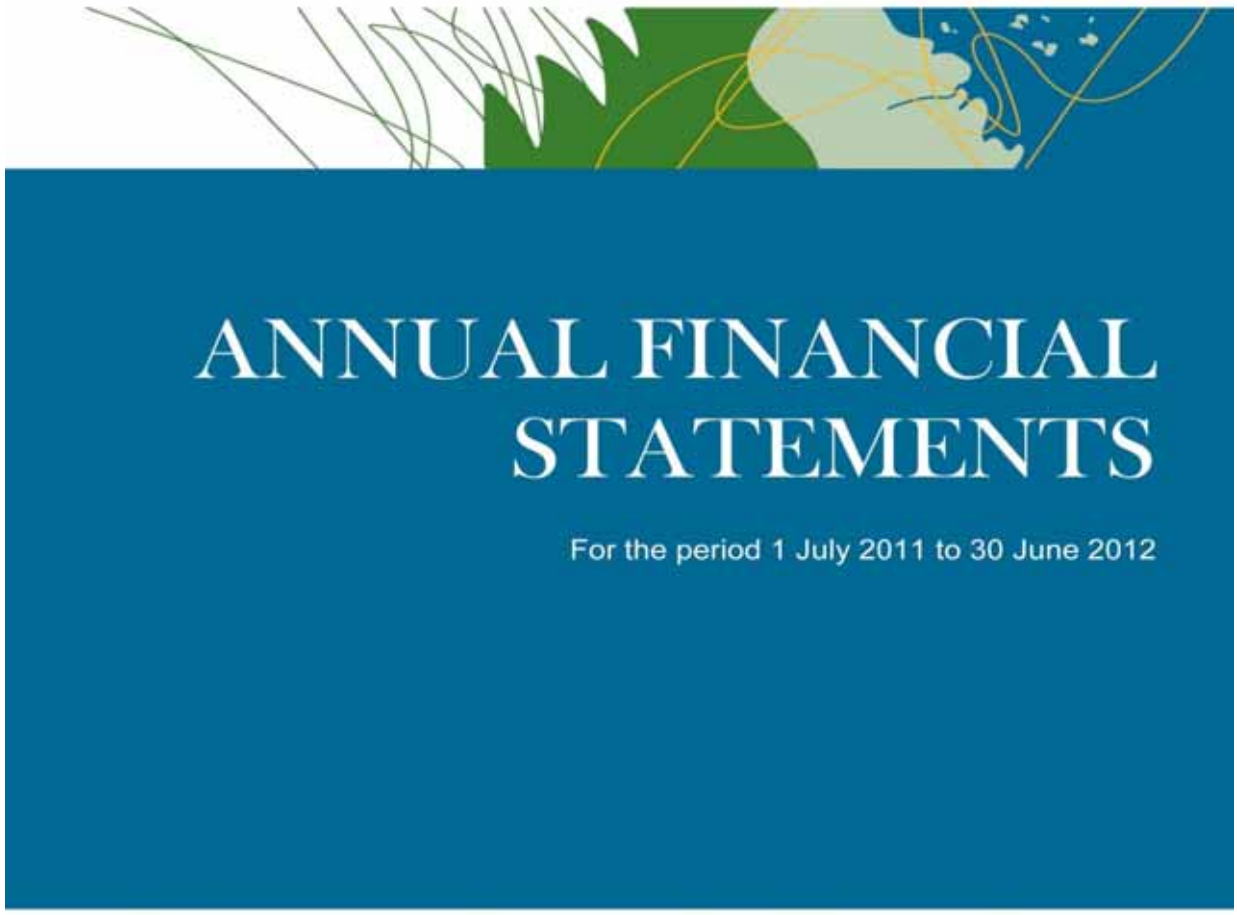

Mackay REGIONAL COUNCIL
ANNUAL FINANCIAL STATEMENTS
For the period 1 July 2011 to 30 June 2012

MACKAY REGIONAL COUNCIL

Financial Statements
For the year ended 30 June 2012

Table of contents

Note		Page
	Statement of Comprehensive Income	3
	Statement of Financial Position	4
	Statement of Changes in Equity	5
	Statement of Cash Flows	6
	Notes to the Financial Statements	
1	Summary of significant accounting policies	7 - 21
2	Analysis of results by function	22 - 23
3	Revenue analysis	24
4	Grants, subsidies, contributions and donations	25
5	Capital income	25
6	Employee benefits	26
7	Materials and services	26
8	Finance costs	26
9	Depreciation and amortisation	27
10	Capital expenses	27
11	Cash assets and cash equivalents	27
12	Trade and other receivables	28
13	Inventories	28
14	Land held for sale	28
15	Property, plant and equipment	29 - 33
16	Intangible assets	34
17	Trade and other payables	34
18	Provisions	34 - 35
19	Borrowings	35 - 36
20	Other liabilities	36
21	Asset revaluation surplus	36 - 37
22	Other reserves	37 - 39
23	Events after balance date	40
24	Contingent liabilities	40
25	Superannuation	41
26	Trust funds	42
27	Reconciliation of net result attributable to Council to net cash flow from operating activities	42
28	Financial instruments	43 - 45
29	National competition policy	46 - 48
	Management Certificate	
	Independent Audit Report	

MACKAY REGIONAL COUNCIL

Statement of Comprehensive Income
For the year ended 30 June 2012

	Note	2012 Actual $	2011 Actual $
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	173,704,837	160,325,134
Fees and charges	3(b)	23,802,539	17,548,666
Rental income	3(c)	850,665	1,130,046
Interest received	3(d)	8,550,643	4,407,260
Sales contracts and recoverable works	3(e)	9,063,910	9,778,492
Other recurrent income	3(f)	3,823,915	3,766,780
Grants, subsidies, contributions and donations	4(a)	42,930,395	45,769,156
Total recurrent revenue		262,726,904	242,725,534
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	139,962,113	140,972,533
Total revenue		402,689,017	383,698,067
Capital income	5	2,940,102	2,244,252
Total income		405,629,119	385,942,319
Expenses			
Recurrent expenses			
Employee benefits	6	(67,854,425)	(66,178,949)
Materials and services	7	(126,747,487)	(98,043,208)
Finance costs	8	(13,371,784)	(8,475,135)
Depreciation and amortisation	9	(75,944,262)	(59,377,841)
Total recurrent expenses		(283,917,958)	(232,075,133)
Capital expenses	10	(21,523,921)	(10,108,239)
Total expenses		(305,441,879)	(242,183,372)
Net result attributable to council		**100,187,240**	**143,758,947**
Other comprehensive income			
Net assets and liabilities assumed	15(a)	20,740,602	31,266,923
Increase / (decrease) in asset revaluation surplus	21	165,129,845	170,135,776
Other equity adjustments	15(a)	(13,194,771)	-
Total comprehensive income for the year		272,862,916	345,161,646

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 2012

	Note	2012 Actual $	2011 Actual $
Current assets			
Cash and cash equivalents	11	165,742,009	159,083,962
Trade and other receivables	12	31,616,893	23,325,754
Inventories	13	1,964,303	1,720,495
		199,323,205	184,130,211
Land held for sale	14	1,800,000	680,000
Total current assets		201,123,205	184,810,211
Non-current assets			
Property, plant and equipment	15	3,010,809,358	2,723,592,793
Intangible assets	16	1,316,891	1,636,946
Total non-current assets		3,012,126,249	2,725,229,739
Total assets		3,213,249,454	2,910,039,950
Current liabilities			
Trade and other payables	17	36,091,946	27,824,735
Provisions	18	24,702,367	24,168,764
Borrowings	19	9,761,897	8,019,531
Other liabilities	20	814,747	2,906,077
Total current liabilities		71,370,957	62,919,107
Non-current liabilities			
Trade and other payables	17	1,544,667	-
Provisions	18	17,803,738	15,140,814
Borrowings	19	199,981,324	182,294,177
Total non-current liabilities		219,329,729	197,434,991
Total liabilities		290,700,686	260,354,098
Net community assets		**2,922,548,768**	**2,649,685,852**
Community equity			
Council capital		1,473,741,849	1,376,520,317
Asset revaluation surplus	21	1,305,686,908	1,140,557,063
Other reserves	22	143,120,011	132,608,472
Total community equity		**2,922,548,768**	**2,649,685,852**

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 2012

	Note	Council capital	Asset revaluation surplus	Other reserves	Total
			21	22	
		$	$	$	$
Balance as at 1 July 2011		1,376,520,317	1,140,557,063	132,608,472	2,649,685,852
Net result attributable to Council		100,187,240	-	-	100,187,240
Net assets and liabilities assumed		20,740,602	-	-	20,740,602
Increase / (decrease) in asset revaluation surplus		-	165,129,845	-	165,129,845
Other equity adjustments	15(a)	(13,194,771)	-	-	(13,194,771)
Total comprehensive income for the year		107,733,071	165,129,845	-	272,862,916
Transfers to and from reserves					
Transfers to / from capital		2,220,812	-	(2,220,812)	-
Transfers to other reserves		(35,688,455)	-	35,688,455	-
Transfers from other reserves		22,956,104	-	(22,956,104)	-
Total transfers to and from reserves		(10,511,539)	-	10,511,539	-
Balance as at 30 June 2012		1,473,741,849	1,305,686,908	143,120,011	2,922,548,768
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

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 2012

	Note	2012 Actual $	2011 Actual $
Cash flows from operating activities :			
Receipts from customers		201,089,836	194,922,719
Payments to suppliers and employees		(184,530,294)	(162,905,671)
		16,559,542	32,017,048
Interest received		8,397,937	4,269,148
Non capital grants and contributions		42,930,395	45,769,156
Borrowing costs		(11,926,120)	(7,745,880)
Net cash inflow / (outflow) from operating activities	27	55,961,754	74,309,472
Cash flows from investing activities:			
Payments for property, plant and equipment		(140,628,062)	(124,931,091)
Capital receipts		2,940,102	2,023,687
Net movement in loans and advances		-	5,000
Proceeds from sale of property plant and equipment		5,318,852	2,354,353
Grants, subsidies, contributions and donations		63,635,888	51,718,109
Net cash inflow / (outflow) from investing activities		(68,733,220)	(68,829,942)
Cash flows from financing activities:			
Proceeds from borrowings		27,389,769	89,811,013
Repayment of borrowings		(7,960,256)	(6,170,882)
Net cash inflow / (outflow) from financing activities		19,429,513	83,640,131
Net increase / (decrease) in cash held		6,658,047	89,119,661
Cash at beginning of the financial year		159,083,962	69,964,301
Cash at end of the financial year		**165,742,009**	**159,083,962**

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

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

1 Summary of significant accounting policies

1. 1 Basis of preparation

These general purpose financial statements for the period 1 July 2011 to 30 June 2012 have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board. They also comply with 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 *Financial Instruments* (December 2009)	1 January 2013
AASB 10 *Consolidated Financial Statements*	1 January 2013
AASB 11 *Joint Arrangements*	1 January 2013

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

	Effective for annual report periods beginning on or after:
AASB 12 *Disclosure of interest in other entities*	1 January 2013
AASB 13 *Fair Value Measurement*	1 January 2013
AASB 119 *Employee Benefits (completely replaces existing standard)*	1 January 2013
AASB 127 *Separate Financial Statements (replaces the existing standard together with AASB 10)*	1 January 2013
AASB 128 *Investments in Associates and Joint Ventures (replaces the existing standard)*	1 January 2013
AASB 1053 *Application of Tiers of Australian Accounting Standards*	1 July 2013
AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*	1 July 2013
AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010)	1 January 2013
AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets*	1 January 2012
AASB 2010-10 *Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters*	1 January 2013
AASB 2011-2 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements*	1 July 2013
AASB 2011-3 *Amendments to Australian Accounting standards - Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments*	1 July 2012
AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Mnagement Personnel Disclosure Requirements*	1 July 2013
AASB 2011-6 *Amendments to Australian Accounting Standards - Extending Relift from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements*	1 July 2013
AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standard*	1 January 2013
AASB 2011-8 *Amendment to Australian Accouting Standards arisin from AASB 13*	1 January 2013
AASB 2011-9 *Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income*	1 July 2012
AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*	1 January 2013
AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements*	1 July 2013
AASB 2011-12 *Amendments to Australian Accounting Standards arising from Intepretation 20 (AASB 1)*	1 January 2013
AASB 2011-13 *Amendments to Australian Accounting Standard - Improvements to AASB 1049*	1 July 2012

AASB 9 Financial Instruments (effective from 1 January 2013)

AASB 9, which replaces AASB 139 Financial Instruments: Recognition and Measurement, is effective for reporting periods beginning on or after 1 January 2013 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met.

Consolidation Standards

The AASB issued a suite of six related accounting standards which are effective for annual reporting periods beginning on or after 1 January 2013. These standards:

AASB 10 Consolidated Financial Statements
AASB 11 Joint Arrangements
AASB 12 Disclosure of Interests in Other Entities
AASB 127 Separate Financial Statements
AASB 128 Investments in Associates and Joint Ventures
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

aim to improve the accounting requirements for consolidated financial statements, joint arrangements and off balance sheet vehicles. The AASB is still considering whether these standards need to be modified for application by not-for-profit entities. Consequently, not-for-profit entities are not currently permitted to apply these standards prior to the mandatory application date. As Council is a not-for-profit entity, no assessment has been made of the potential impact. An assessment of the impact will be made when the not-for-profit requirements are finalised.

AASB 13 Fair Value Measurement (AASB 13)

AASB 13 applies to reporting periods beginning on or after 1 January 2013. The standard sets out a new definition of "fair value", as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of the Council's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The potential impacts of AASB 13 relate to the fair value measurement methodologies used, and financial statement disclosures made in respect of, such assets and liabilities.

The Mackay Regional Council has commenced reviewing its fair value methodologies (including instructions to valuers, data used and assumptions made) for all items of property, plant and equipment measured at fair value to determine whether those methodologies comply with AASB 13. To the extent that the methodologies don't comply, changes will be necessary. While the Council is yet to complete this review, no significant changes are anticipated, based on the fair value methodologies presently used. Therefore, and at this stage, no consequential material impacts are expected for the Mackay Regional Council's property, plant and equipment in 2013-14.

AASB 13 will require an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. To the extent that any fair value measurement for an asset or liability uses data that is not "observable" outside the Council, the amount of information to be disclosed will be relatively greater.

Amendments to AASB 101 Presentation of Financial Statements

The AASB 101 Amendments require Council to group items presented in other comprehensive income into those that, in accordance with other standards: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for reporting periods beginning on or after 1 July 2012. Council's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

Amendments to AASB 119 Employee Benefits

A revised version of AASB 119 Employee Benefits applies from reporting periods beginning on or after 1 January 2013. The revised AASB 119 is generally to be applied retrospectively.

The revised standard includes changed criteria for accounting for employee benefits as "short-term employee benefits".

The concept of "termination benefits" is clarified and the recognition criteria for liabilities for termination benefits will be different. If termination benefits meet the timeframe criterion for "short-term employee benefits", they will be measured according to the AASB 119 requirements for "short-term employee benefits". Otherwise, termination benefits will need to be measured according to the AASB 119 requirements for "other long-term employee benefits". Under the revised standard, the recognition and measurement of employer obligations for "other long-term employee benefits" will need to be accounted for according to most of the requirements for defined benefit plans.

The revised AASB 119 also includes changed requirements for the measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities/assets. Mackay Regional Council contributes to the Local Government Superannuation Scheme (Qld) as disclosed in note 25. The revised standard will require Council to make additional disclosures regarding the Defined Benefits Fund element of the scheme.

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.

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

Valuation and depreciation of property, plant and equipment - note 1.14 and note 15
Impairment of property, plant and equipment - note 1.17 and note 15
Provisions - note 1.21(e), note 1.23 and note 18
Contingent liabilities - note 24

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

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, subsidies and contributions 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 as the various performance obligations under the funding agreement are fulfilled. 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 becomes liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets. All non-cash contributions are recognised at the fair value of the contribution received on the date of acquisition.

(d) Cash contributions

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

(e) Rental income

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

(f) Interest received

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

(g) Sales contracts and recoverable work

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

The Council generates revenues from a number of services including contracts for water, sewerage and road works. Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. Revenue is measured at the fair value of consideration received or receivable in relation to that activity. Where consideration is received for the service in advance it is recognised as revenue.

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

(h) Fees and charges

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

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 1.20)

Borrowings - measured at amortised cost (note 1.22)

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 28.

1. 10 Cash and cash equivalents

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

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

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.

Land acquired by Council 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. As an inventory item, this land held for resale is treated as a current asset. Proceeds from the sale of this land will be recognised as sales revenue on the signing of a valid unconditional contract of sale.

1. 13 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 2012 Council did not have any term deposits in excess of three months.

1. 14 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.

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 and work in progress are measured at cost.

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

In the intervening years, Council uses internal engineers to assess the condition and cost assumptions associated with all infratructure assets, the results of which are considered in combination with any relavent indices. Together these are used to form the basis of a management valuation for infrastructure asset classes in each of the intervening years. With respect to the valuation of the land and improvements, buildings and major plant asset classes in the intervening years, management also reviews the asset condition and any relavent indices to see if there was any relevant changes.

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

Futher details in relation to valuers, the methods of valuation and the key assumptions used are disclosed in note 15.

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.

(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.

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

Details of the range of 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.

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

1. 15 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.

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.

Amortisation methods, estimated useful lives and residual values are reviewed at the end of each reporting period and adjusted where appropriate. Details of the estimated useful lives assigned to each class of intangible assets are shown in note 16.

1. 16 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. 17 Impairment of non-current assets

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

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

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

1. 18 Natural Disaster Event

During the financial year, Council experienced a rain event which has resulted in some damage to Council's roads. The majority of the costs associated with this event are funded under the state government's Natural Disaster Relief and Recovery Arrangements (NDRRA). Under these arrangements Mackay Regional Council is required to contribute to each activated natural disaster event up to a maximum trigger point. The trigger point for this latest event is $524,820.

Council has also undertaken a review of assets affected by the prior year natural disasters (QLD Flooding and Tropical Cyclones Tasha and Anthony, November 2010 - February 2011). This assessment, undertaken by Council engineers, found that whilst there had been some increase in area on some of the affected sites, it has not been to a major degree and has not altered the overall condition of the roads, bridges and drainage asset class.

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

1. 19 Operating leases

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

1. 20 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.

1. 21 Liabilities - employee benefits

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

(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 25.

(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.

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

1. 22 Borrowings and borrowing costs

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

In accordance with the *Local Government (Finance, Plans and Reporting) Regulation 2010* Council adopts an annual debt policy that sets out Council's planned borrowings for the current financial year and the next nine years. Council's current policy is to only borrow for capital projects and for a term no longer than the expected life of the asset. Council also aims to comply with the Queensland Treasury Corporation's borrowing guidelines and ensure that sustainability indicators remain within acceptable levels at all times.

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

1. 23 Restoration provision

A provision is made for the cost of restoration in respect of refuse dumps and quarries where it is probable the Council will be liable, or required, to incur such a cost on the cessation of use of these facilities. The provision is measured at the expected cost of the work required, discounted to present values using the ten year average of the Reserve Bank of Australia projected bond yields.

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

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.

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. 24 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.

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

1. 25 Asset revaluation surplus

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

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

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

When an asset is disposed of, the amount reported in surplus in respect of that asset is retained in the asset revaluation surplus. 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.

1. 26 Reserves

The Council resolved in June 2011 to hold the following reserves to meet anticipated future operating and capital needs. These are cash backed reserves which relate to a perceived future requirement which is not currently a liability.

(a) Constrained works reserve

This reserve represents an accumulation of funds received and held by Council for a specific purpose, until works relating to these funds are carried out.

(b) Capital improvements reserve

This reserve represents funds held to equalise and manage from year to year the impact on Council's budgeting of capital and operational demands relating to the General Fund.

(c) Carry forward works reserve

This reserve represents programmed works carried forward into the future financial years.

(d) Offstreet parking reserve

This reserve consists of funds set aside for capital works relating to offstreet parking.

(e) Pensioner housing reserve

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

(f) Cleansing reserve

This reserve is held to equalise and manage from year to year the impact on Council's budgeting of capital and operational demands associated with waste facilities.

(g) Disaster response reserve

This reserve represents unspent or unallocated funds received from the disaster response levy.

(h) Environment Reserve

This reserve represents unspent or unallocated funds received from natural environmental levy

(i) Natural environmental reserve - strategic land purchases

This reserve represents the accumulation of funds from an allocation of 20% from natural environmental levy, to be used for the purchase of strategic environmentally sensitive land.

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

(j) Water reserve
This reserve represents funds held to equalise and manage from year to year the impact on Council's budgeting of capital and operational demands associated with water facilities.

(k) Sewerage reserve
This reserve represents funds held to equalise and manage from year to year the impact on Council's budgeting of capital and operational demands associated with waste water facilities.

(l) Gravel quarry reserve
This reserve represents the accumulation of funds from an allocation from quarry operations to fund future quarry restoration and remediation expenditure.

(m) City centre reserve
This reserve represents unspent or unallocated funds received 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.

1 27 Joint Venture
Council entered into a joint venture with the Urban Land Development Authority to develop and sell lots located at and known as Bedford Road, Andergrove Mackay. In accordance with the partnership agreement, Mackay Regional Council's interest in the joint venture is 50%. Council's share of the distributed profits, assets and liabilities is in accordance with its percentage interest at the time of distribution or winding up.

1. 28 National competition policy
The Council has reviewed its activities to identify its business activities. Details of these activities are disclosed in note 29.

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 26.

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*.

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

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.

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

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 Systems, Development Engineering and Health and Regulatory Services.

Community Services

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

Engineering Services

Comprises Departmental Management, Civil Operations, Flood Damage, 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, Waste Services and Business Services.

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2012

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

Year ended 30 June 2012

Functions	Income				Total income	Expenses		Total expenses	Net result	Assets
	Recurrent		Capital			Recurrent	Capital			
	Grants	Other	Grants	Other						
	2012 $	2012 $	2012 $	2012 $	2012 $	2012 $	2012 $	2012 $	2012 $	2012 $
Corporate Services	9,402,413	88,046,881	9,091	35,121	97,493,506	71,440,456	1,370,101	72,810,557	24,682,949	384,500,593
Development Services	2,598	7,849,227	17,726	-	7,869,551	10,733,939	-	10,733,939	(2,864,388)	17,179
Community Services	1,603,689	7,171,894	2,761,910	-	11,537,493	23,177,742	200	23,177,942	(11,640,449)	296,929,944
Engineering Services	31,921,695	12,530,949	113,484,888	1,208,969	159,146,501	94,270,177	17,295,925	111,566,102	47,580,399	1,652,002,943
Water and Waste Services	-	104,197,558	23,688,498	1,696,012	129,582,068	84,295,644	2,857,695	87,153,339	42,428,729	879,798,795
Total	42,930,395	219,796,509	139,962,113	2,940,102	405,629,119	283,917,958	21,523,921	305,441,879	100,187,240	3,213,249,454

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 $	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

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

	Note	2012 Actual $	2011 Actual $
3 Revenue analysis			
(a) Rates, levies and charges	1.8(a)		
General rates		92,654,920	88,540,297
Special rates and charges		5,894,270	5,579,756
Water consumption and charges		34,716,716	28,873,775
Sewerage charges		36,546,241	33,641,759
Sewerage trade waste		2,147,340	1,897,552
Garbage charges		17,085,433	16,153,508
Total rates and utility charges revenue		189,044,920	174,686,647
Less: discounts		(13,705,769)	(12,770,551)
Less: pensioner and other remissions		(1,634,314)	(1,590,962)
		173,704,837	160,325,134
(b) Fees and charges	1.8(h)		
Fees and charges		23,802,539	17,548,666
(c) Rental income	1.8(e)		
Rental income		850,665	1,130,046
(d) Interest received	1.8(f)		
Interest on investments		8,013,612	3,913,310
Interest from overdue rates and utility charges		537,031	493,950
		8,550,643	4,407,260
(e) Sales contracts and recoverable works	1.8(g)		
Sales contracts and recoverable works		9,063,910	9,778,492

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

(f) Other recurrent income			
Other recurrent income		3,823,915	3,766,780

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

		Note	2012 Actual $	2011 Actual $
4	**Grants, subsidies, contributions and donations**	1.8(b)		
	(a) Recurrent			
	General purpose grants		8,683,504	6,842,825
	Government grants and subsidies		33,921,947	38,603,669
	Non-government grants and subsidies		11,045	15,336
	Donations		313,899	307,326
			42,930,395	45,769,156
	(b) Capital			
	Government grants and subsidies		34,934,685	35,706,930
	Non-government grants and subsidies	1.8(d)	28,701,203	16,011,179
			63,635,888	51,718,109
	Donated assets recognised as income during the reporting period:			
	Developer assets contributed by developers at fair value	1.8(c)	76,326,225	89,029,728
	Other physical assets contributed at fair value		-	224,696
			76,326,225	89,254,424
			139,962,113	140,972,533
5	**Capital income**			
	Other capital income			
	Other capital income		2,940,102	2,023,687
	Gain (loss) on the disposal of land classified as held for sale			
	Proceeds from the sale of land classified as held for sale		-	485,738
	Less: book value of land classified as held for sale	14	-	(265,173)
			-	220,565
			2,940,102	2,244,252

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

	Note	2012 Actual $	2011 Actual $
6 Employee benefits			
Total staff wages and salaries		54,586,575	54,018,800
Councillor's remuneration		1,111,382	1,099,803
Annual, sick and long service leave entitlements		11,654,383	10,024,866
Superannuation	25	6,747,484	6,531,856
		74,099,824	71,675,325
Other employee related expenses		262,207	240,453
		74,362,031	71,915,778
Less: capitalised employee costs		(6,507,606)	(5,736,829)
		67,854,425	66,178,949
7 Materials and services			
Other materials and services		120,843,218	92,462,868
Audit services		338,726	329,337
Donations, grants and subsidies		1,372,660	1,276,126
Legal fees		1,948,441	2,080,545
Insurance		2,244,442	1,894,332
		126,747,487	98,043,208
Audit services include:			
Audit of annual financial statement by the Auditor-General of Queensland		224,706	320,337
Other audit services:			
PricewaterhouseCoopers		16,950	9,000
BDO		86,938	-
Australian Asbestos Management		10,132	-
		338,726	329,337

Other audit services include audits in regards to work place health & safety, taxation obligations, and other services.

8 Finance costs			
Finance costs charged by Queensland Treasury Corporation		11,926,120	7,745,880
Bank charges		292,232	251,071
Impairment of receivables		314,221	253,414
Refuse restoration - change in present value over time		771,911	125,324
Quarry restoration - change in present value over time		67,300	99,446
		13,371,784	8,475,135

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

		Note	2012 Actual $	2011 Actual $
9	**Depreciation and amortisation**	1.14(f)		
	Depreciation of non-current assets			
	Site improvements		1,423,290	1,127,924
	Buildings		2,054,822	1,550,716
	Plant and equipment		4,291,590	4,047,223
	Roads, drainage and bridge works		51,335,419	30,583,688
	Water		6,268,548	9,567,068
	Sewerage		8,530,084	11,373,989
	Waste infrastructure		1,425,330	556,409
	Heritage and cultural assets		27,224	26,555
		15(a)	75,356,307	58,833,572
	Amortisation of intangible assets			
	Computer software		587,955	544,269
		16	587,955	544,269
	Total depreciation and amortisation		75,944,262	59,377,841
10	**Capital expenses**			
	Gain (loss) on the disposal of non-current assets			
	Proceeds from the sale of plant and equipment		2,279,024	1,868,615
	Less: book value of plant and equipment sold	15(a)	(2,543,523)	(2,376,242)
			(264,499)	(507,627)
	Proceeds from the sale of land		3,039,828	-
	Less: book value of land sold	15(a)	(4,129,974)	-
			(1,090,146)	-
	Proceeds from the disposal of infrastructure		-	-
	Less: book value of infrastructure written off	15(a)	(20,169,276)	(9,600,612)
			(20,169,276)	(9,600,612)
			(21,523,921)	(10,108,239)
11	**Cash and cash equivalents**	1.10		
	Cash in operating bank account		5,719,104	3,176,210
	Cash on hand		25,602	22,367
	Deposits at call		159,997,303	155,885,385
			165,742,009	159,083,962
	Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:			
	Unspent government grants and subsidies		43,772,280	38,466,130
	Unspent loan monies		7,910,343	17,390,548
	Total unspent restricted cash		51,682,623	55,856,678

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

		Note	2012 Actual $	2011 Actual $
12	**Trade and other receivables**	1.11		
	Current			
	Rates and utility charges		7,550,748	7,067,220
	Interest receivable		790,213	637,507
	GST recoverable		2,691,037	348,629
	Other debtors		20,457,801	15,234,386
	Prepayments		1,657,629	1,269,675
	Less: provision for impairment of debt		(1,530,535)	(1,231,663)
	Total trade and other receivables		31,616,893	23,325,754

Council is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts. For this reason Council does not generally impair any rate receivables however due to ownership complexities on a particular property Council elected in 2010 to recognise a provision for impairment of debt which currently amounts to $1,503,932 (2011: $1,215,177).

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		246,481	201,692
	Miscellaneous saleable items		102,603	115,318
			349,084	317,010
	Inventories for internal use:			
	Plant and equipment stores		861,556	393,082
	Stockpile inventory		753,663	1,010,403
			1,615,219	1,403,485
	Total inventories		1,964,303	1,720,495

14	**Land held for sale**			
	Opening balance at valuation		680,000	680,000
	Transfer from (to) other non-current asset category		1,120,000	265,173
	Disposals		-	(265,173)
			1,800,000	680,000

Council has approved a decision to sell the Ergon building and subsequent to the building being declared as land held for sale, a contract for sale is being entered into.

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 2012

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	
	2012 $	2012 $	2012 $	2012 $	2012 $	2012 $	2012 $	2012 $	2012 $	2012 $	2012 $
Asset Values											
Opening 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
Additions	-	-	-	-	-	-	-	-	-	140,628,062	140,628,062
Contributed assets at valuation	-	-	-	-	-	66,661,571	4,376,244	5,288,410	-	-	76,326,225
Assets not previously recognised	-	246,324	124,793	-	-	24,545,407	330,100	1,805,239	19,769,466	-	46,821,329
Disposals	(4,129,974)	-	-	(4,162,610)	-	-	-	-	-	-	(8,292,584)
Write-offs	-	(80,000)	-	-	-	(21,347,021)	(1,792,279)	(2,405,389)	(5,389,003)	-	(31,013,692)
Assets classified as held for sale	(1,120,000)	-	-	-	-	-	-	-	-	-	(1,120,000)
Revaluation adjustment to asset revaluation surplus	-	882,947	-	-	-	38,280,581	(48,680,361)	6,934,367	485,624	-	(2,096,842)
Other equity adjustments*	(1,055,000)	-	-	-	-	(13,928,241)	-	-	-	-	(14,983,241)
Transfers between classes	4,681,808	3,856,779	20,779,393	9,283,506	13,604	62,886,962	39,441,097	3,997,151	-	(145,208,200)	(267,900)
Closing gross value	277,734,638	57,542,453	178,722,054	49,619,944	2,333,775	1,681,921,598	507,006,129	576,221,793	32,358,010	149,711,402	3,513,171,796
Accumulated depreciation and impairment											
Opening balance	-	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
Depreciation provided in period	-	1,423,290	2,054,822	4,291,590	27,224	51,335,419	6,268,548	8,530,084	1,425,330	-	75,356,307
Depreciation on assets not previously recognised	-	246,324	-	-	-	5,398,989	209,526	456,422	19,769,466	-	26,080,727
Depreciation on disposals	-	-	-	(1,619,087)	-	-	-	-	-	-	(1,619,087)
Depreciation on write-offs	-	(79,800)	-	-	-	(4,051,095)	(1,059,430)	(265,088)	(5,389,003)	-	(10,844,416)
Revaluation adjustment to asset revaluation surplus	-	-	-	-	-	(84,343,487)	(52,412,723)	(31,644,059)	-	-	(168,400,269)
Other equity adjustments*	-	-	-	-	-	(1,788,470)	-	-	-	-	(1,788,470)
Transfers between classes	-	410,976	(410,976)	-	-	-	-	-	-	-	-
Closing accumulated depreciation	-	6,873,082	20,012,888	13,673,682	136,400	141,910,852	157,365,340	144,057,526	18,332,668	-	502,362,438
Net value at 30 June 2012	277,734,638	50,669,371	158,709,166	35,946,262	2,197,375	1,540,010,746	349,640,789	432,164,267	14,025,342	149,711,402	3,010,809,358
Residual Value	-	10,133,986	81,904,054	15,217,177	45,846	334,792,714	4,879,000	292,800	428,716		
Range of estimated useful life in years	Land not depreciated	5-100	20-100	3-20	20 Artwork not depreciated	12-100	15-100	15-80	30-100		

* Other equity adjustments

This year Council transfered infrastructure assets and land assets to a new Asset Management System. During the course of the transfer a thorough review of asset records was undertaken resulting in some data cleansing adjustments.

Land - Council recognised some land parcels in 2011 as not previously recognised assets. For two parcels of this land, it was identified that a duplication occured as the assets were also recorded in capital work in progress.

Roads, bridge and drainage network - It was identified that a number of old assets were not disposed of correctly in relation to the 2009/2010, 2010/2011 financial years. This has resulted in a duplication of roads.

If these errors had been accounted for properly in the past, they would have been recorded in determining the net surplus in previous years which would be included in Council capital this year and consequently Council have adjusted these against Council capital. Given the total adjustment required was $13,194,771, Council has not adjusted any of the comparative figures or completed the prior period error disclosure as required under AASB108 Accounting Policies, Changes in Accounting Estimates and Errors as it has determined that the adjustment is immaterial to both Council capital and Property, plant and equipment balances.

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

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 2012

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 2012 have been recognised at their cost, which has been determined to approximate their fair value. An external review of indices was carried out at 30 June 2011, and management believe there has been no subsequent material movement for 2012, hence no valuation adjustments were 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 2012 have been recognised at their cost, which has been determined to approximate their fair value. An external review of indices was carried out at 30 June 2011, and management believe there has been no subsequent material movement for 2012.

Condition was assessed using the following table:

Phase Points	Description
0	New or very good condition – very high level of remaining service potential.
1	Not new but in very good condition with no indicators of any future obsolescence and providing a high level of remaining service potential.
2	Aged and in good condition, providing an adequate level of remaining service potential. No signs of immediate or short term obsolescence.
3	Providing an adequate level of remaining service potential but there are some concerns over the asset's ability to continue to provide an adequate level of service in the short to medium term. May be signs of obsolescence in short to mid-term.
4	Indicators showing the need to renew, upgrade or scrap in the near future. Should be reflected by inclusion in the Capital Works Plan to renew or replace in short-term. Very low level of remaining service potential.
5	At intervention point. No longer providing an acceptable level of service. If remedial action is not taken immediately the asset will need to be closed or decommissioned.
End of Life	Theoretical end of life.

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 2012 have been recognised at their cost which has been determined to approximate their fair value. An external review of indices was carried out at 30 June 2011, and management believe there has been no subsequent material movement for 2012, hence no valuation adjustments were undertaken.

Condition was assessed using the same table as that identified for Site Improvements.

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 2012 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 2012 have been recognised at their cost, which has been determined to approximate their fair value.

Infrastructure
Road, bridges and drainage infrastructure
The fair value of road, bridge and drainage infrastructure as at 30 June 2012 was determined by management based on the following key assumptions:

- 3% indices increase applied to all road class assets, as determined by Australian Pacific Valuers (APV), independent registered valuers, as at 30th June 2012
- A review of asset residual values and remaining useful lives was carried out throughout the financial year. Further independent review and alterations were recognised as part of the revaluation.

Average $/m2 for each of the key components were:

	Sealed Roads	Unsealed Roads
	$	$
Formation	3.28	3.25
Pavement	26.41	27.13
Surface	23.91	n/a

Condition was assessed using the same table as that identified for Site Improvements.

The last independent valuation was carried out by APV on 30 June 2011.

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

Water and sewerage infrastructure
Assets on hand at 1 July 2011 were valued at their written down current replacement cost as determined by independent valuers AssetVal Pty Ltd. Additional assets acquired from 2 July 2011 to 30 June 2012 have been recognised at cost, which has been determined to approximate their fair value.

Active water and sewer assets (inc pump stations, bores, reservoirs, flow control and treatment plants) were valued by AssetVal Pty Ltd using a mixture of sources to determine each item cost, including direct contact with suppliers, AssetVal's in-house database, information supplied by MRC on actual cost of recent projects, and reference guides such as Rawlinson's Australian Construction Handbook (2011).

Passive assets (mostly network assets such as pipe work and manholes) were valued based on AssetVal unit rates derived from components which are used to produce an asset, primarily raw materials, plant, labour and intangibles.

Average cost per water main valued - $297.34 per linear metre
Average cost per sewer main valued - $402.43 per linear metre
Average cost per sewer manhole valued - $4,679.69

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 2012 have been recognised at their cost, which has been determined to approximate their fair value. An external review of indices was carried out at 30 June 2011, and management believe there has been no subsequent material movement for 2012.

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

		Note	2012 Actual $	2011 Actual $
16	**Intangible assets**	1.15		
	Computer software			
	Opening gross carrying value		3,238,088	2,912,802
	Transfer from / (to) other non-current asset category		267,900	325,286
	Closing gross carrying value		3,505,988	3,238,088
	Accumulated amortisation			
	Opening balance		1,601,142	1,056,873
	Amortisation in the period		587,955	544,269
	Closing balance		2,189,097	1,601,142
	Net carrying value at end of financial year		1,316,891	1,636,946

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**	1.20		
	Current			
	Creditors and accruals		27,507,373	20,734,369
	Annual leave		6,351,974	6,342,769
	Other Entitlements		687,932	747,597
	Other Liabilities		1,544,667	-
			36,091,946	27,824,735
	Non-current			
	Other Liabilities		1,544,667	-
			1,544,667	-
	Total Trade and Other Payables		37,636,613	27,824,735

Current employee benefit expenses are calculated on current wage and salary levels and includes related employee on-costs. 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 payable later than one year, estimated at $1,992,053 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.

Other Liabilities recognises Council's outstanding contribution to the Department of Main Roads for Water and Sewer works associated with the construction of the Forgan Bridge.

18	**Provisions**			
	Current			
	Refuse restoration	1.23	19,364,022	19,079,988
	Long service leave	1.21(e)	5,338,345	5,088,776
			24,702,367	24,168,764
	Non-current			
	Refuse restoration	1.23	14,103,631	12,453,930
	Quarry restoration	1.23	2,017,946	1,314,446
	Long service leave	1.21(e)	1,682,161	1,372,438
			17,803,738	15,140,814

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

	Note	2012 Actual $	2011 Actual $

18 Provisions (continued)

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.

Details of movements in provisions:

Refuse restoration		
Balance at beginning of financial year	31,533,918	30,400,000
Increase in provision - change in present value over time	771,911	125,324
Increase in provision - due to change in future cost	537,382	1,858,606
Amount expended in year	624,442	(850,012)
Balance at the end of financial year	33,467,653	31,533,918

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 $36,854,222 and this cost is expected to be incurred between 2013 and 2019 after closing the sites and allowing a period for settlement.

Quarry restoration		
Balance at beginning of financial year	1,314,446	1,210,000
Increase in provision - change in present value over time	67,300	99,446
Increase in provision - due to change in future cost	636,200	5,000
Balance at the end of financial year	2,017,946	1,314,446

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 $3,837,080 and this cost is expected to be incurred between 2014 and 2057.

Long service leave		
Balance at beginning of financial year	6,461,214	7,102,889
Amount provided for in the period	1,483,814	206,719
Amount paid in the period	(924,522)	(848,394)
Balance at the end of financial year	7,020,506	6,461,214

19 Borrowings	1.22		
Current			
Loans - Queensland Treasury Corporation		9,761,897	8,019,531
		9,761,897	8,019,531
Non-current			
Loans - Queensland Treasury Corporation		197,209,324	179,522,177
Loans - other		2,772,000	2,772,000
		199,981,324	182,294,177

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

	Note	2012 Actual $	2011 Actual $
19 Borrowings (continued)			
Loans - Queensland Treasury Corporation			
Opening balance at beginning of financial year		187,541,708	106,673,576
Loans raised		27,389,769	87,039,013
Principal repayments		(7,960,256)	(6,170,882)
Book value at end of financial year		206,971,221	187,541,707
Loans - other			
Opening balance at beginning of financial year		2,772,000	-
Loans raised		-	2,772,000
Principal repayments		-	-
Book value at end of financial year		2,772,000	2,772,000

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 June 2013 to June 2032. There have been no defaults or breaches of the loan agreement during the period.

The loan market value at the reporting date was $229,128,335. 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		814,747	2,906,077

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	1.25		
Movements in the asset revaluation surplus were as follows:			
Balance at beginning of financial year		1,140,557,063	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
Roads, bridge and drainage network		122,624,068	170,080,516
Water		3,732,362	-
Sewerage		38,578,426	-
		164,934,856	170,135,776

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

	Note	2012 Actual $	2011 Actual $
21 Asset revaluation surplus (continued)			
Change in value of future rehabilitation costs charged to the reserve			
Site improvements		882,947	5,000
Waste infrastructure		485,624	1,858,606
Change in value of future restoration asset funded by the reserve			
Site improvements		(636,200)	(5,000)
Waste infrastructure		(537,382)	(1,858,606)
		165,129,845	170,135,776
Balance at end of financial year		1,305,686,908	1,140,557,063
Asset revaluation surplus analysis			
The closing balance of the asset revaluation surplus comprises the following asset categories:			
Land		140,972,871	140,972,871
Site improvements		3,295,865	3,049,118
Buildings		29,335,305	29,335,305
Roads, bridge and drainage network		836,580,509	713,956,441
Water		130,771,632	127,039,270
Sewerage		164,664,178	126,085,752
Waste infrastructure		-	51,758
Heritage & cultural assets		66,548	66,548
		1,305,686,908	1,140,557,063
22 Other reserves	1.26		
Reserves held for funding future capital expenditure			
Constrained works reserve		30,647,212	21,479,013
Capital improvements reserve		39,456,983	31,272,751
Carry forward works reserve		388,565	20,434,751
Offstreet parking reserve		-	380,981
Community housing reserve		91,135	157,380
Cleansing reserve		4,088,976	3,193,938
Disaster response reserve		667,340	576,399
Environment reserve		1,714,609	1,428,703
Environmental reserve - strategic land purchases		1,865,946	1,681,631
Water reserve		18,590,384	16,138,096
Sewerage reserve		30,886,082	17,645,758
Gravel quarry reserve		897,620	633,823
City centre reserve		700,091	598,131
		129,994,943	115,621,355
Reserves held for funding future recurrent expenditure			
Constrained works reserve - recurrent		13,125,068	16,987,117
Total reserves		143,120,011	132,608,472

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

	Note	2012 Actual $	2011 Actual $
22 Other reserves (continued)			
Movements in capital reserves are analysed as follows:			
Constrained works reserve			
Balance at the beginning of financial year		21,479,013	4,516,975
Transfer from retained surplus for future expenditure		18,225,053	23,015,125
Transfer to retained surplus		(9,056,854)	(6,053,087)
Balance at end of financial year		30,647,212	21,479,013
Capital improvements reserve			
Balance at the beginning of financial year		31,272,751	9,626,146
Transfer from retained surplus for future expenditure		23,289,436	30,933,487
Transfer to retained surplus		(15,105,204)	(9,286,882)
Balance at end of financial year		39,456,983	31,272,751
Carry forward works reserve			
Balance at the beginning of financial year		20,434,751	5,307,838
Transfer from retained surplus for future expenditure		51,585,770	53,693,886
Transfer to retained surplus		(71,631,956)	(38,566,973)
Balance at end of financial year		388,565	20,434,751
Offstreet parking reserve			
Balance at the beginning of financial year		380,981	347,017
Transfer from retained surplus for future expenditure		35,228	35,741
Transfer to retained surplus		(416,209)	(1,777)
Balance at end of financial year		-	380,981
Community housing reserve			
Balance at the beginning of financial year		157,380	82,444
Transfer from retained surplus for future expenditure		7,170	74,936
Transfer to retained surplus		(73,415)	-
Balance at end of financial year		91,135	157,380
Cleansing reserve			
Balance at the beginning of financial year		3,193,938	2,988,103
Transfer from retained surplus for future expenditure		4,114,449	1,426,314
Transfer to retained surplus		(3,219,411)	(1,220,479)
Balance at end of financial year		4,088,976	3,193,938
Disaster response reserve			
Balance at the beginning of financial year		576,399	282,064
Transfer from retained surplus for future expenditure		567,684	725,061
Transfer to retained surplus		(476,743)	(430,726)
Balance at end of financial year		667,340	576,399

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

	Note	2012 Actual $	2011 Actual $
22 Other reserves (continued)			
Environmental reserve			
Balance at the beginning of financial year		1,428,703	1,053,307
Transfer from retained surplus for future expenditure		1,176,064	1,086,948
Transfer to retained surplus		(890,158)	(711,552)
Balance at end of financial year		1,714,609	1,428,703
Environmental reserve - strategic land purchases			
Balance at the beginning of financial year		1,681,631	1,353,208
Transfer from retained surplus for future expenditure		366,724	328,423
Transfer to retained surplus		(182,409)	-
Balance at end of financial year		1,865,946	1,681,631
Water reserve			
Balance at the beginning of financial year		16,138,096	23,166,460
Transfer from retained surplus for future expenditure		9,225,027	13,994,994
Transfer to retained surplus		(6,772,739)	(21,023,358)
Balance at end of financial year		18,590,384	16,138,096
Sewerage reserve			
Balance at the beginning of financial year		17,645,758	9,822,609
Transfer from retained surplus for future expenditure		14,724,286	10,307,933
Transfer to retained surplus		(1,483,962)	(2,484,784)
Balance at end of financial year		30,886,082	17,645,758
Gravel quarry reserve			
Balance at the beginning of financial year		633,823	75,000
Transfer from retained surplus for future expenditure		263,797	558,823
Transfer to retained surplus		-	-
Balance at end of financial year		897,620	633,823
City centre reserve			
Balance at the beginning of financial year		598,131	414,614
Transfer from retained surplus for future expenditure		953,886	918,493
Transfer to retained surplus		(851,926)	(734,976)
Balance at end of financial year		700,091	598,131
Movements in recurrent reserves are analysed as follows:			
Constrained works reserve - recurrent			
Balance at the beginning of financial year		16,987,117	724,285
Transfer from retained surplus for future expenditure		4,107,966	16,858,419
Transfer to retained surplus		(7,970,015)	(595,587)
Balance at end of financial year		13,125,068	16,987,117

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

	Note	2012 Actual $	2011 Actual $

23 Events after balance date

In July Council purchased a parcel of land referred to as the Blacks Beach Spit which was purchased from funds in the Environmental reserve - strategic land purchases. The total of this purchase was $1,341,459.

24 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	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.

Mackay Regional Council's share is reported as:	15,881,102	16,218,220

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:	2,375,509	2,156,718

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

	Note	2012 Actual $	2011 Actual $

25 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 2011 (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 nest 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.

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 *Local Government Act 2009* 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:		6,747,484	6,531,856

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

		Note	2012 Actual $	2011 Actual $
26	**Trust funds**	1.30		
	Security deposits		4,130,941	3,842,249
	Mackay Artspace Gift Fund		3,883	3,946
			4,134,824	3,846,195

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.

27	**Reconciliation of net result attributable to council to net cash flow from operating activities**			
	Net result attributable to council		100,187,240	143,758,947
	Non-cash operating items:			
	Depreciation and amortisation	9	75,944,262	59,377,841
	Change in restoration provisions expensed to finance costs		839,211	224,770
			76,783,473	59,602,611
	Investing and development activities:			
	Capital grants, subsidies and contributions	4	(139,962,113)	(140,972,533)
	Capital income	5	(2,940,102)	(2,244,252)
	Capital expenses	10	21,523,921	10,108,239
			(121,378,294)	(133,108,546)
	Changes in operating assets and liabilities :			
	(Increase) decrease in receivables		(8,291,139)	1,281,647
	(Increase) decrease in inventories (excluding land)		(243,808)	114,684
	Increase (decrease) in payables		10,436,320	2,021,139
	Increase (decrease) in provisions		559,292	(641,675)
	Increase (decrease) in other liabilities		(2,091,330)	1,280,665
			369,335	4,056,460
	Net cash inflow from operating activities		55,961,754	74,309,472

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

28 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 2012

28 Financial instruments (continued)

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

	2012 $	2011 $
Financial assets		
Cash and cash equivalents	165,716,407	159,061,595
Receivables - rates	7,550,748	7,067,220
Receivables - other	22,408,516	14,988,859
Other credit exposure		
Guarantees	10,375,509	10,156,718
	206,051,180	191,274,392

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 2012					
Receivables	15,389,373	1,131,898	285,812	13,232,716	30,039,799
Less impairment	-	-	-	(1,530,535)	(1,530,535)
Net receivables	15,389,373	1,131,898	285,812	11,702,181	28,509,264
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	17,470,332	324,832	521,662	3,739,253	22,056,079

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 2012

28 Financial instruments (continued)

	0 to 1 year	1 to 5 years	Over 5 years	Total
	$	$	$	$
30 June 2012				
Trade & other payables	27,507,373	-	-	27,507,373
Loans - QTC	21,992,105	84,811,975	219,525,387	326,329,467
Loans - other	-	2,772,000	-	2,772,000
	49,499,478	87,583,975	219,525,387	356,608,840
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
	40,610,739	80,429,557	211,759,399	332,799,695

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	
	2012	2011	2012	2011	2012	2011
	$	$	$	$	$	$
Financial assets	-	-	1,657,164	1,590,616	1,657,164	1,590,616
Financial liabilities	(209,743,221)	(190,313,707)	(2,097,432)	(1,903,137)	(2,097,432)	(1,903,137)
Net total	(209,743,221)	(190,313,707)	(440,268)	(312,521)	(440,268)	(312,521)

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

29 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.

Details of community service obligations are:

Activities	CSO description	Actual
		$
Water and Waste 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.	130,892
Waste Services	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.	27,580

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

29 National competition policy (continued)

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

Water and Waste Water	2012 Actual $	2011 Actual $
Operating revenue		
Rates and utility charges	73,410,297	64,413,086
Less: discounts and remissions	(4,746,945)	(4,305,632)
Fees and charges	3,634,348	2,303,304
Sales contract and recoverable work	3,207,893	2,606,224
Grants, subsidies and contributions and donations	-	81,000
Interest received	3,157,943	1,883,407
Other recurrent income	126,184	60,391
Community service obligations	130,892	400,101
Internal transfers	1,210,801	939,794
	80,131,413	68,381,675
Less: operating expenses		
Employee benefits	11,995,040	11,828,925
Materials and services	17,874,973	14,525,660
Finance costs	5,211,769	4,170,439
Depreciation and amortisation	14,936,783	21,082,078
Transfer from capital (loss on disposal of assets)	2,857,695	828,564
Competitive neutrality costs	6,218,108	3,897,921
Internal transfers	3,027,251	2,701,708
	62,121,619	59,035,295
Less: transfers		
Transfer from capital (loss on disposal of assets)	(2,857,695)	(828,564)
Retained (surplus) / deficit brought forward from prior year	(4,026,604)	(2,110,533)
Transfer to capital (general revenue expended)	3,272,822	(377,236)
Inter-function dividends and return on capital	5,914,664	8,154,490
Transfer from reserves	(621,819)	(1,739,205)
Transfers to reserves	6,602,192	4,776,233
	8,283,560	7,875,185
Operating surplus / (deficit)	9,726,234	1,471,195

MACKAY REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2012

29 National competition policy (continued)

Waste Services	2012 Actual $	2011 Actual $
Operating revenue		
Rates and utility charges	17,085,433	16,153,508
Less: discounts and remissions	(983,625)	(923,942)
Fees and charges	8,390,459	6,181,838
Sales contract and recoverable work	1,303	-
Grants, subsidies and contributions and donations	-	733,607
Interest received	581,650	421,681
Other recurrent income	332,618	274,285
Community service obligations	27,580	-
Internal transfers	273,706	324,364
	25,709,124	23,165,341
Less: operating expenses		
Employee benefits	1,223,387	1,266,827
Materials and services	16,116,416	13,581,312
Finance costs	2,102,307	1,363,408
Depreciation and amortisation	1,613,172	752,668
Transfer from capital (loss on disposal of assets)	-	-
Competitive neutrality costs	538,067	579,247
Internal transfers	281,139	287,379
	21,874,488	17,830,841
Less: transfers		
Transfer from capital (loss on disposal of assets)	-	-
Retained (surplus) / deficit brought forward from prior year	(2,689,284)	648,261
Transfer to capital (general revenue expended)	22,971	1,724,030
Inter-function dividends and return on capital	349,402	255,596
Transfer from reserves	-	(946,686)
Transfers to reserves	4,331,773	964,014
	2,014,862	2,645,215
Operating surplus / (deficit)	1,819,774	2,689,285

MACKAY REGIONAL COUNCIL

Financial Statements
For the year ended 30 June 2012

Management certificate
For the year ended 30 June 2012

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 48, 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 2012 and of its financial performance and cash flows for the financial year ended on that date.

Mayor

Date: 27, 11, 12

Chief Executive Officer

Date: 27 11, 12.

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Mackay Regional Council

Report on the Financial Report

I have audited the accompanying financial report of Mackay Regional Council, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and certificates given by the Mayor and the Chief Executive Officer.

The Council's Responsibility for the Financial Report

The Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Local Government Act 2009* and *Local Government (Finance, Plans and Reporting) Regulation 2010*, including compliance with Australian Accounting Standards. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independence

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

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

Auditor's Opinion

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

(a) I have received all the information and explanations which I have required; and

(b) in my opinion -

(i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and

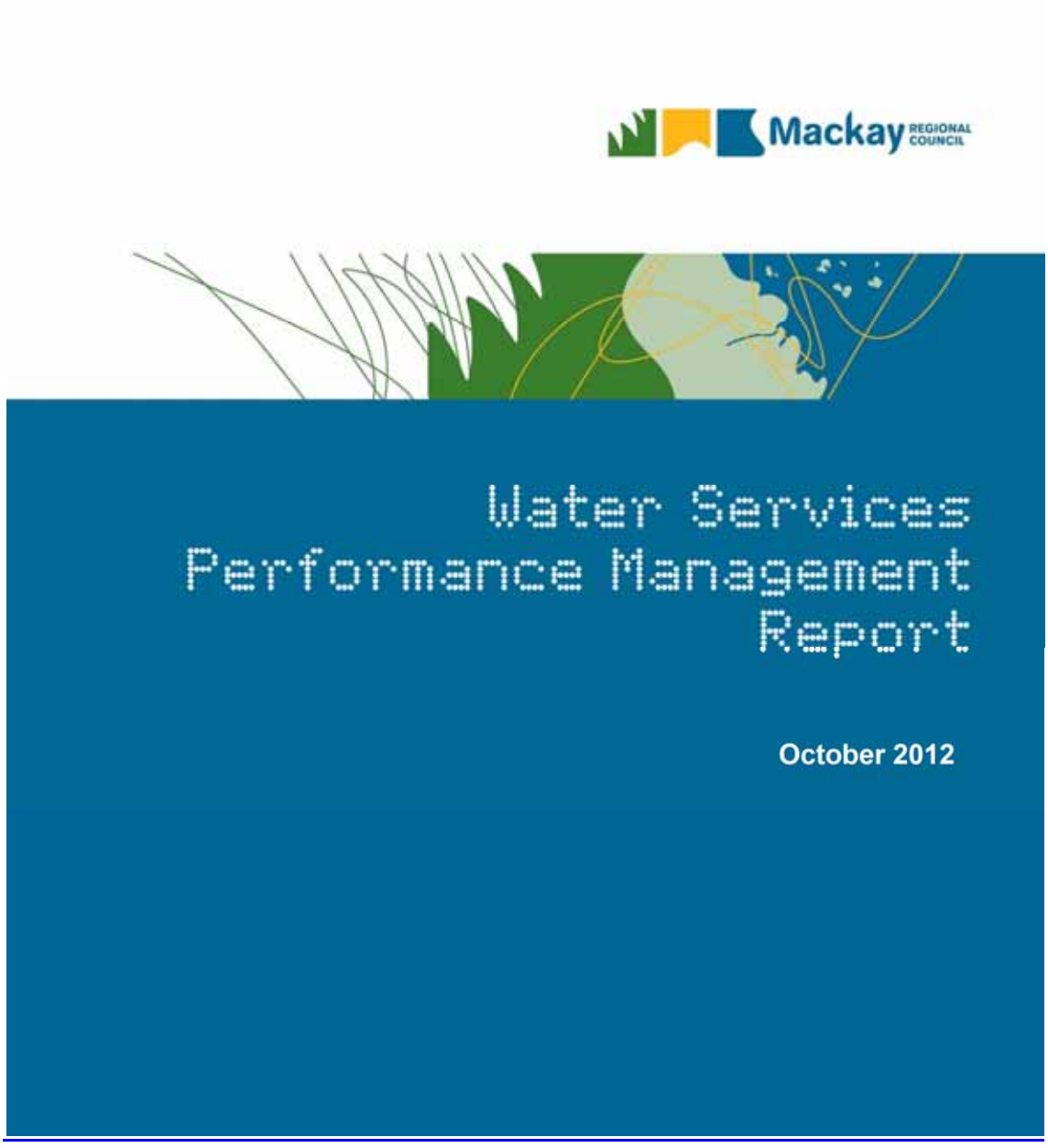
(ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of Mackay Regional Council for the financial year 1 July 2011 to 30 June 2012 and of the financial position as at the end of that year.

Other Matters – Electronic Presentation of the Audited Financial Report

The auditor's report relates to the financial report of Mackay Regional Council for the year ended 30 June 2012. Where the financial report is included on Mackay Regional Council's website the Council is responsible for the integrity of Mackay Regional Council's website and I have not been engaged to report on the integrity of Mackay Regional Council's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report. These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

P M Power FCA
As delegate of the Auditor-General of Queensland

Brisbane, 27 November 2012


Mackay REGIONAL COUNCIL
Water Services
Performance Management
Report
October 2012

Mackay Regional Council

Water and Waste Services

OVERVIEW **3**

SAFETY **5**

1.1. Incident Statistics 5
1.2. Preventative Actions 5

TEAM CULTURE **6**

2.1. Team Engagement 6
2.2. Performance Appraisals 6
2.3. Turn Over 7
2.4. Operational Hours 7

FINANCE **8**

3.1. Water Expenditure 8
3.2. Wastewater Expenditure 8
3.3. Operating Costs 9
3.4. Capital Expenditure Performance 9
3.5. Water Revenue 10
3.6. Wastewater Revenue 10

CUSTOMER SERVICE **11**

4.1. Customer Requests 11
4.2. Request Types 11
4.3. Plumbing Applications 12
4.4. Smart EDA Plumbing Applications 13
4.5. Plumbing Inspections 13
4.6. Trade Waste Approvals 14
4.7. Annual Trade Waste Targets 14
4.8. Trade Waste Compliance 15
4.9. Building Over Sewers 15
4.10. Scientific and Analytical Services 16
4.11. School Visits 17

ASSET MANAGEMENT **18**

5.1. Surface Water Raw Water Storage Capacities 18
5.2. Annual Water Consumption vs Allocation by Source 18
5.3. Water Consumption by Locality 19
5.4. Inflow and Infiltration Program 19
5.5. Wastewater - Mackay North and Mackay South Inflows 20
5.6. Wastewater – Sarina and Mirani/Marian Inflows 20
5.7. Sewer Inspections - CCTV Camera 21
5.8. Projects 22

REGULATORY COMPLIANCE **33**

6.1. Drinking Water Compliance 33
6.2. Wastewater Compliance 33
6.3. Backflow Testing 34

Mackay Regional Council

Water and Waste Services

OVERVIEW

Safe Plan MAPS compliance for the Directorate for October was 96%. WWS continues to achieve excellent Safe Plan results and staff is to be commended once again for their efforts in relation to safety. The actions from the recent external safety audit have been distributed to the respective managers to commence rectification actions where required.

No Lost Time Injuries occurring during October but 8 incidents were recorded for the month; i.e. 5 Non Injury Incidents and 3 No Lost Time Incidents. These incidents related to manual handling, property damage, chlorine leak, abuse from a customer and a vehicle related incident. WWS lost days currently sits at 18 for the YTD period.

The target number of Toolbox Talks was achieved during October with the main focus of the talks centring around Workplace Health & Safety issues.

The number of Outstanding Performance Appraisals decreased slightly in October and we expect that this trend should continue as E-Performance continues to be rolled out across the Directorate.

It is pleasing to note that the Directorate's overall staff turnover has improved significantly over the last twelve months with turnover being approximately half what it was this time last year. It is hoped that turnover will remain steady, or decrease further, as the boom in the resource sector slows.

Year to date expenditure for both Water and Wastewater is in line with budget forecasts. Capital expenditure also remains below budget forecasts but expenditure plus committals is tracking on target. Some major capital tenders (including the Sarina Water Recycling Facility) are expected to be awarded prior to the Christmas which will assist with meeting forecast expenditure.

Year to date revenue for both Water and Wastewater remains on track. The final upgrade to the Nebo Road WTP was successfully completed towards the end of October. Residents were placed on temporary Level 3 Water Restrictions during the last week of October to ensure that the Nebo Road WTP could produce sufficient water to meet the demand. All staff involved, both MRC and Mackay Infrastructure Alliance, are to be congratulated on the successful completion of the upgrade of this major water infrastructure.

There was an increase in the number of Customer Service Requests received for the month but there was also a pleasing corresponding increase in the number of requests closed off during the month. A high number of requests for water service/main breaks were received. The Water Meter Replacement and Taggle Program has commenced roll out across the region and is programmed over the next two years with the replacement of approximately 17,000 meters.

Plumbing applications reached a record high during October but an improvement in the average approval time was achieved. The Plumbing Regulation Workshop was held on 11 October and was well attended by representatives from the Master Builders Association and the plumbing industry together with WWS staff. Recommendations and initiatives formulated from the Workshop are currently being instigated.

Mackay Regional Council

Water and Waste Services

Smart EDA application numbers are still on the rise with approximately 40% of the total applications lodged in October being via the Smart EDA system. The number of Plumbing Inspections also remained high during October with 34% of the inspections carried out being Form 3 Inspections.

Trade Waste implementation continues in the Sarina district.

Investigations are continuing into the incident at the Mirani WWTP where all of the bugs present in the system were killed by illegal material received at the plant. There have been a number of incidents and detailed investigations are being undertaken to try and identify the source of this problem.

Water Storage levels remain good and ensures the security of our continued water supply over the coming months but water consumption across the district has increased with the onset of the dry weather. We are currently undertaking detailed leak investigations at Mirani to ascertain the reason for the significant increase in water consumption in this area again this month.

Director Water and Waste Services

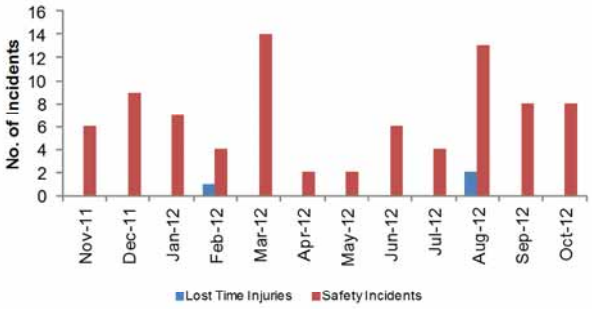
Mackay Regional Council

Water and Waste Services

SAFETY

1.1. Incident Statistics

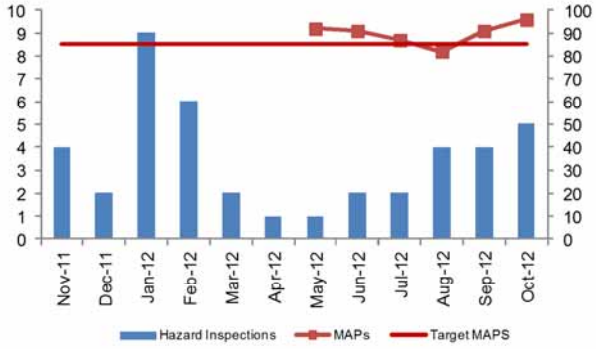
The incident statistic summary details a summary of the Water Services safety incident performance. Water Services aspires to achieve zero harm with a stretch target of zero injuries. Water Services has a target of 6 LTI for 2012 / 2013. This is based on a 30% improvement in the number of LTI's from the previous year.



There were no LTI's for October. 5 x non-injury and 3 x no time lost incidents resulting from 2 manual handling, 3 property damage, 1 chlorine leak, 1 abuse from customer and 1 vehicle related incident.

1.2. Preventative Actions

To achieve improved safety performance a range of improvement initiatives are undertaken on a monthly basis. The following figure tracks the improvement process through implementation of the SafePlan Monthly Action Plans (MAPs) and the hazard inspections.



8 hazard inspections were completed this month. MAP compliance is well above target.

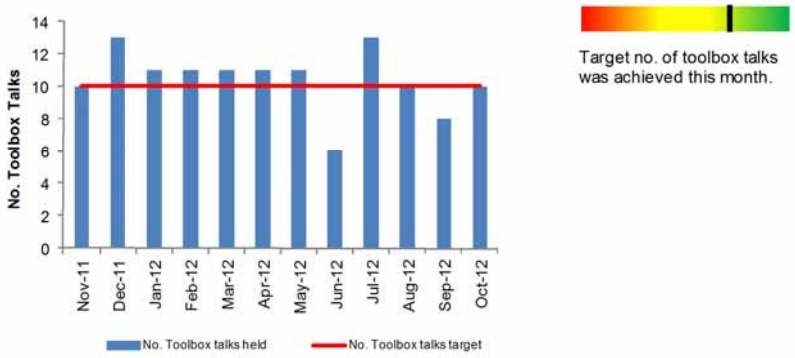
Mackay Regional Council

Water and Waste Services

TEAM CULTURE

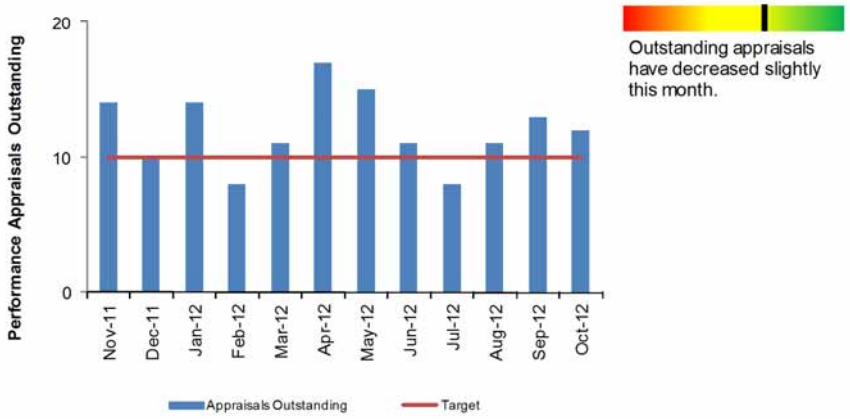
2.1. Team Engagement

Water Services believes that a high performing culture is an essential part of a successful business. The following chart tracks the initiatives to achieve an engaged, aligned and performing workplace culture through regular team meetings.



2.2. Performance Appraisals

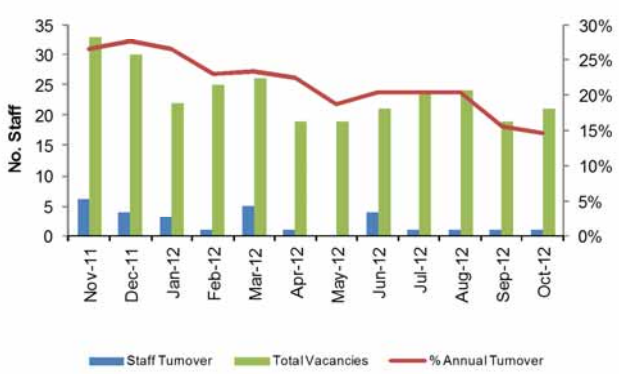
The following chart tracks the initiatives to achieve an engaged, aligned and performing workplace by conducting regular performance appraisals.



Water and Waste Services

2.3. Turn Over

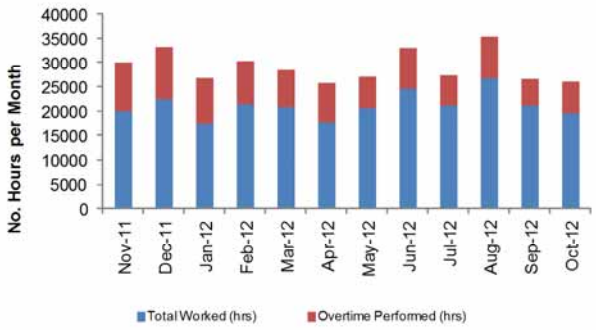
The following staff turnover statistics are presented as an indicator of staff stability in the business. The business aims to keep the annual turnover under 10%.



Overall staff turnover has improved significantly over the past 12 months. A number of existing and new positions remain unfilled. Some positions have been filled with staff commencing in the coming months.

2.4. Operational Hours

The following chart details the productive hours worked during both normal and overtime. The graph excludes staff time on leave, training and down time due to wet weather.



Hours worked remains steady.

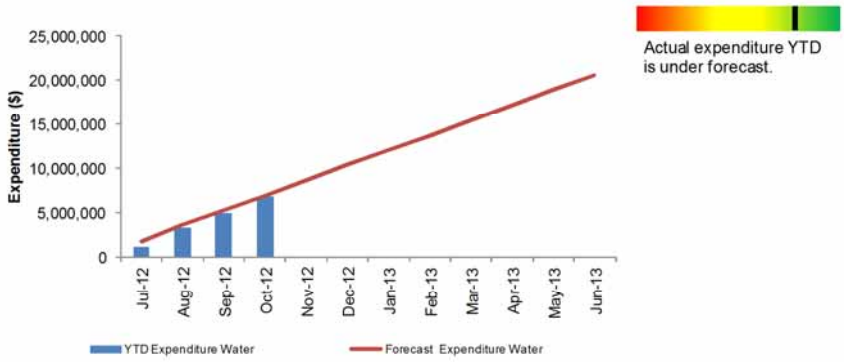
Mackay Regional Council

Water and Waste Services

FINANCE

3.1. Water Expenditure

The following trend provides a high level overview of the water expenditure to monitor forecast expenditure against actual expenditure. The forecast expenditure profile has been derived from previous year's cash flows. Note that the below graph does not include finance and depreciation costs.



3.2. Wastewater Expenditure

The following trend provides a high level overview of the wastewater expenditure to monitor forecast expenditure against actual expenditure. The forecast expenditure profile has been derived from previous year's cash flows. Note that the below graph does not include finance and depreciation costs.

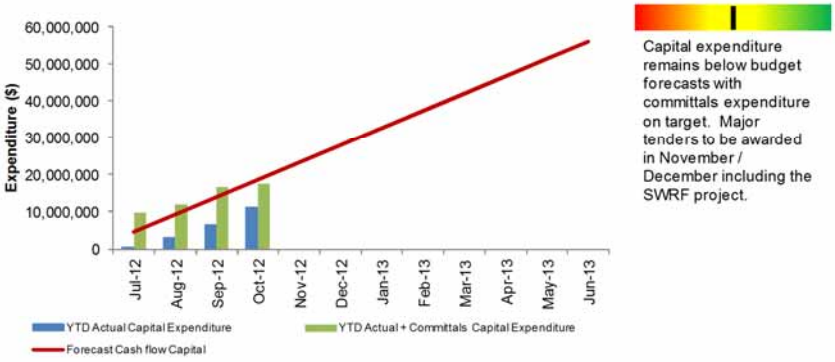
Water and Waste Services

3.3. Operating Costs

The figure below details the average operating costs to treat water and wastewater in Mackay Regional Council. Due to the high fixed costs associated with the treatment the $/ML is significantly influenced by the prevailing weather.

3.4. Capital Expenditure Performance

The following trend provides a high level overview of the capital expenditure to monitor forecast expenditure against actual expenditure. The forecast expenditure profile is based on the project delivery schedule within Water Services.

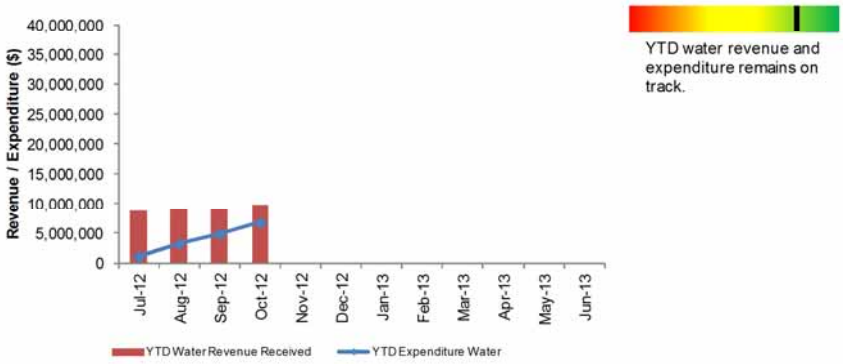


Mackay Regional Council

Water and Waste Services

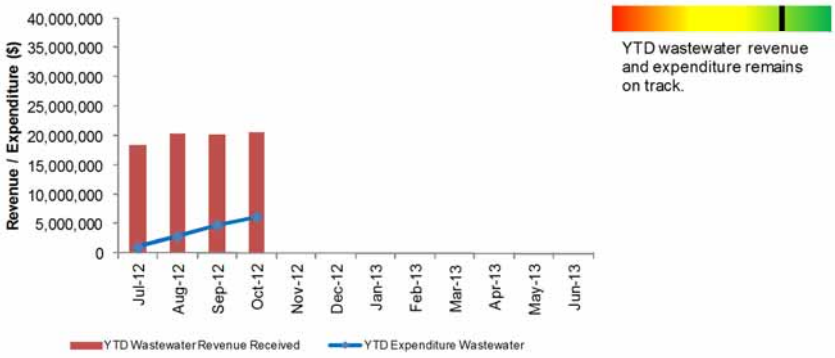
3.5. Water Revenue

Water revenue is received periodically through a combination of the access charge and consumption charge.



3.6. Wastewater Revenue

Wastewater revenue is collected biannually.



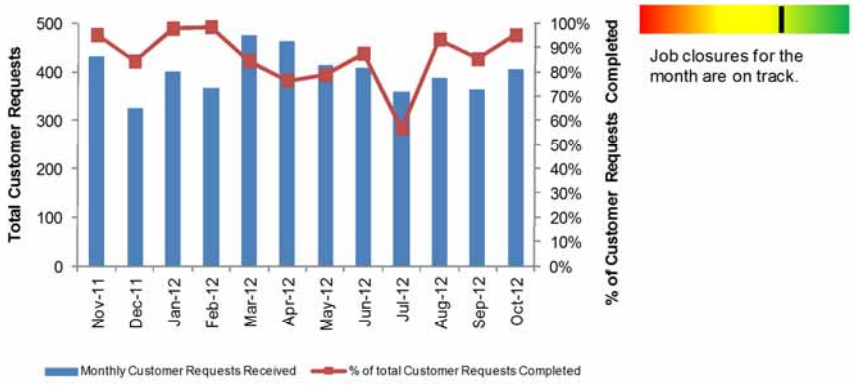
Mackay Regional Council

Water and Waste Services

CUSTOMER SERVICE

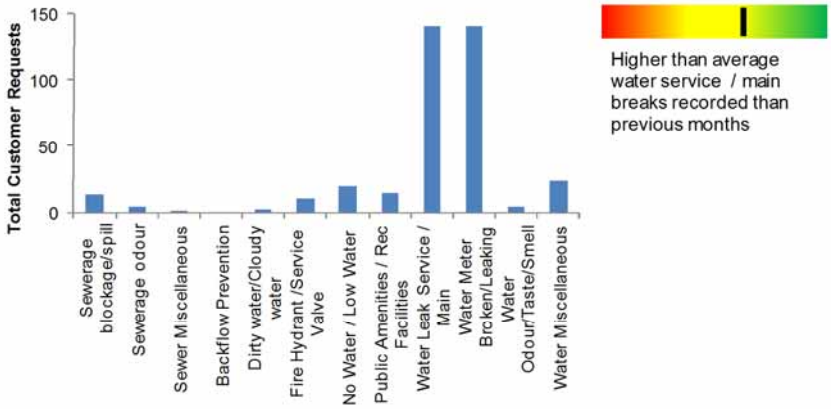
4.1. Customer Requests

This graph details the customer requests received and recorded via pathways that relate to the Water Business. The target is to have 90% of all customer requests closed at any one point in time.



4.2. Request Types

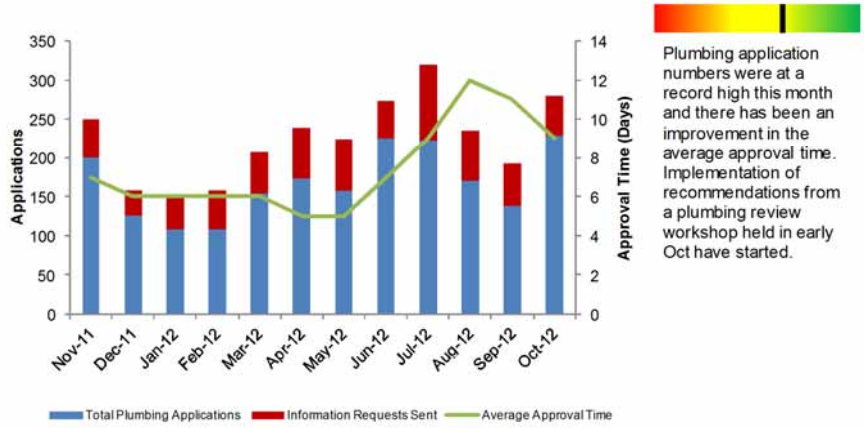
The following chart displays a summary of the customer request types received for the month.



Water and Waste Services

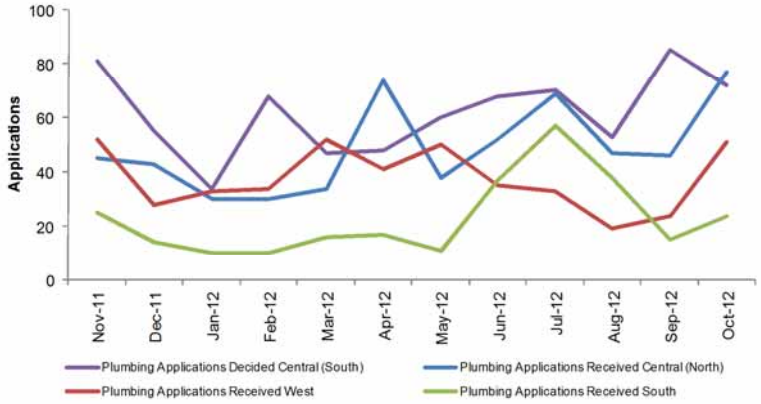
4.3. Plumbing Applications

In accordance with the *Plumbing and Drainage Act* a plumbing application is required for all new plumbing installations or modifications to existing plumbing. A plumbing application must be lodged to Local Government. Water Services has a regulatory time frame of 20 business days to assess a plumbing application. An internal target of 5 business days has been set for all residential plumbing applications.



Plumbing application numbers were at a record high this month and there has been an improvement in the average approval time. Implementation of recommendations from a plumbing review workshop held in early Oct have started.

An indication of the amount of building activity in each population centre of the Mackay region can be derived by assessing the building activity by location. This is summarised in the table below.

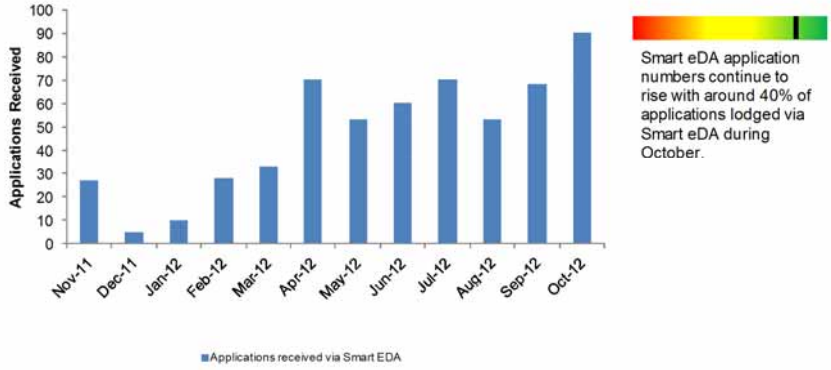


Mackay Regional Council

Water and Waste Services

4.4. Smart EDA Plumbing Applications

In May 2011 Water Services launched the ability for Plumbing Applications to be submitted electronically through the State Government Smart EDA service. Water Services is targeting 20% of all applications to be lodged electronically by the end of the 2012 / 2013 financial year.



4.5. Plumbing Inspections

Plumbing inspections are undertaken throughout a building construction or renovation process. Typically 4 plumbing inspections are undertaken for each plumbing application. In accordance with the *Plumbing and Drainage Act* plumbing inspections must be carried out within 48 hours of a plumbing inspection being booked. If Water Services cannot attend the plumbing inspections within the regulated 48 hour period, a plumber can submit a form 3 booking and proceed without an inspection, 1 hour after the 48 hour period.

Water and Waste Services

4.6. Trade Waste Approvals

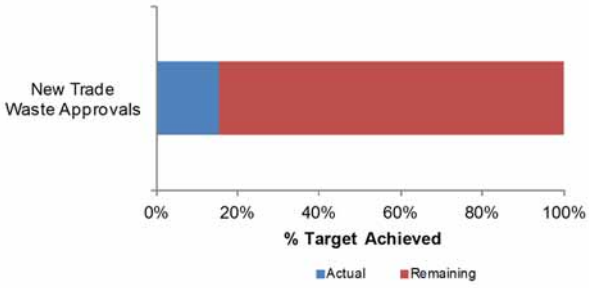
The program for undertaking trade waste assessment and licensing of all applicable businesses that discharge trade waste is ongoing. As part of the Trade Waste Assessment process a temporary Trade Waste Approval is put in place while the formal approval process is undertaken. The table below summarises the number of Trade Waste Approvals in the Mackay Region.

	Total Approved Businesses	Temporary Approvals In Place	New Approved Businesses for the Month
Mackay South	487	38	9
Mackay North	41	0	3
Sarina	28	25	8
Mirani	1	0	0
	557	**63**	**20**

Trade Waste implementation within Sarina continued. Investigations into the incident at the Mirani WWTP are ongoing. Trade waste meters were read for the second half yearly billing period, with accounts to be issued early November.

4.7. Annual Trade Waste Targets

Annual targets are set for the Trade Waste team with respect to licensing Trade Waste Businesses. The two targets currently in place are to undertake trade waste assessments for all businesses in Sarina, Mirani / Marian and Paget by June 2012 and to achieve 250 new licensed businesses by June 2012.



Targets for trade waste assessments remain on track.

Water and Waste Services

4.8. Trade Waste Compliance

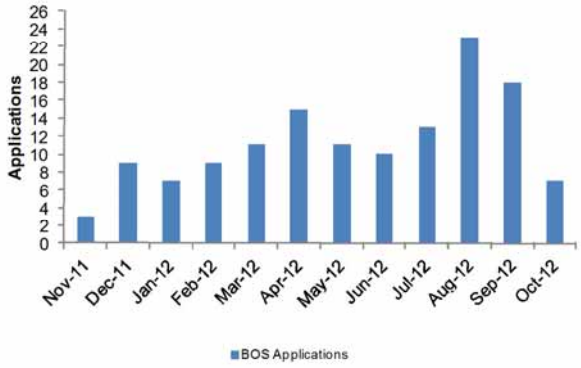
Trade Waste compliance testing is undertaken on a routine basis for all trade waste generators that have pre-treatment devices installed. The compliance testing is aimed at ensuring that Trade Waste discharges will not adversely impact on the treatment plant. A summary of the trade waste compliance tests undertaken in each Wastewater Treatment Plant catchment is detailed below.

	Compliance Tests within Limits	Compliance Test Outside limits
Mackay South	30	7
Mackay North	0	1
Sarina	3	0
Mirani	0	0
	33	**8**

Pump out arrangements for pre treatment devices are put in place for businesses that do not comply.

4.9. Building Over Sewers

Building Over Sewer applications are lodged where the construction of a structure is proposed within close proximity of a sewer main. The application is assessed in accordance with Councils building over and adjacent to sewer policy. In accordance with the policy, building over sewer applications are assessed within 20 business days. Future reporting will include performance against turnaround time targets.



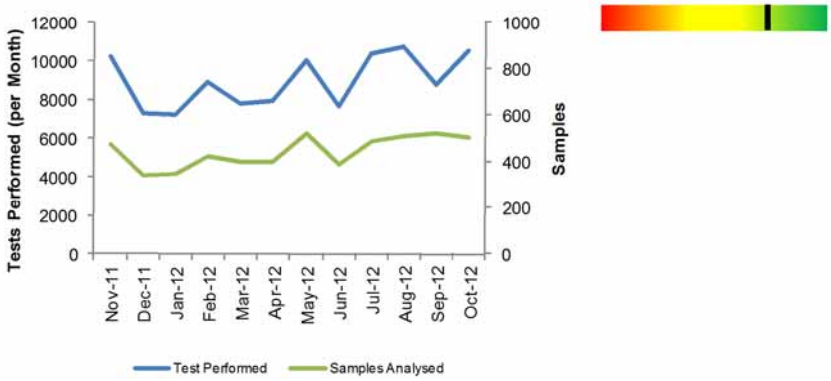
Application numbers have decreased for October. The BOAS officer has tendered his resignation and the recruitment process is underway.

Mackay Regional Council

Water and Waste Services

4.10. Scientific and Analytical Services

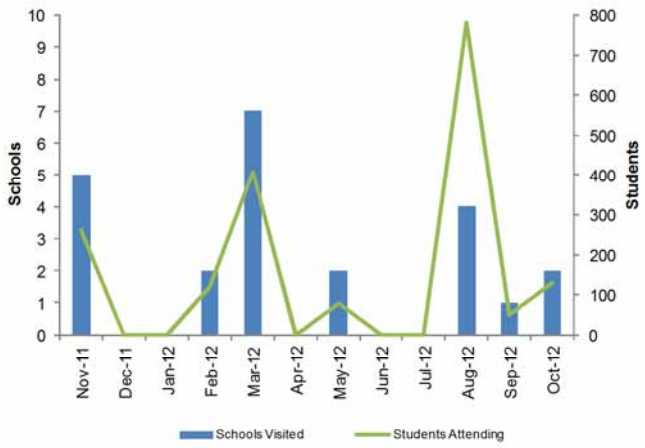
Scientific and Analytical Services provides laboratory analysis in accordance with National Association of Testing Authorities (NATA) Standards to both Mackay Regional Council and external customers. A summary of the laboratory activities are detailed below.



Water and Waste Services

4.11. School Visits

As part of the community education program Water Services provides water awareness sessions at schools. A summary of the program is detailed in the graph below including schools visited and students presented to.



The "Watch the Flow of your H20" Social Marketing Campaign continued throughout October and included press ads, TVC's, online and direct mail advertising and outdoor bus advertising.

The National Water Week colouring-in competition was also held in October.

WWS received the IPWEAQ Engineering Excellence Award for the Integrated Demand Management Program.

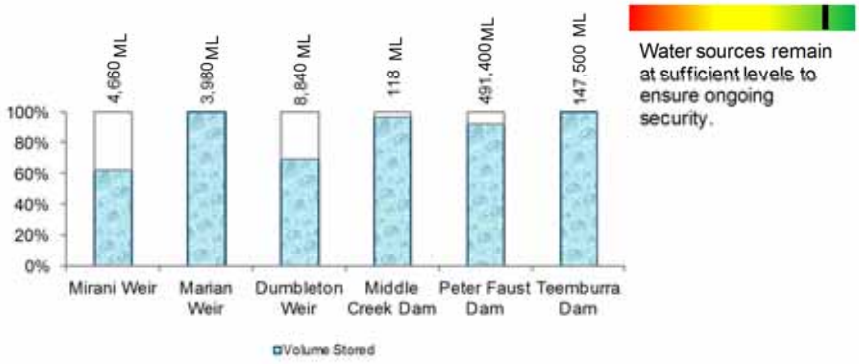
Mackay Regional Council

Water and Waste Services

ASSET MANAGEMENT

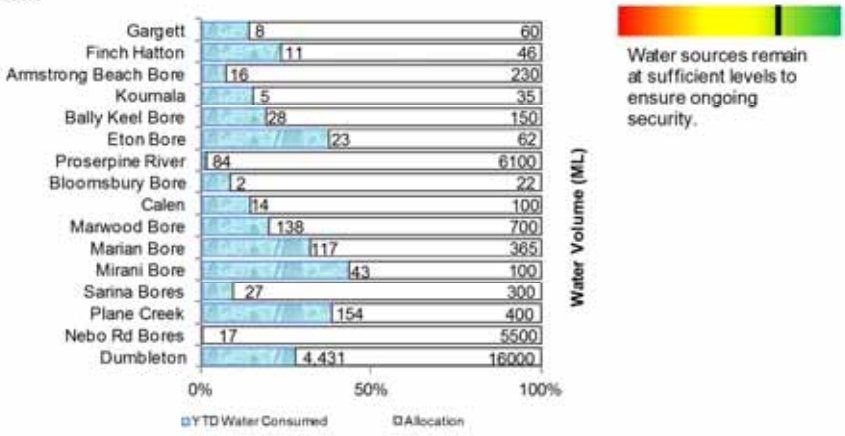
5.1. Surface Water Raw Water Storage Capacities

Water Services sources water from a combination of surface water and groundwater sources. With the exception of Middle Creek Dam the storage facilities are owned and operated by SunWater. Middle Creek Dam is under Council's control. The water stored in each of the storages is detailed below. Due to the higher than average rainfall and lower than average consumption the water storages remained high for 2012 / 2013.



5.2. Annual Water Consumption vs Allocation by Source

Water Services has a water allocation or water license for each water source. The water allocation and year to date water consumption for each of the water sources is detailed below.

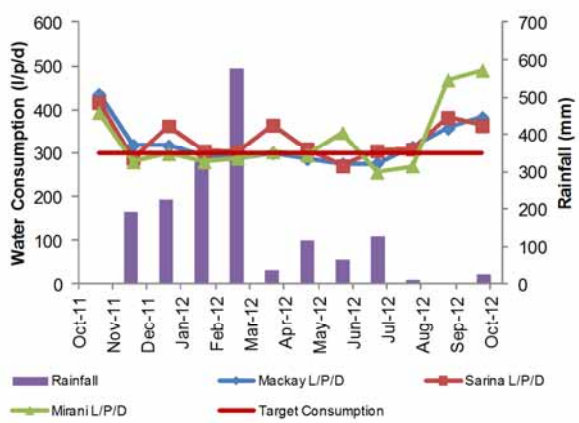


Mackay Regional Council

Water and Waste Services

5.3. Water Consumption by Locality

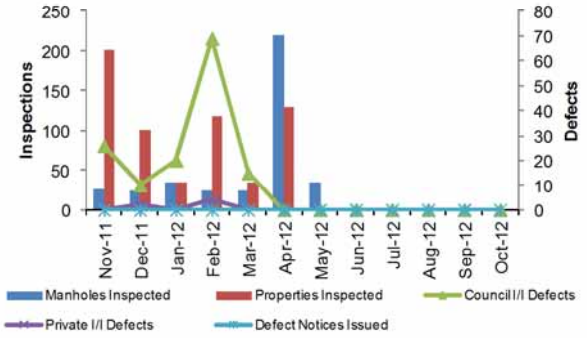
Water Services supplies water to both residential and commercial water customers throughout the Mackay Region. The average water consumption in each of the three major community centres is detailed below. The water consumption is presented as litres per equivalent population per day. This graph provides a summary of water consumption including commercial water use.



Water consumption in the region has increased with the dry weather. We are currently undertaking detailed leak investigations at Mirani.

5.4. Inflow and Infiltration Program

The inflow and infiltration program is aimed at reducing the amount of groundwater and stormwater that enters the sewer network. Water enters the sewage system through both private plumbing and Council infrastructure. The program is designed to reduce the occurrence of sewer surcharges during wet weather events. A summary of the program activities is as follows.

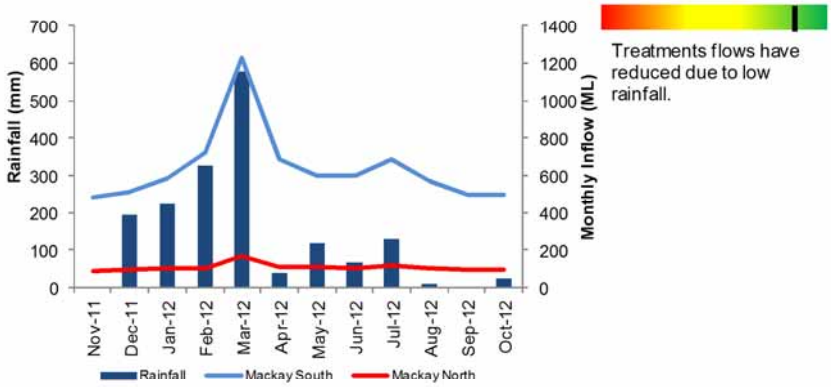


Staff relocated to other work. Alternate resources being investigated.

Water and Waste Services

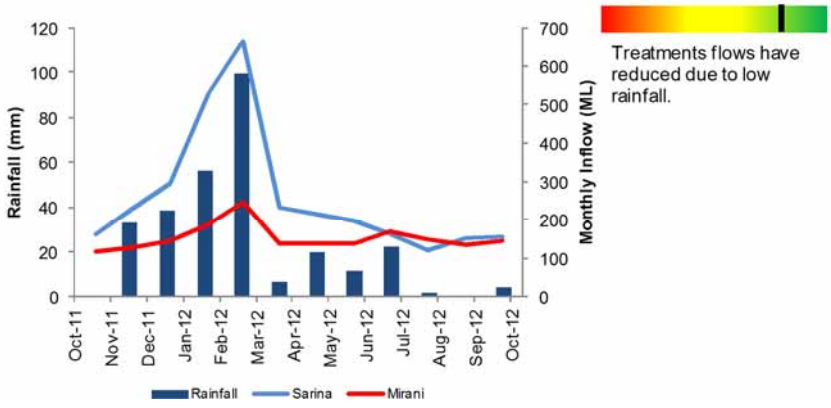
5.5. Wastewater - Mackay North and Mackay South Inflows

The inflow into Wastewater Treatment Plants is impacted by the number of sewage connections and the extent of inflow and infiltration. The monthly inflow into the Mackay North and Mackay South Water Recycling Facilities is detailed below.



5.6. Wastewater – Sarina and Mirani/Marian Inflows

The monthly inflow into the Mackay North and Mackay South Water Recycling Facilities is detailed below.

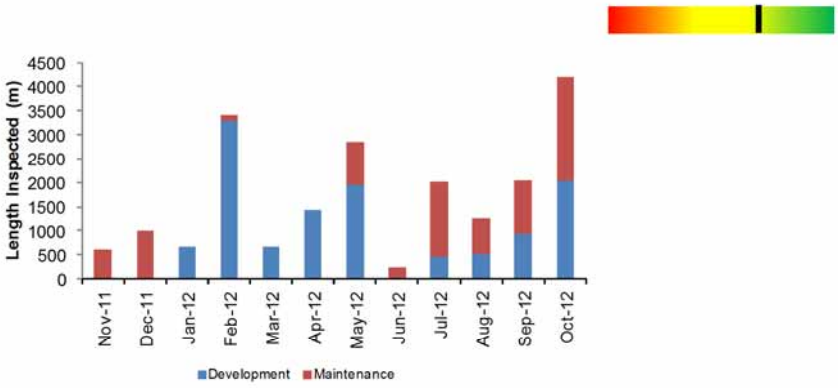


Mackay Regional Council

Water and Waste Services

5.7. Sewer Inspections - CCTV Camera

To protect and identify defects in the sewer system Water Services routinely undertakes CCTV inspections of the sewer system. CCTV inspections are undertaken for both developers as part of the process to create a new subdivision and on existing sewer assets as part of the routine sewer inspection program. A summary of the CCTV activity is displayed below measured as meters of sewer inspected.



Mackay Regional Council

Water and Waste Services

5.8. Projects

Water Services undertakes a range of projects across the water business. Projects take the form of Capital Projects, Planning Studies and investigations.

Program	Project	Status	% Complete	Budget	Time
ID	Nebo Road Water Treatment Plant	Commissioning	100%		

The following systems have been recommissioned to prove complience with the design requirements:
- Polymer Dosing System to Sludge Thickener
- Polymer Dosing System to Centrifuges
- Sludge Thickener
- Centrifuges
- PAC Dosing System

The following modifications associated with the Sludge Management System have also been commissioned:
- Sludge Blanket Level Detector
- Suspended Solids analyser (2-off)
- Standby Sludge Transfer Pump
- Polymer Dosing Systems Modifications

Based on the results of the recommissioning, Commissioning Completetion Certificate has been issued with a dtae of 30th May, 2012. Defects Liability Period has commenced and concludes 30th May, 2014.

Program	Project	Status	% Complete	Budget	Time
ID	MAC - Percy Crt Embankment Repairs	Construction	20%		

Preliminary design of embankment protection complete. Access agreement negotiation with owners of 17 Percy Crt finalised. Contractor commenced work on 27/09/12. Contract price exceeded budget estimate. Works commencement delayed at request of property owner till after 11/12 wet season.

Program	Project	Status	% Complete	Budget	Time
ID	SPS - Dump Rd	Tender-Procurement	15%		

Tender awarded to Georgio Constructions, Management plans expected by first week of November.

Mackay Regional Council

Water and Waste Services

Program	Project	Status	% Complete	Budget	Time
ID	SPS - Marryatt St Upgrade	Procurement-Tender	10%	•	•

Project has been bundled with Goldsmith SPS and Gooseponds SPS, Tender advertised with close date of 20 November.

Program	Project	Status	% Complete	Budget	Time
ID	Marian Network Augmentation	Defect Liability Period	95%	•	•

All physical works complete. "As Con" plans are being prepared by the designers and are in the advanced stages of completion.

Program	Project	Status	% Complete	Budget	Time
ID	Blacks Beach Reservoir Booster Pump Station	Tender-procurement	15%	•	•

Tenders period closed 4/9/12 - recommendation report to be submitted to Council. Potential for delays to construction due to Ergon cable relocation (currently scheduled for Jan 13).

Program	Project	Status	% Complete	Budget	Time
ID	AWMT Malcolmson St 450mm replacement (Glenpark -Evans Ave)	Construction	15%	•	•

Construction has started on the 150mm (Job Number 60074) section of main, only some potholing so far for 450mm. The 450mm pipe cannot be laid until the old 150mm main is removed. Current Budget is $0.94m while predicted completion cost is $1.35m ($410k shortfall).

Program	Project	Status	% Complete	Budget	Time
ID	Eton Water Pump Station	Tender-procurement	15%	•	•

Tender are closed. Tenders have been issued information requests to help with tender review.

Mackay Regional Council

Water and Waste Services

Program	Project	Status	% Complete	Budget	Time
ID	Small Community Fluoridation - Marian	Tender-procurement	50%	•	•

Marian Fluoridation FCDR is being reviewed by IPMG for funding. Currently on hold awaiting QLD government decision.

Program	Project	Status	% Complete	Budget	Time
ID	Inflow/Infiltration (Reline)	Construction	75%	•	•

11/12 Works package delayed by resource availability. Works all but complete, only junctions left to be sealed.

Connection to existing 200mm main in Evans Ave

AWMR - Malcomson St 150mm WM Replacement

Status	% Complete	Budget	Time
Construction	85%	•	•

Comments	Program	ID
Roebucks started on site 11/9/12. Majority of the 150mm main has been laid. Connection to existing pipes at Evans Ave and Willis St have been made and house/business services are starting to be swapped to new main. Contract price higher than budget estimate, predicted project cost is $326k - a shortfall of $90k. Budget to be reviewed in 1st Quarter.		

Program	Project	Status	% Complete	Budget	Time
ID	Leak Detection and flow measurement	Construction	90%	•	•

11/12 Projects now partially commissioned with ability to download the data manually. SIM cards to be activated shortly enabling observation of live online data in regard to flow management. Planning information in regard to the 9 No. 12/13 FY flow meter pit installations are awaited from Cardno and is expected mid November.

Program	Project	Status	% Complete	Budget	Time
ID	Boundary Rd WM (Bruce Highway – Rainlovers St.)	Complete	95%	•	•

Works complete though delay in receiving "As Con" information from TMR, plan preparation in progress.

Water and Waste Services

Program	Project	Status	% Complete	Budget	Time
ID	WRS - Greenmount No 2 Reservoir	Land Purchase	20%	•	•
Property Services progressing resumption process.					

Program	Project	Status	% Complete	Budget	Time
ID	South Mackay Trunk Main	Construction	95%	•	•
All Hydrostatic testing, disinfection and flushing of the entire line completed. A walk through with MRC personnel to determine any defects requiring close out will be co-ordinated for mid October. Project suffered delays due to wet weather and delay in Ergon relocations.					

Program	Project	Status	% Complete	Budget	Time
ID	SPS - Goldsmith St SPS Upgrade	Procurement-Tender	10%	•	•
Project has been bundled with Gooseponds SPS and Marryatt Street SPS, Tender advertised with close date of 20 November.					

Program	Project	Status	% Complete	Budget	Time
ID	SPS - Gooseponds Upgrade	Procurement-Tender	10%	•	•
Project has been bundled with Goldsmith SPS and Marryatt Street SPS, Tender advertised with close date of 20 November.					

Program	Project	Status	% Complete	Budget	Time
ID	SPS - Prawn Farm	Procurement-Tender	5%	•	•
Tender documentation in MRC format to be advertised on 3 November with a close date of 4 December 2012.					

Program	Project	Status	% Complete	Budget	Time
ID	ASRM - Malcomson/Greenfields Intersection Upgrade	Planning/Design	20%	•	•
Roads driven renewal project - WM design by Eng Services commenced. To be constructed in conjunction with 60059.					

Mackay Regional Council

Water and Waste Services

Program	Project	Status	% Complete	Budget	Time
ID	SPS - Burgess St SRM	Construction	60%	•	•

Construction commenced early Sept. 310m of 550 have been laid. Rock was struck while doing the Goosepond Creek underbore and boring was ceased. More Geotech investigation was needed to find a passage were the clay layer over rock was thicker and the alignment was moved accordingly. Construction was delayed by two weeks due to the geotech investigation. Work recommenced on 22 October and continued with the Goosepond Creek underbore at the new alignment.

Program	Project	Status	% Complete	Budget	Time
ID	Dumbleton RW Intake Upgrade	Construction	98%	•	•

Completed Pigging Pit Area at Nebo Road WTP

The Dumbleton Pump Station has been demobilised and with the new PLC installed, the pumps are running under the control of the Nebo Road WTP. Mechanical commissioning has been completed and with the installation of the new PLC electrical commissioning has also been completed.

The cut-in to the new main and installation of new main pipework was scheduled to commence 7th October but due to high water demand, this was delayed until 23rd October and water was back to full flow 27th October.

The next stage is to hydrostatic test the new main, pig both mains and then ramp the pumps up to hopefully achieved the design flow of 813 L/Sec. The ability to achieve this flow rate

Removal of Lower Section of Suction Manifold

RWI - Dumbleton Raw Water Supply ph1

Status	% Complete	Budget	Time
Construction	92%	•	•
Comments		**Program**	ID

The pump station has been partially commissioned during the implementation of the interim operating procedure and currently can be operated using pairs of pumps selected from Nebo Road WTP utilising the existing RTU until the new PLC is installed and commissioned. The bypass and pump was removed mid September and the site demobilised late September.

At Nebo Road WTP, the connection of the old main through the Pigging Pit is complete. The next major step will be the cut-in to the new main and installation of the new main pipework between the Pigging Pit and the Plant Terminal Valves which will take (5) days to complete.

Mackay Regional Council

Water and Waste Services

Program	Project	Status	% Complete	Budget	Time
ID	Digitisation of Telemetry	Design	10%	•	•

Tenders awarded for replacement of obsolete RTU's to 10 water pump station sites.

Program	Project	Status	% Complete	Budget	Time
ID	Digitisation of MW Telemetry	Installation	50%	•	•

Telemetry equipment installed at 9 unmonitored sites, commissioning and ClearSCADA integration completed. Tenders awarded for replacement of 78 3000 series RTUs.
Paget ClearSCADA faults currently being rectified and some additional features to assist with network management added.

Program	Project	Status	% Complete	Budget	Time
ID	Mirani WWRF - Interim Upgrade Augmentation	Commissioning	100%	•	•

New Aeration System Operating in Bioreactor

The new aeration manifold has been installed in the aeration tanks and has dramatically improved the dissolved oxygen levels which will improve plant performance.

The designers of the plant Yabbie Pond sized the RAS Pumps to suit the Stage 1 Upgrade at 10-22 L/Sec @ 15 meters of head which has proven to be and issue with the pumping requirements of the interim upgrade. New pumps 3-11 L/Sec @ 5 meters of head have been ordered and scheduled to be installed early November.

Construction Completion was achieved 14th September and Commissioning Completion 28th September which is (4) weeks earlier than the planned completion of 31st October, 2012.

Program	Project	Status	% Complete	Budget	Time
ID	Malcomson St (Charles Hodge St) WMR	Construction	10%	•	•

Materials have been procured. Awaiting available crew. Roads driven project which has been delayed in their schedule.

Mackay Regional Council

Water and Waste Services

Program	Project	Status	% Complete	Budget	Time
ID	Retic - Meter Replacement Program	Construction	35%	•	•

Contractor continues to install Domestic water meter on private properties. Continuing to liaise to ensure that Business Services and Revenue Department obtain appropriate information while these water meters are replaced. 1000 AMR devices are ready to be installed with the new water meters. An additional 2000 AMR devices have been ordered from suppliers. Approx 2000 water meters have been replaced to date.

Program	Project	Status	% Complete	Budget	Time
ID	Mirani WTP	Planning/Design	85%	•	•

Design of river extraction structure in progress. Negotiations for purchase of allotment from Mackay Sugar for treatment plant finalised. Design of clear water pipeline to ground level reservoir site commissioned.

Program	Project	Status	% Complete	Budget	Time
ID	AWMT Malcomson St (Int with Greenfields Bvd)	Tender-Procurement	0%	•	•

Roads driven renewal project - WM design by Eng Services complete. Incorporation of WM construction with roadworks to be discussed with Civil Projects.

Program	Project	Status	% Complete	Budget	Time
ID	Sarina Reservoir No.1 - Leaking Roof	Construction	60%	•	•

The concrete rehabilitation to the walls and columns has been completed. Contractor is presently preparing and painting internal pipe work. It has been identified that the floor joint seals require replacing. The joints are now being prepared for resealing. The roof contractor attended site on Monday 27th August to take measurements to enable the drafting of shop drawings for the fabrication of the new steel support for the new roof. The installation of the new roof is programmed to commence on 24th September.

Mackay Regional Council

Water and Waste Services

Program	Project	Status	% Complete	Budget	Time
ID	Sarina Water Recycling Facility	Tender-Procurement	80%		

Good response received to SPS & RM tender with 7 submissions received. Tender evaluation commenced with a number of TIR's issued. SWRF Tender evaluation progressing with clarifications of Technical and Commercial departures.

Sarina Water Supply Strategy

Status	% Complete	Budget	Time
Planning	10%		
Comments		**Program**	P&S

New Project. Strategic Planning Report into future water supply and infrastructure requirements.

Sewer Flow Meter

Inflow & Infiltration Audit Planning Investigation: Phase 2

Status	% Complete	Budget	Time
Planning	60%		
Comments		**Program**	P&S

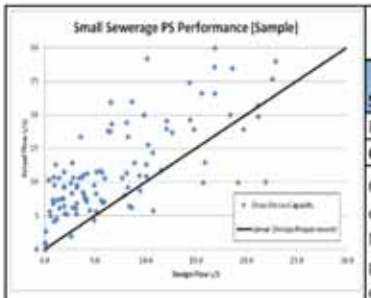
Quotations have been recieved from external service providers to deploy and monitor and report back on a number of metering stations to obtain a wider footprint across the various catchments. Bid adjudication complete and P&S has made recommendations to Infrastructure Delivery as to the preferred supplier.

Mackay Regional Council

Water and Waste Services

Mirani WRF Stage 1 upgrade			
Status	**% Complete**	**Budget**	**Time**
Planning	35%	•	•
Comments		**Program**	P&S

The options paper is being held in suspense pending further discussions occurring with Reef Catchments regarding nutrient offsets trial. Costs are being sourced for the different options to then be used to arrive at a preferred option. A meeting is also scheduled with newly elected officials in the successor to DERM to discuss and seek in principle endorsement of non-infrastructure solutions before proceeding further.

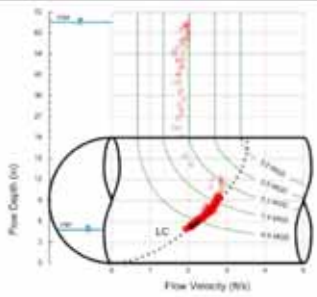


Actual capacity vs. Industry standard capacity

Sewer Pump Station (SPS) vs. System Integration Optimisation			
Status	**% Complete**	**Budget**	**Time**
Planning	90%	•	•
Comments		**Program**	P&S

Concept Planning Report being prepared to guide an ongoing investigation across Mackay, Sarina, Marian & Mirani into opportunities for better integration of existing pump stations within receiving catchments and alleviation of spillages downstream of receiving manholes. Internal review consultation with the operators is complete. This project, although nearly complete, has directly by means of the knowledge creation achieved (understanding root causes) precipitated two other planning projects "Sewer Pump Station Spillage Alleviation" and "Sewage Pump Station Pump Rationalisation". These will continue even as this project is completed.

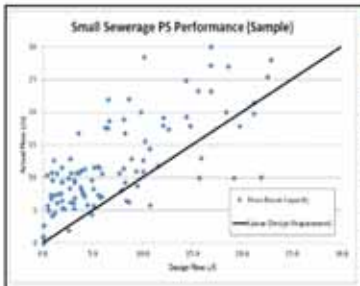
Water and Waste Services



Transition of open channel flow into pressure flow

Sewer Pump Station Spillage Alleviation			
Status	**% Complete**	**Budget**	**Time**
Planning	90%	•	•
Comments		**Program**	P&S

Flowing from the Sewerage Pump Station Rationalisation and System Integration Project, a planning investigation is underway into proposed improvements to overcome localised surcharging where sewer rising mains discharge into gravity sewers. Planning reports are finalised for Forgan Street SPS and Kenny's Road SPS related spillages. Proposed short term mitigation measures are underway by Operations and the long term components are now with Infrastructure Delivery to take forward to detailed design. A next stage to this project is now proposed for the identification of works for the 2012/2013 Capital Program " Sewage Overflow Abatement".



Sewer Pump Station Pump Rationalisation			
Status	**% Complete**	**Budget**	**Time**
Planning	85%	•	•
Comments		**Program**	P&S

Potential Long Term program based on a Concept Planning Report being prepared to guide an investigation across Mackay, Sarina, Marian & Mirani into opportunities for reduction in the wide variation in pumpset type and manufacture to facilitate ease of maintenance. Planning outcomes were presented to internal stakeholders and based on the feedback it will be necessary to carry out a proof of concept pilot involving a retrofit to selected pump stations of the recommended standard pump. Since this is a long term approach, the retrofit pilot study may be timed for the 2013/2014 Capital program.

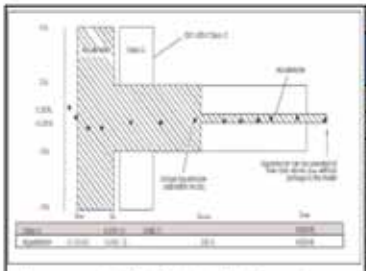
Mackay Regional Council

Water and Waste Services

Study Area

Master Plan for Sewerage: Mackay CBD.			
Status	**% Complete**	**Budget**	**Time**
Planning	80%	•	•
Comments		**Program**	P&S

New Project: Planning Report being prepared to guide future Capital investment for sewerage infrastructure in Mackay City Centre. First draft internal review completed and findings and recommendations have been reassessed to include a comparative assessment of options requiring hydraulic modelling and a desktop feasibility assessment into piloting a new approach to dealing with midblock sewers to address issues. It is proposed to deal with the pilot study as a desktop proof of concept planning 'feasibility study' investigation as a seperate planning project which needs to be scoped and subject to budget availability; an external PSP procurred. This outcome will be fed back into the Master Planning report to allow finalisation.



Accuracy potential of latest technology meters

Commercial Water Meter Replacement program.			
Status	**% Complete**	**Budget**	**Time**
Planning	60%	•	•
Comments		**Program**	P&S

Revenue protection focused planning investigation to identify which commercial flow meters are due for replacement due to likely meter error. 100 candidate flow meters identified for closer investigation and prioritisation. The first batch comprising of 15 meters are with the Infrastructure Delivery and Operations team for delivery. Delivery currently adversely impacted by current staffing shortfalls in Operations .

Program	Project	Status	% Complete	Budget	Time
BS	Explore requirements and implications of expanding and relocating Laboratory facilities	Initial Draft Plan completed. Changes required. Concerns about location to be assessed.	20%	•	•

Program	Project	Status	% Complete	Budget	Time
BS	Identify Statutory Reporting requirements and develop database with compliance tracking mechanism	Most statutory reporting requirements identified and listed. Tracking mechanism not complete.	45%	•	•

Mackay Regional Council

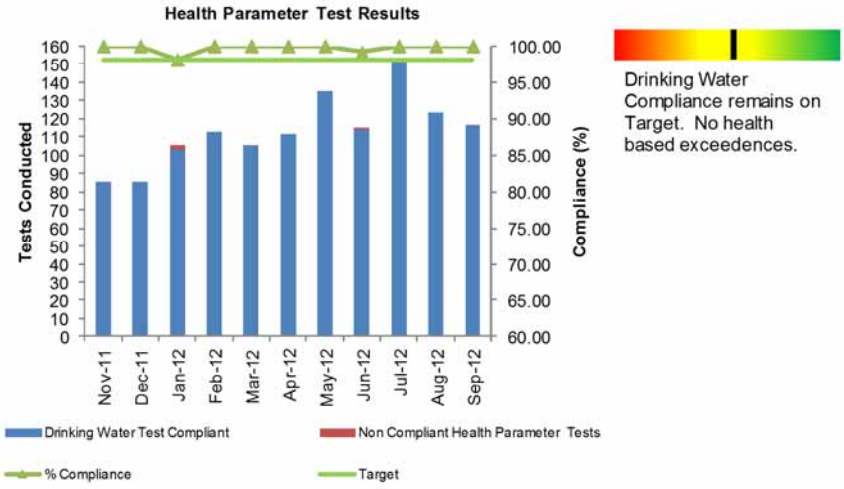
Water and Waste Services

Program	Project	Status	% Complete	Budget	Time
BS	Implement Statistical database systems (Monitor Pro)	Lab Data loaded. In Progress: Reporting based on loaded data. Loading treatment data Installing aerial maps	35%	*	*

REGULATORY COMPLIANCE

6.1. Drinking Water Compliance

Safe Water supplies are provided in accordance with the requirements of the *Water Supply Safety and Reliability Act* and are measured against the *Australian Drinking Water Quality Guidelines*. Drinking Water samples are taken at the outlet of Water Treatment Plants and within the reticulation network. A summary of the performance is detailed below.



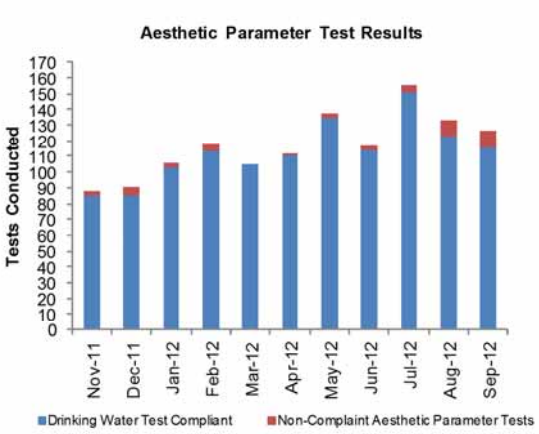
Drinking Water Compliance remains on Target. No health based exceedences.

6.2. Wastewater Compliance

The discharges from wastewater treatment facilities are regulated by Development Approvals issued by the Department of Environment and Resource Management. The licence requirements differ based on the time the Development Approval was issued and the receiving environment associated with any discharges.

Mackay Regional Council

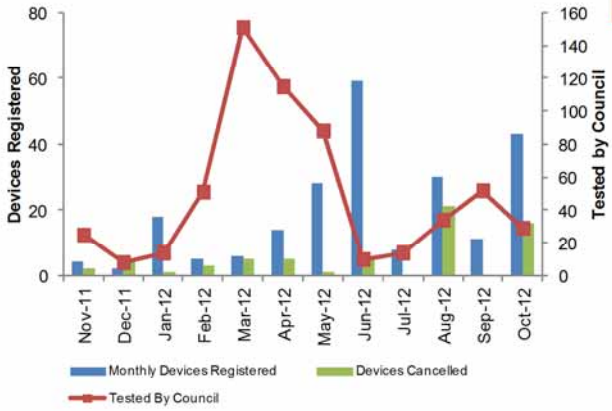
Water and Waste Services



10 non-compliant aesthetic parameter tests for September. Non-compliant aesthetic tests came from Bucasia, and Grasstree Beach for colour. Bloomsbury, Eton, Koumala, Armstrong Beach, and Grasstree Beach for Hardness. Gargett and Grasstree Beach for pH.

6.3. Backflow Testing

Backflow devices are installed on water services were there is a risk that water could return from a private property back into the Water Reticulation network. The requirement for backflow devices is regulated in accordance with the Standard Plumbing and Drainage Regulation.



Number of devices registered has risen due to the extensions at the Mackay Turf Club. Tested by Council has reduced as testing of pump stations has completed.

Water and Waste Services

Overdue for testing has fallen as a result of 2nd Test Reminder Notices sent last month. 55 Enforcement Letters have been sent out to the most overdue devices.

WASTE SERVICES

PERFORMANCE MANAGEMENT REPORT

OCTOBER 2012

Mackay REGIONAL COUNCIL

Mackay Regional Council

Waste Services

Overview.....1

Finance.....2

1.1 Transactions
1.2 In-kind bins

Customer Service.....6

2.1 Customer Requests
2.2 Education
- 2.2.1 Visits to MRF
- 2.2.2 Waste Education Traile
- 2.2.3 Great Northern Clean Up
- 2.2.4 Improving Waste Outcomes Group - Meeting
- 2.2.5 Promotion
- 2.2.6 Conferences and Meetings

Asset Management.....10

3.1 Hogan's Pocket Landfill Waste Disposal Tonnages
3.2 Kerbside Waste Collection Tonnages
3.3 Recycling Tonnages (Collections)
3.4 Landfill Gas
3.5 Site Audits
3.6 Greenwaste Management
3.7 Projects
- 3.8.1 Sarina Rehabilitation
- 3.8.2 Charity Clothing Bins
- 3.8.3 Mobile Computing
- 3.8.4 Ground Water Bores
- 3.8.5 Waste Management Strategy
- 3.7.6 Waste Q 2012
- 3.7.7 LAWMAC
- 3.7.8 IWOWG

Regulatory/Compliance.....15

4.1 Surface Water Discharge Management

Performance Management Report
[October 2012]

Mackay Regional Council

Waste Services

Overview

This report is for Waste Services activities for the months of October 2012. Significant items in this period include:

- WasteQ 2012 was held in Mackay on 3 & 4 October 2012
- LAWMAC meeting held in Mackay on 5 October 2012
- Continued work on the Sarina remediation works for the former Sarina landfill
- A rebound in the tonnes of waste disposed at Hogan's Pocket landfill
- Continued works of the landfill gas collection and flaring works at Hogan's Pocket and Bayersville
- Working with Charities with respect to disposal around clothing bins
- Continued work on the Regional Waste Management Strategy
- The commencement of a trial of commercial commingled recyclable material at Council's MRF

Director Water and Waste Services

Mackay Regional Council

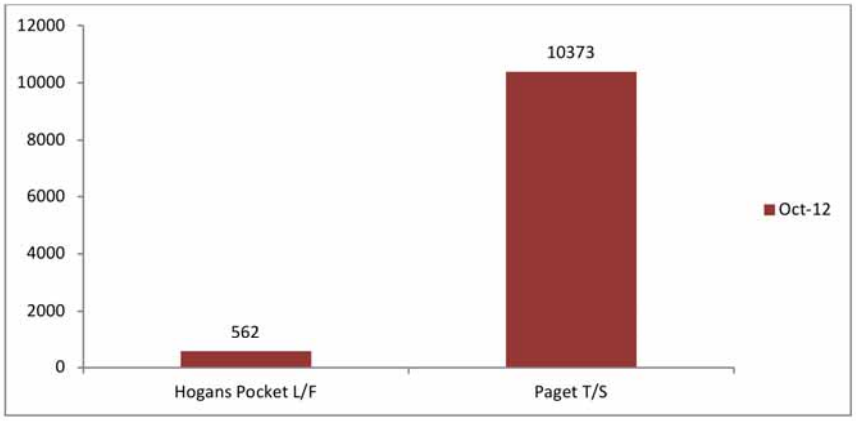
Finance

Waste Services

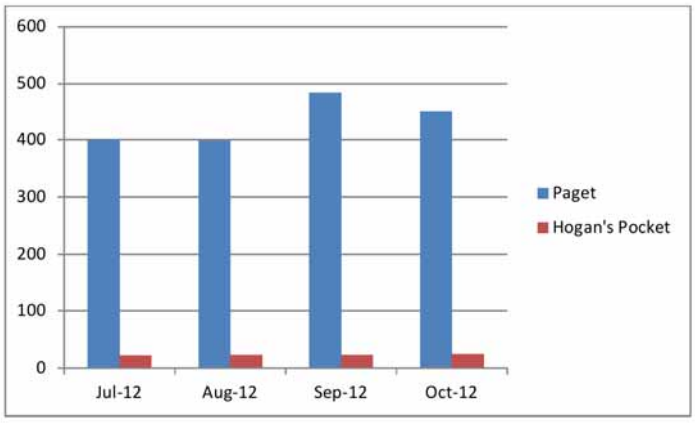
1.1 Transactions

The following graphs identify the number of transactions for each site for the month.

Hogan's Pocket and Paget – Transaction numbers for October 2012



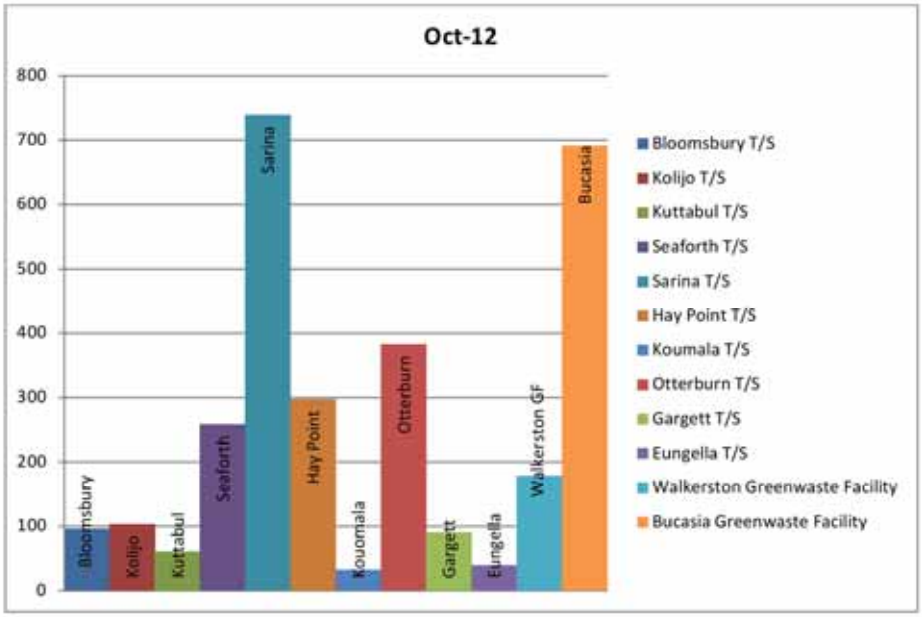
Average Daily Transactions – Hogan's Pocket & Paget – 2012/13



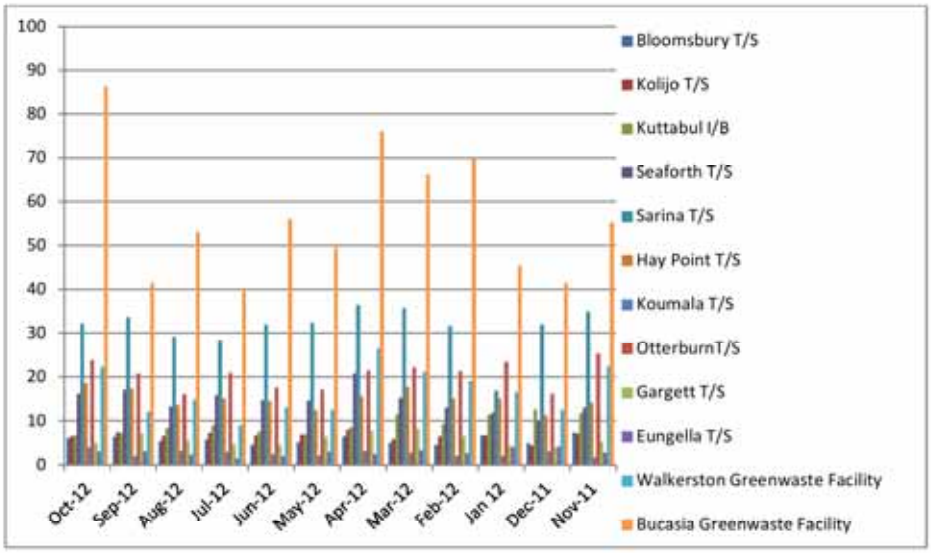
Mackay Regional Council

Waste Services

Rural Sites – Transactions Numbers for October 2012



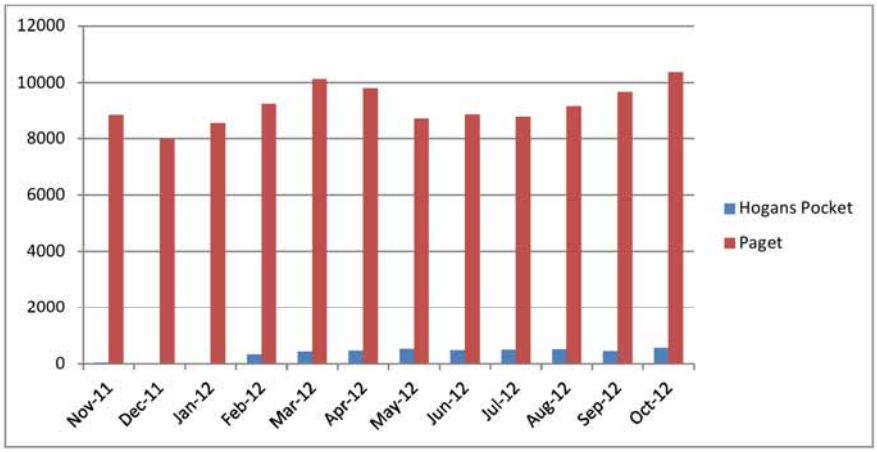
Average daily transactions per Rural Waste Sites -previous 12 months



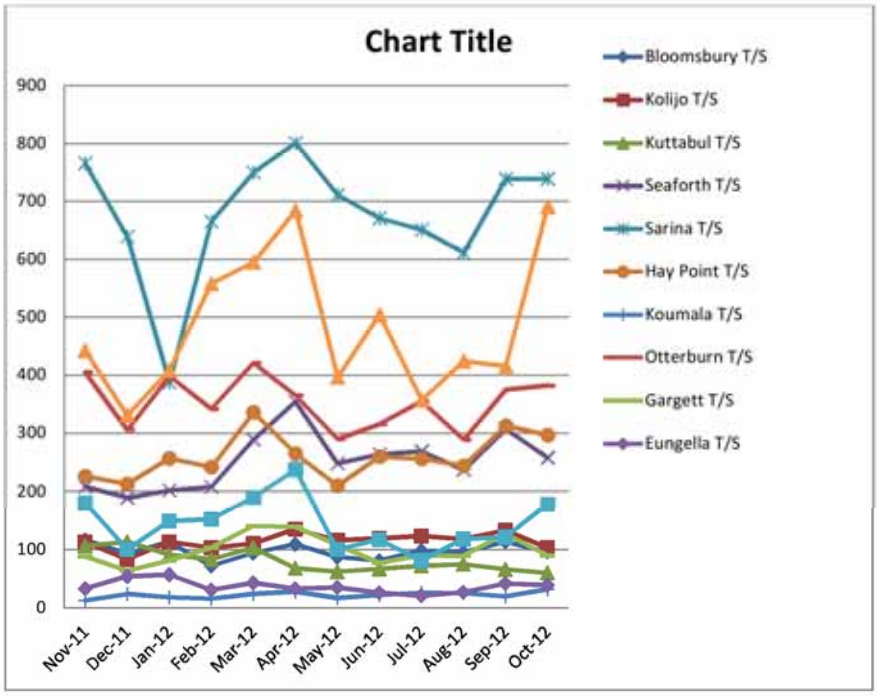
Mackay Regional Council

Waste Services

Hogan's Pocket & Paget – Transaction numbers for previous 12 months



Rural Sites – Transaction numbers for previous 12 months



Mackay Regional Council

Waste Services

1.2 In-Kind Bins

The following tables outline the provision of bins for events for October 2012 and the 2012 calendar year. This information is to inform Council the services that have been provided for community events.

IN-KIND BINS SUPPLIED

	October 2012			
Event -	General	Recycle	Skip bins	Pods
6 Oct River to Reef Festival	20	20	2	1
19Oct Alligator Creek SS Christmas Fair	25			
26/27 Oct Mackay West Rotary-Christmas Fair	12			
28 Oct Global Grooves Festival-MRC	15	15	1	
Total	72	35	3	1

IN_KIND BINS SUPPLIED – YEAR TO DATE 2012	General	Recycle	Skip bins	Pods
January	10	5	0	0
February	10	0	0	0
March	12	4	0	0
April	17	5	0	0
May	260	15	4	1
June	65	20	4	0
July	141	29	0	1
August	34	14	0	0
September	119	17	0	0
October	72	35	3	1
Total	740	144	11	3

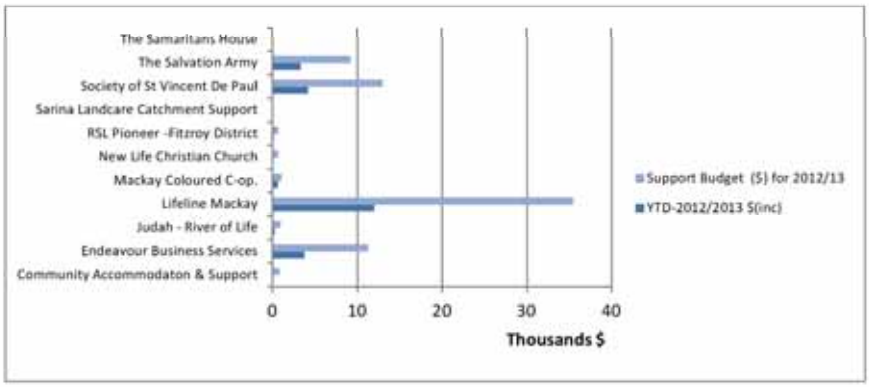
The following graphs show not for profit organisations that currently receive waived waste disposal charges. The graphs show value of fees waived for 2012/2013 and amounts used as at 31 October 2012.

Waste Services have been liaising with charities to develop an education program, including signage and media, to influence community behaviour around the clothing bins. The theme, '*Don't Dump On Charity,*' will be used to redirect misguided disposal. This should reduce the amount that charity is required to dispose in this user pays society.

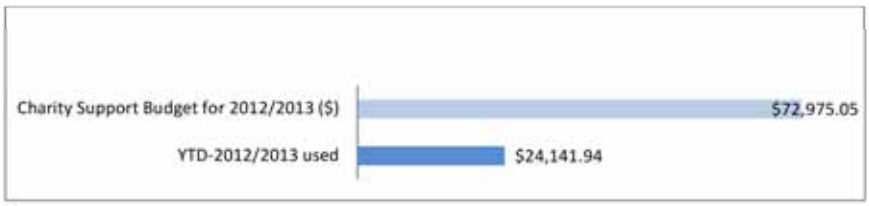
Mackay Regional Council

Waste Services

Not for Profit Organisations – Waste Disposals a/a October 2012



Not for Profit Organisations – Waste Disposals – Total a/a 31 October 2012



Customer Service

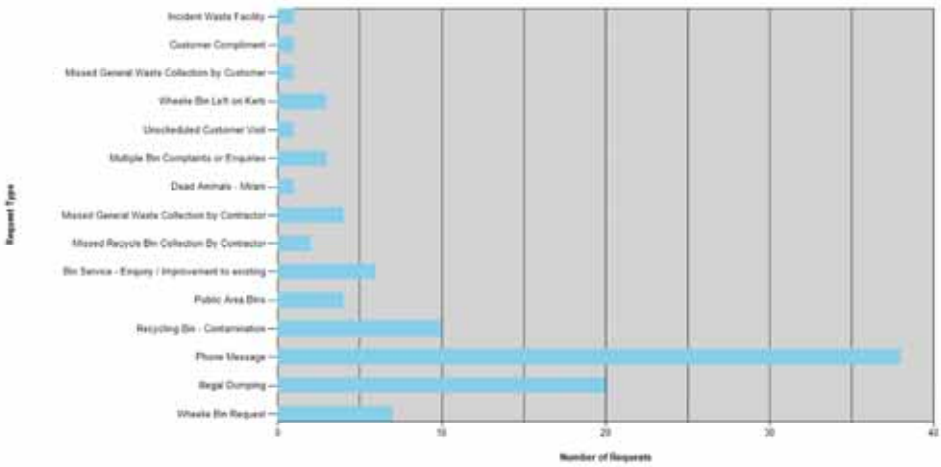
2.1 Request Types

The following chart shows customer request types actioned by Waste Services staff for the month of October with September following for comparison. Significant increase in phone requests for the month. There has also been a decrease in public bin issues.

Mackay Regional Council

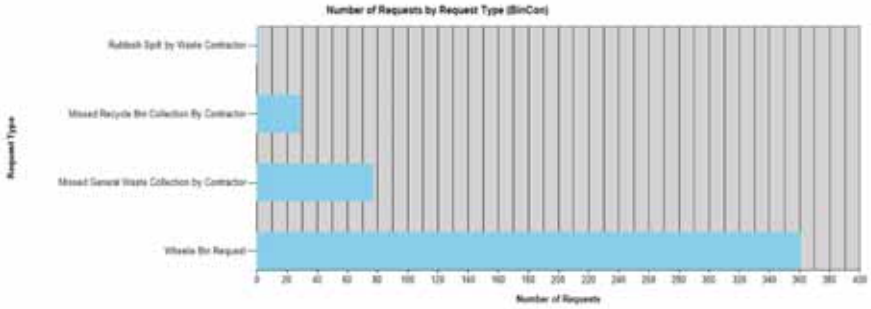
Waste Services

Number of Requests by Request Type for October 2012



The number of bin requests actioned by bin contractors for October 2012

This chart relates to services actioned by collection contractors. There is a rise on wheelie bin requests on September's figures.

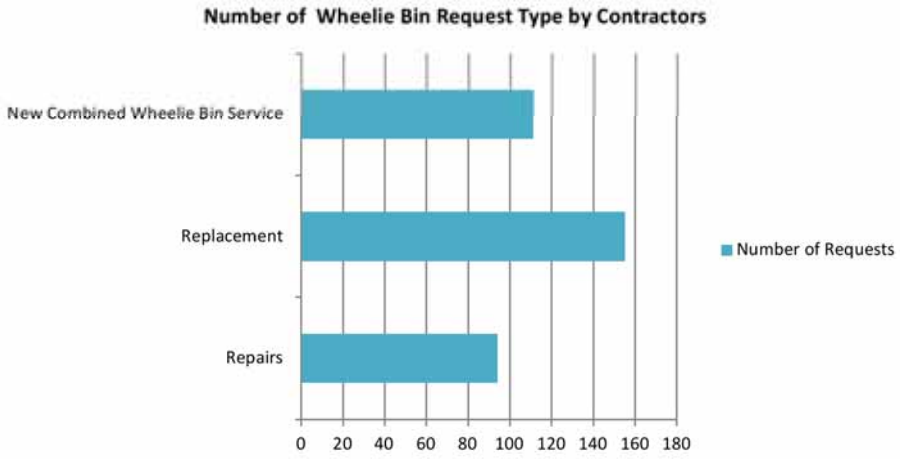


Mackay Regional Council

Waste Services

Breakdown of Wheelie Bin Requests – Contractors October 2012

This chart is a further breakdown of the wheelie bin request category received for action by contractors. There has been significant drop in replacements on last month.



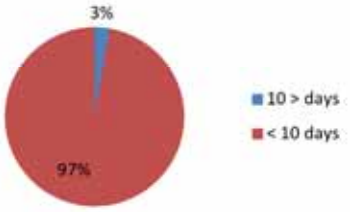
Contractor Service Delivery performance

The following pie charts identify the number of requests received within the month by contractors that action exceeds 10 calendar days. Deliveries and repairs received within a calendar month seem to be improving.

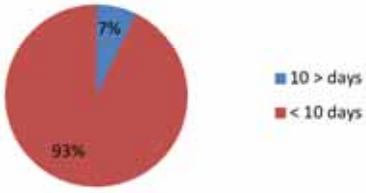
Mackay Regional Council

Waste Services

J J Richards and Sons



Veolia Environmental Services



2.2 Education

2.2.1 Education visits to the Materials Recovery Facility:

Co-coordinated and performed the following school and community visits at the Materials Recovery Facility:

- Mackay Regional Council Staff -3 attendees.
- Marian State School-(Joint Waste & Water sessions) - Year 1/2- 72 students & 10 adults.
- Eimeo Road State School- (Joint Waste & Water sessions) - Year 2/3- 59 students & 7 adults.

2.2.2 Waste Education Trailer:

- Weekly meetings with designer redhotblue, regarding finalising the design of the Waste Education Trailer.
- Delivered Waste Education Trailer to Mackay Stickers and Signs for fit out on 23 October.

2.2.3 Great Northern Clean Up:

- Organised and attended a thank-you morning tea with the Mayor for the site supervisors.
- Great Northern Clean Up report submitted to Clean Up Australia.

2.2.4 Improving Waste Outcomes Group Meeting

- Consultation with property Services regarding waste management across council.
- Coordination and organisation of the Queensland Litter Prevention Alliance workshop in consultation and liaison with Waste Service administration staff.

2.2.5 Promotions:

- Prepared advertising campaign for National recycling Week in liaison with Corporate Communications.
- Commenced preparations of the 2013 Recycling Calendar.

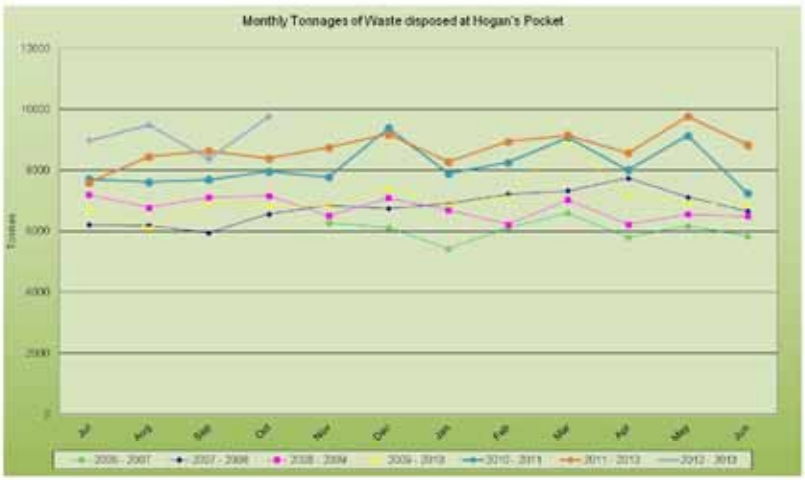
2.2.6 Conference / meetings:

- Attended the Waste Q 1012 conference in Mackay on 3 and 4 October.
- Attended a meeting with The Daily Mercury on 11 October regarding options with advertising for National Recycling Week.
- Attended Improving Waste outcomes Working Group meetings on 15 October and 30 October.
- Attended staff meeting on 18 October.
- Attended a meeting with Corporate Communications on 16 October regarding National Recycling Week campaign (12-18 November).

Asset Management

3.1 Hogan's Pocket Landfill Waste Disposal Tonnages

September we observed a decrease in tonnes disposed at Hogan's Pocket Landfill compared to the usual trend of rising disposal tonnes. This aberration was not seen in October with the highest recorded tonnes to landfill at almost 10,000 tonnes.

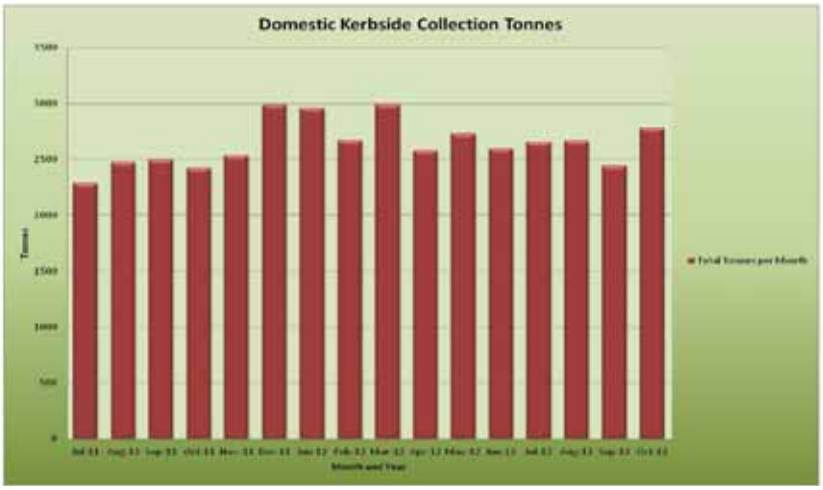


3.2 Kerbside Waste Collection Tonnages

The following graph identifies the tonnes of waste that is collected per month from household collection services.

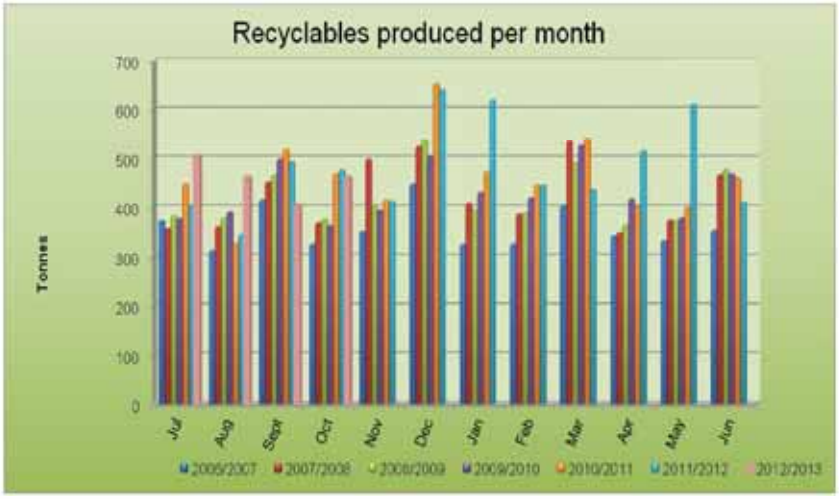
Mackay Regional Council

Waste Services



3.3 Recycling Tonnages (Collections)

The following graph identifies the tonnages of recyclable products from household collection services. A trial has commended on receiving commercial recyclables at the MRF and a report will be provided next month on its viability.



Mackay Regional Council

Waste Services

3.4 Landfill Gas

The installation of the landfill gas collection and flare system at Hogan's Pocket is continuing. Council's landfill gas contractor Landfill Gas and Power Pty Ltd (LGP) has completed drilling of the well field and manifold installation. The site is awaiting installation of the flare infrastructure. It is expected that the gas flare will now be operational in January 2013 due to modifications required for the structure to meet cyclone ratings. LGP have finalised gas testing at former Bayersville and early observations indicate that the site capping has significantly decreased the water levels in the landfill and this is likely to have a positive influence on landfill gas production. Next month we should have results of the testing to report.

3.5 Site Audits

The following tables identify the number of formal site audits of active and inactive waste facilities that are under the management of Waste Services. Matters requiring rectification are identified and documented for correction.

Audits – Active Waste Sites

Active Waste Disposal Sites:	October			September		
	Inspections	Actions required	Actions completed	Inspections	Actions required	Actions completed
Hogan's Pocket L/F	16	3	0	15	3	3
Paget T/S	24	3	3	22	5	5
Bloomsbury T/S	1	0	0	1	0	0
Kolijo T/S	1	0	0	1	0	0
Kuttabul I/B	3	2	2	1	0	0
Seaforth T/S	1	0	0	1	0	0
SarinaT/S	1	2	2	0	0	0
Hay PointT/S	1	0	0	0	0	0
Koumala T/S	1	0	0	0	0	0
Otterburn T/S	2	1	0	0	0	0
Gargett T/S	2	0	0	0	0	0
Eungella T/S	2	0	0	0	0	0

Audits – Greenwaste Sites

Greenwaste Sites:	October			September		
	Inspections	Actions Required	Actions Completed	Inspections	Actions Required	Actions Completed
Walkerston	4	0	0	2	1	1
Bucasia	2	1	1	2	1	1

Mackay Regional Council

Waste Services

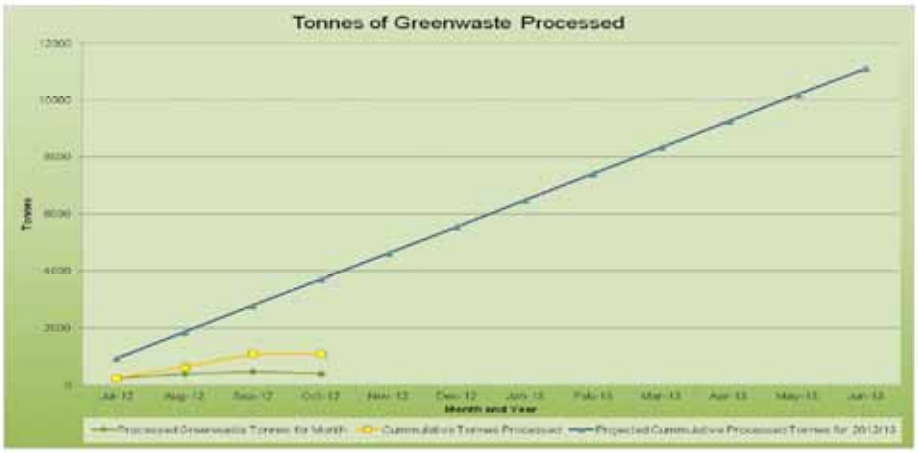
Audits – Closed Waste Sites

Closed Waste Sites:	October			September		
	Inspections	Actions Required	Actions Completed	Inspections	Actions Required	Actions Completed
Illawong (Far Beach)	2	2	2	0	0	0
Bakers Creek	0	0	0	0	0	0
Eton	0	0	0	0	0	0
Finch Hatton	2	0	0	2	0	0
Grendon St, North Mackay	0	0	0	0	0	0
Habana	0	0	0	0	0	0
St Helens	0	0	0	0	0	0
Midge Point	0	0	0	0	0	0
Colston Park	1	0	0	1	0	0
Seaforth L/F	0	0	0	0	0	0
Koumala	1	0	0	1	0	0
Bayersville	3	0	0	3	0	0

3.7 Greenwaste Management

The following graph illustrates tonnage rates for greenwaste processed for the month, the cumulative tonnes of greenwaste processed for the year to date and the tonnes of greenwaste projected to be processed linearly.

The chart reflects the seasonality of the service. As the financial year progresses the amount actually processed will increase significantly during the "wet" season.



Mackay Regional Council

Waste Services

3.7 Projects

Waste Services undertakes a range of projects across the business. Projects take the form of Capital Projects, Planning & Research and investigations.

3.7.1 Sarina Rehabilitation

The re-design of the rehabilitation with intention to utilise the phytocapping method is still in progress. The re-design of the transfer station was received at the month's end and is in final draft for comment.

The designer has further completed the risk assessment for utilisation of the phytocapping method which should be submitted to DEHP shortly. This aspect of the project has been delayed due to acceptance of water modelling programs with CSIRO. Further support is required from Department of Environment and Heritage Protection for this method of remediation.

As mentioned, the draft re-design of the transfer station has been delivered, with tender documentation also in draft. This design will take into consideration provision of access during construction works.

An action plan for community engagement is also in progress. A Project Engagement Officer from Engineering Services is providing assistance in this aspect. This will progress further upon finalisation of the design of the transfer station, and announcement of tender process.

3.7.2 Charity Clothing Bins

For some time Waste Services has been liaising with charities with respect to disposals at charity bins. An education and media program has been developed by Corporate Communications.

The catch phrase message is, '*Don't Dump On Charity.*' There will be a meeting of stakeholders to discuss the media program in November. Tentative clothing bin sites for signage have been identified for initial signage for the campaign. Our aim is to educate the community that much of what they place is no longer of use and should be correctly disposed.

3.7.3 Mobile Computing

Waste Services is working with Information Services to identify mobile computing needs for field officers. Results from a time in motion study are being refined to evidence the need for this facility to field officers.

3.7.4 Ground Water Bores

Waste Services and Business Services commenced development of a risk matrix for environmental monitoring. This will be utilised to identify sites of high risk, and develop solutions, and prioritise works.

Consultants are currently reviewing the suitability of bores at former Bucasia landfill. We await a report and recommendations.

3.7.5 Waste Management Strategy

On the 30 October 2012, a workshop was held with Council on the review of Council's Waste Management Strategy. The workshop was facilitated by Council's consultants, Aurecon. The workshop outcomes are being fed into the draft document.

3.7.6 WasteQ 2012

On the 3 and 4 October 2012, the Waste Management Association of Australia (WMAA) held the 2012 WasteQ conference in Mackay. It was the first time that the conference was held outside of south-east Queensland. The conference was deemed successful with over 100 delegates attended the conference, compared to the 70 that were predicted to attend.

Mackay Regional Council representatives were on the organising committee and also attended and participated in the conference.

3.7.7 LAWMAC

The Local Authority Waste Management Advisory Committee (LAWMAC), held their meeting in Mackay on 5 October 2012. LAWMAC consist of representatives from local governments in north Queensland. The committee primary aim is to provide sustainable solutions through its regional forum and interactive participation across the LAWMAC region on current and future Waste Management Practices and Technologies.

3.7.8 IWOWG

The Improving Waste Outcomes Working Group (IWOWG) met on 15 October 2012. The working group is now starting to initiate investigations into improving waste diversion activities, with work on event bins completed, internal council recycling audit completed and other initiatives commenced.

Regulatory/Compliance

4.1 Surface Water Discharge Management

Waste Services is required to ensure that stormwater is effectively managed at Hogan's Pocket landfill. The aim is to limit stormwater entering the facility and to reduce the amount of sediment released into receiving environments by landfill operations.

Occasionally control and uncontrolled surface water releases will occur at the Hogan's Pocket Landfill. Surface water is a key risk that is managed through approved management plans. It must be stressed that this is not leachate, but surface water that contains sediments. Council must abide by its environmental licence conditions and the strict parameter limits set by the regulator. It is planned that all sediment dam releases will be reported as a KPI on environmental management for the Hogan's Pocket Landfill.

For the October 2012 reporting period, there were no releases.