(140,917,611)
Site improvements		(3,049,118)	(3,049,118)
Buildings		(29,335,305)	(29,335,305)
Roads, bridge and drainage network		(713,956,441)	(543,875,925)
Water		(127,039,270)	(127,039,270)
Sewerage		(126,085,752)	(126,085,752)
Waste infrastructure		(51,758)	(51,758)
Heritage & cultural assets		(66,548)	(66,548)
		<u>(1,140,557,063)</u>	<u>(970,421,287)</u>
22 Other reserves	1.27		
Reserves held for funding future capital expenditure			
Constrained works reserve		21,479,013	4,516,976
Capital improvements reserve		31,272,751	9,626,146
Carry forward works reserve		20,434,751	5,307,837
NCP financial incentive reserve		-	-
Offstreet parking reserve		380,981	347,017
Community housing reserve		157,380	82,444
Cleansing reserve		3,193,938	2,988,103
Disaster response reserve		576,399	282,064
Natural environmental reserve		3,110,334	2,406,515
Water reserve		16,138,096	23,166,460
Sewerage reserve		17,645,758	9,822,609
Gravel quarry reserve		633,823	75,000
City centre reserve		598,131	414,614
		<u>115,621,355</u>	<u>59,035,785</u>
Reserves held for funding future recurrent expenditure			
Constrained works reserve - recurrent		16,987,117	724,285
		<u>132,608,472</u>	<u>59,760,070</u>
Total reserves			
		<u>132,608,472</u>	<u>59,760,070</u>
Movements in capital reserves are analysed as follows:			
Constrained works reserve			
Balance at the beginning of financial year		4,516,975	11,305,740
Transfer from retained surplus for future expenditure		23,015,125	4,766,988
Transfer to retained surplus		(6,053,087)	(11,555,752)
Balance at end of financial year		<u>21,479,013</u>	<u>4,516,976</u>

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

	2011 Actual \$	2010 Actual \$
22 Other reserves (continued)		
Capital improvements reserve		
Balance at the beginning of financial year	9,626,146	19,120,563
Transfer from retained surplus for future expenditure	30,933,487	16,437,263
Transfer to retained surplus	(9,286,882)	(25,931,680)
Balance at end of financial year	31,272,751	9,626,146
Carry forward works reserve		
Balance at the beginning of financial year	5,307,838	19,507,287
Transfer from retained surplus for future expenditure	53,693,886	27,631,471
Transfer to retained surplus	(38,566,973)	(41,830,921)
Balance at end of financial year	20,434,751	5,307,837
NCP financial incentive reserve		
Balance at the beginning of financial year	-	7,873
Transfer from retained surplus for future expenditure	-	89
Transfer to retained surplus	-	(7,962)
Balance at end of financial year	-	-
Offstreet parking reserve		
Balance at the beginning of financial year	347,017	434,540
Transfer from retained surplus for future expenditure	35,741	87,427
Transfer to retained surplus	(1,777)	(174,950)
Balance at end of financial year	380,981	347,017
Community housing reserve		
Balance at the beginning of financial year	82,444	121,411
Transfer from retained surplus for future expenditure	74,936	-
Transfer to retained surplus	-	(38,967)
Balance at end of financial year	157,380	82,444
Cleansing reserve		
Balance at the beginning of financial year	2,988,103	2,088,893
Transfer from retained surplus for future expenditure	1,426,314	910,584
Transfer to retained surplus	(1,220,479)	(11,374)
Balance at end of financial year	3,193,938	2,988,103
Disaster response reserve		
Balance at the beginning of financial year	282,064	-
Transfer from retained surplus for future expenditure	725,061	448,662
Transfer to retained surplus	(430,726)	(166,598)
Balance at end of financial year	576,399	282,064

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

	2011 Actual \$	2010 Actual \$
22 Other reserves (continued)		
Natural environmental reserve		
Balance at the beginning of financial year	2,406,515	1,906,346
Transfer from retained surplus for future expenditure	1,415,371	1,258,118
Transfer to retained surplus	(711,552)	(757,949)
Balance at end of financial year	3,110,334	2,406,515
Water reserve		
Balance at the beginning of financial year	23,166,460	22,147,692
Transfer from retained surplus for future expenditure	13,994,994	11,770,682
Transfer to retained surplus	(21,023,358)	(10,751,914)
Balance at end of financial year	16,138,096	23,166,460
Sewerage reserve		
Balance at the beginning of financial year	9,822,609	10,633,325
Transfer from retained surplus for future expenditure	10,307,933	11,151,967
Transfer to retained surplus	(2,484,784)	(11,962,683)
Balance at end of financial year	17,645,758	9,822,609
Gravel quarry reserve		
Balance at the beginning of financial year	75,000	-
Transfer from retained surplus for future expenditure	558,823	75,000
Transfer to retained surplus	-	-
Balance at end of financial year	633,823	75,000
City centre reserve		
Balance at the beginning of financial year	414,614	74,483
Transfer from retained surplus for future expenditure	918,493	811,480
Transfer to retained surplus	(734,976)	(471,349)
Balance at end of financial year	598,131	414,614
Movements in recurrent reserves are analysed as follows:		
Constrained works reserve - recurrent		
Balance at the beginning of financial year	724,285	1,288,669
Transfer from retained surplus for future expenditure	16,858,419	181,658
Transfer to retained surplus	(595,587)	(746,042)
Balance at end of financial year	16,987,117	724,285

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

	2011 Actual \$	2010 Actual \$
23 Commitments for expenditure		
Contractual commitments		
Contractual commitments at balance date but not recognised in the financial statements are as follows:		
Disposal of garbage and solid waste	40,512,707	40,422,650
Flood damage repairs	13,381,971	8,057,994
	53,894,678	48,480,644
These expenditures are payable :		
Within one year	23,656,103	15,899,555
Later than 1 year but not later than 5 years	26,712,743	30,016,161
Later than 5 years	3,525,832	2,564,928
	53,894,678	48,480,644
Capital commitments		
Commitment for the construction of the following assets contracted for at the reporting date but not recognised as liabilities are as follows:		
Buildings	1,719,913	21,845,421
Infrastructure	9,443,554	5,879,957
Other assets	18,400	12,463
	11,181,867	27,737,841
These expenditures are payable :		
Within one year	11,181,867	27,737,841
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
	11,181,867	27,737,841

24 Events after balance date

There were no material financial adjusting events after balance date.

25 Contingent liabilities

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

Department of Families, Housing, Community Services and Indigenous Affairs

Council 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.

Council's maximum exposure to the bank guarantee is:

8,000,000

-

Local Government Mutual

The Council is a member of the local government mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or it is unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution is to the total pool contributions in respect to any year that a deficit arises. As at 30 June 2011 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

16,218,220

9,768,415

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

Note	2011 Actual \$	2010 Actual \$
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25 Contingent liabilities (continued)

Local Government Workcare

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the 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 was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise.

Council's maximum exposure to the bank guarantee is:	2,156,718	1,739,348
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26 Superannuation

The 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 two elements referred to as the Defined Benefits Fund (DBF) and the Accumulation Benefits Fund (ABF). The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the *Local Government Act 2009*.

The DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the 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 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 2010 (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 2009. The actuary indicated that "the DBF is in a very modest financial position with regard to the net asset coverage of vested liabilities. Investment returns will be volatile under the required investment strategy, particularly over short periods. The DBF therefore needs sufficient reserves to be able to withstand a reasonable range of such influences. Because the DBF is now running down and cash flows are negative, the VBI (vested benefit index) should not be allowed whenever possible to retreat below 100%. Once below 100%, benefits drawn reduce the available assets for remaining members and hence the net asset coverage of vested benefits declines further.

In order to withstand a one in ten 'low return' outcome, the DBF would need reserves of the order of 8% to 10% having regard to the investment strategy adopted. Given the current position of the DBF, such reserve can essentially only eventuate from either excess investment returns over salary increases or additional employer contributions.

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

	Note	2011 Actual \$	2010 Actual \$
26 Superannuation (continued)			
Council has been 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 DBF members. Under the <i>Local Government Act 2009</i> the trustee of the scheme has the power to levy additional contributions on councils which have employees in the DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.			
The next actuarial investigation will be made as at 1 July 2012.			
The amount of superannuation contributions paid by Mackay Regional Council to the scheme in this period for the benefit of employees was:			
		6,531,856	5,845,796
27 Trust funds	1.30		
Security deposits		3,842,249	5,417,532
Mackay Artspace Gift Fund		3,946	3,137
		3,846,195	5,420,669
Mackay Regional Council performs only a custodial role in respect of these monies. As these funds cannot be used by the Council, they are not brought to account in these financial statements.			
28 Reconciliation of net result attributable to council to net cash flow from operating activities			
Net result attributable to council		143,758,947	53,025,705
Non-cash operating items:			
Depreciation and amortisation	9	59,377,841	51,193,014
Change in restoration provisions expensed to finance costs		224,770	474,030
		59,602,611	51,667,044
Investing and development activities:			
Capital grants, subsidies and contributions	4	(140,972,533)	(73,168,460)
Capital income	5	(2,244,252)	(2,840,388)
Capital expenses	10	10,108,239	9,775,171
		(133,108,546)	(66,233,677)
Changes in operating assets and liabilities :			
(Increase) decrease in receivables		1,281,647	934,928
(Increase) decrease in inventories (excluding land)		114,684	491,963
Increase (decrease) in payables		2,021,139	644,330
Increase (decrease) in provisions		(641,675)	1,904,887
Increase (decrease) in other liabilities		1,280,665	(1,527,161)
		4,056,460	2,448,948
Net cash inflow from operating activities		74,309,472	40,908,020

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

29 Financial instruments

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

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

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

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

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

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

Credit risk exposure

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

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

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

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

The Council has no major concentration of credit risk to any single debtor or group of debtors.

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

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

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

29 Financial instruments (continued)

Council's maximum exposure to credit risk is as follows:

	2011	2010
	\$	\$
Financial assets		
Cash and cash equivalents	159,061,595	69,938,266
Receivables - rates	7,067,220	7,754,308
Receivables - other	14,988,859	15,510,009
Other credit exposure		
Guarantees	10,156,718	1,739,348
	<u>191,274,392</u>	<u>94,941,931</u>

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

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

	Fully Performing	Past due			Total
		Less than 30 days	31 to 60 days	61 to 90 days	
	\$	\$	\$	\$	\$
30 June 2011					
Receivables	17,470,332	324,832	521,662	4,970,916	23,287,742
Less impairment	-	-	-	(1,231,663)	(1,231,663)
Net receivables	<u>17,470,332</u>	<u>324,832</u>	<u>521,662</u>	<u>3,739,253</u>	<u>22,056,079</u>
30 June 2010					
Receivables	19,272,526	1,227,632	460,840	3,310,114	24,271,112
Less impairment	-	-	-	(1,006,795)	(1,006,795)
Net receivables	<u>19,272,526</u>	<u>1,227,632</u>	<u>460,840</u>	<u>2,303,319</u>	<u>23,264,317</u>

Liquidity risk

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

Council manages its exposure to liquidity risk by maintaining sufficient undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in the note 19.

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

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

29 Financial instruments (continued)

	0 to 1 year	1 to 5 years	Over 5 years	Total
	\$	\$	\$	\$
30 June 2011				
Trade & other payables	20,734,369	-	-	20,734,369
Loans - QTC	19,876,370	77,657,557	211,759,399	309,293,326
Loans - other	-	2,772,000	-	2,772,000
	<u>40,610,739</u>	<u>80,429,557</u>	<u>211,759,399</u>	<u>332,799,695</u>

30 June 2010

Trade & other payables	17,928,451	-	-	17,928,451
Loans - QTC	12,811,239	47,709,299	110,811,610	171,332,148
Loans - other	-	-	-	-
	<u>30,739,690</u>	<u>47,709,299</u>	<u>110,811,610</u>	<u>189,260,599</u>

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

Interest rate risk

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

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

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

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

	Net carrying amount		Profit		Equity	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Financial assets	-	-	1,590,616	699,383	1,590,616	699,383
Financial liabilities	(190,313,707)	(106,673,576)	(1,903,137)	(1,066,736)	(1,903,137)	(1,066,736)
Net total	<u>(190,313,707)</u>	<u>(106,673,576)</u>	<u>(312,521)</u>	<u>(367,353)</u>	<u>(312,521)</u>	<u>(367,353)</u>

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

30 National competition policy

Activities to which the code of competitive conduct is applied:

A "business activity" of a local government is divided into two categories :

(a) Roads business activity:

(i) the construction or maintenance of state controlled roads for which the local government submits an offer to carry out work in response to a tender invitation, other than through a sole supplier arrangement.

(ii) submission of a competitive tender for construction or road maintenance on the local government's roads which the local government has put out to tender, or called for by another local government.

(b) Other business activity, referred to as type three activities, means the following:

(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 its self. Excluded activities are (a) library services, and (b) an activity or part thereof prescribed by legislation.

Local government may elect to apply a Code of Competitive Conduct (CCC) to their identified 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. The application of the CCC to the roads business activity is compulsory.

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

Financial performance of activities subject to competition reforms:

Mackay Convention Precinct

	2011	2010
	\$	\$
Revenue for services provided to external clients	3,588,399	3,478,406
Revenue for services provided to the Council	367,973	321,271
Community service obligations	637,016	606,682
	<u>4,593,388</u>	<u>4,406,359</u>
Less: expenditure	7,118,861	7,590,436
Surplus / (deficit)	<u>(2,525,473)</u>	<u>(3,184,077)</u>

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

30 National competition policy (continued)

The Council has resolved to commercialise the following significant business activities:

	2011	2010
	Actual	Actual
	\$	\$
Water and Waste Water		
Operating revenue		
Rates and utility charges	64,413,086	57,775,727
Less: discounts and remissions	(4,305,632)	(3,568,231)
Fees and charges	2,303,304	2,239,662
Sales contract and recoverable work	2,606,224	1,786,511
Grants, subsidies and contributions and donation	81,000	8,311
Interest received	1,883,407	1,948,783
Other recurrent income	60,391	117,821
Community service obligations	400,101	381,048
Internal transfers	939,794	446,584
	<u>68,381,675</u>	<u>61,136,216</u>
Less: operating expenses		
Employee benefits	11,828,925	10,733,871
Materials and services	14,525,660	13,105,222
Finance costs	4,170,439	4,154,851
Depreciation and amortisation	21,082,078	20,107,194
Transfer from capital (loss on disposal of assets)	828,564	867,354
Competitive neutrality costs	3,897,921	2,229,119
Internal transfers	2,701,708	2,125,872
	<u>59,035,295</u>	<u>53,323,483</u>
Less: transfers		
Transfer from capital (loss on disposal of assets)	(828,564)	(867,354)
Retained (surplus) / deficit brought forward from prior year	(2,110,533)	(4,124,265)
Transfer to capital (general revenue expended)	(377,236)	(5,511,128)
Inter-function dividends and return on capital	8,154,490	8,504,673
Transfer from reserves	(1,739,205)	(1,082,703)
Transfers to reserves	4,776,233	8,782,979
	<u>7,875,185</u>	<u>5,702,202</u>
Operating surplus / (deficit)	<u><u>1,471,195</u></u>	<u><u>2,110,531</u></u>

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

30 National competition policy (continued)

Waste Services	2011	2010
	Actual	Actual
	\$	\$
Operating revenue		
Rates and utility charges	16,153,508	13,689,693
Less: discounts and remissions	(923,942)	(744,349)
Fees and charges	6,181,838	4,947,474
Grants, subsidies and contributions and donation	733,607	
Interest received	421,681	505,346
Other recurrent income	274,285	319,442
Internal transfers	324,364	209,691
	<u>23,165,341</u>	<u>18,927,297</u>
Less: operating expenses		
Employee benefits	1,266,827	867,014
Materials and services	13,581,312	14,313,331
Finance costs	1,363,408	2,529,567
Depreciation and amortisation	752,668	1,135,421
Competitive neutrality costs	579,247	151,952
Internal transfers	287,379	140,004
	<u>17,830,841</u>	<u>19,137,289</u>
Less: transfers		
Transfer from capital (loss on disposal of assets)	-	
Retained (surplus) / deficit brought forward from prior year	648,261	(505,265)
Transfer to capital (general revenue expended)	1,724,030	(58,867)
Inter-function dividends and return on capital	255,596	243,425
Transfer from reserves	(946,686)	(111,870)
Transfers to reserves	964,014	870,847
	<u>2,645,215</u>	<u>438,270</u>
Operating surplus / (deficit)	<u><u>2,689,285</u></u>	<u><u>(648,262)</u></u>

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2011

30 National competition policy (continued)

Activities	CSO description	Actual
Mackay Water	In terms of Policy No. 006 - 'Community Services Obligations' Council will provide a CSO for Rebates to Community / Sporting Bodies and a revenue supplement to offset tax equivalents.	\$ 400,101
Mackay Convention Precinct	In terms of Policy No. 006 - 'Community Services Obligations' Council has determined that this service should be provided to all users at an affordable price. This decision recognises an active role undertaken by Council in encouraging the artistic and cultural development of the region. All steps are taken to ensure that the business operations are undertaken effectively in terms of National Competition Policy aims. As the community benefit is largely intangible, Council will fund the residual cost of provision of service with a CSO.	637,016

MACKAY REGIONAL COUNCIL

Financial Statements

For the year ended 30 June 2011

Management certificate

For the year ended 30 June 2011

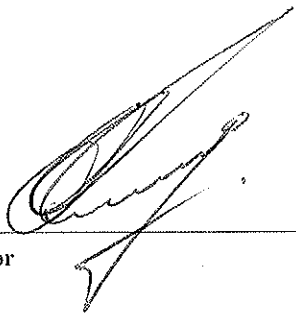
These general purpose financial statements have been prepared pursuant to Section 102 of the *Local Government (Finance, Plans and Reporting) Regulation 2010* (the Regulation) and other prescribed requirements.

In accordance with Section 161 of the Regulation we certify that these general purpose financial statements:

- (i) have been prepared in accordance with the relevant accounting documents; and
- (ii) accurately reflect the local government's financial performance and position for the financial year.

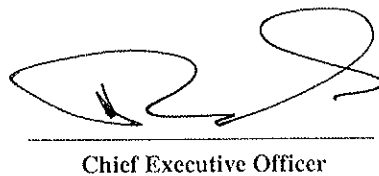
In addition we certify that, in our opinion:

- (i) the prescribed requirements of the Local Government Act 2009 and associated Regulations for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 1 to 45, have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board); and
- (iii) the general purpose financial statements present a true and fair view of the Council's financial position as at 30 June 2011 and of its financial performance and cash flows for the financial year ended on that date.



Mayor

Date: 14/02/2012



Chief Executive Officer

Date: 14/2/2012