Mackay REGIONAL COUNCIL

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2021

Mackay Regional Council
Financial Statements
For the year ended 30 June 2021

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Mackay Regional Council
Statement of Comprehensive Income
For the year ended 30 June 2021

	Note	2021 $000's	2020 $000's
Income			
Recurrent revenue			
Rates and charges	3(a)	219,562	220,251
Fees and charges	3(b)	17,391	15,982
Rental income	3(c)	1,174	1,098
Interest income	3(d)	2,196	4,023
Sales contracts and recoverable works	3(e)	7,615	8,638
Other recurrent income		4,502	4,073
Grants, subsidies, contributions and donations	4(a)	15,536	14,045
Total recurrent revenue		267,975	268,110
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	49,729	57,422
Other capital income		1,227	992
Total capital revenue		50,956	58,414
Total income		318,931	326,524
Expenses			
Recurrent expenses			
Employee benefits	5	88,574	85,194
Materials and services	6	91,280	92,324
Finance costs	7	8,571	9,513
Depreciation and amortisation	12,13,15(a)	73,602	83,539
Total recurrent expenses		262,028	270,570
Capital expenses	8	6,400	12,483
Total expenses		268,427	283,053
Net result		50,504	43,470
Other comprehensive income			
Items that will not be reclassified to net result			
Increase or (decrease) in asset revaluation surplus	20	75,217	(389,047)
Total other comprehensive income for the year		75,217	(389,047)
Total comprehensive income for the year		125,721	(345,577)

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

Mackay Regional Council
Statement of Financial Position
As at 30 June 2021

	Note	2021 $000's	2020 $000's
Current assets			
Cash and cash equivalents	9	124,056	48,759
Investments	10	70,000	130,000
Trade and other receivables	11	28,034	28,246
Contract assets	14(a)	4,086	829
Other assets		2,710	3,200
Inventories		2,745	3,028
Non-current assets held for sale		79	79
Total current assets		231,710	214,141
Non-current assets			
Investments	10	5,102	6,159
Trade and other receivables	11	1,975	2,049
Property, plant and equipment	12	3,409,363	3,262,968
Intangible assets	13	6,180	7,361
Right of use assets	15(a)	822	874
Total non-current assets		3,423,442	3,279,411
Total assets		3,655,152	3,493,552
Current liabilities			
Contract liabilities	14(b)	4,486	4,239
Lease liabilities	15(b)	25	77
Trade and other payables	16	31,507	31,363
Borrowings	17	16,167	15,517
Provisions	18	63,111	60,863
Other liabilities	19	12,654	11,496
Total current liabilities		127,950	123,555
Non-current liabilities			
Lease liabilities	15(b)	831	833
Borrowings	17	101,416	117,284
Provisions	18	16,746	18,928
Other liabilities	19	1,163	882
Total non-current liabilities		120,156	137,927
Total liabilities		248,106	261,482
Net community assets		3,407,046	3,232,070
Community equity			
Retained surplus		2,237,858	2,164,720
Asset revaluation surplus	20	1,169,188	1,067,349
Total community equity		3,407,046	3,232,070

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

Mackay Regional Council
Statement of Changes in Equity
For the year ended 30 June 2021

	Note	Retained surplus	Asset revaluation surplus	Total
		$000's	$000's	$000's
Balance as at 1 July 2020		2,164,720	1,067,349	3,232,070
Adjustment to opening value	12f (iv)	22,635	26,619	49,254
Restated balance as 1 July 2020		2,187,354	1,093,971	3,281,325
Net result		50,503	-	50,503
Increase or (decrease) in asset revaluation surplus	20	-	75,217	75,217
Total comprehensive income for the year		50,503	75,217	125,721
Balance as at 30 June 2021		2,237,858	1,169,188	3,407,046
Balance as at 1 July 2019		1,989,613	1,456,397	3,446,010
Adjustment on initial application of AASB 15 & AASB 1058		(16,167)	-	(16,167)
Adjustment to opening value		147,804	-	147,804
Restated balance at 1 July 2019		2,121,250	1,456,397	3,577,647
Net result		43,471	-	43,471
Increase or (decrease) in asset revaluation surplus		-	(389,047)	(389,047)
Total comprehensive income for the year		43,471	(389,047)	(345,576)
Balance as at 30 June 2020		2,164,720	1,067,349	3,232,071

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

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Mackay Regional Council
Statement of Cash Flows
For the year ended 30 June 2021

	Note	2021 $000's	2020 $000's
Cash flows from operating activities			
Receipts from customers		248,402	239,939
Payments to suppliers and employees		(178,291)	(178,351)
Interest income		3,075	3,618
Recurrent grants, subsidies, contributions and donations	4(a)	15,536	14,045
Borrowing costs		(7,918)	(8,856)
Net cash inflow from operating activities	24	80,801	70,395
Cash flows from investing activities			
Payments for property, plant and equipment		(86,100)	(92,534)
Payments for other non-current assets		(26)	(506)
Payments for investments		60,000	(25,000)
Other capital income		1,227	992
Capital project costs expensed		(1,188)	(4,132)
Proceeds from sale of property, plant and equipment		2,116	2,342
Capital grants, subsidies, contributions and donations		33,753	30,454
Net cash outflow from investing activities		9,781	(88,384)
Cash flows from financing activities			
Repayment of borrowings		(15,217)	(14,279)
Principal lease repayments		(68)	(36)
Net cash outflow from financing activities		(15,285)	(14,315)
Net increase or (decrease) in cash and cash equivalents		75,297	(32,304)
Cash and cash equivalents at beginning of the period		48,759	81,063
Cash and cash equivalents at end of the period	9	124,056	48,759

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

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Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2021

1) Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements are for the period 1 July 2020 to 30 June 2021. They are prepared in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*. They comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Mackay Regional Council (MRC) is a not-for-profit entity for financial reporting purposes and complies with Australian Accounting Standards as applicable to not-for-profit entities.

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

MRC is constituted under the Queensland *Local Government Act 2009* and is domiciled in Australia. The Australian dollar is used as its functional and presentation currency.

b) Basis of consolidation

Mackay Region Enterprises Pty Ltd is a controlled entity of MRC. The transactions of this entity are not material to MRC and are therefore not consolidated within these annual financial statements.

Up to the date of dissolution in October 2020, Artspace Mackay Foundation Ltd was a controlled entity of MRC. All liabilities of the entity were discharged as at the date of dissolution and all assets were transferred to MRC and are reported within these financial statements.

c) Rounding and comparatives

Amounts included in the financial statements have been rounded to the nearest one thousand dollars, unless otherwise stated. Consequently, rounded balances in the notes to the financial statements may not exactly agree to the amounts reported in the primary statements.

Comparative information is generally restated for reclassifications, errors and changes in accounting policies, unless permitted otherwise by transition rules in a new Accounting Standard.

d) New and revised accounting standards adopted during the year

MRC adopted all Australian Accounting Standards which became effective for annual reporting periods beginning on 1 July 2020. None of the standards had a material impact on reported position, performance and cash flows.

e) Standards issued by the Australian Accounting Standards Board not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not yet effective at 30 June 2021. These standards have not yet been adopted by MRC and will be included within the financial statements on their effective date. At this time, it is not anticipated that these standards will have a material impact upon MRC's future financial statements.

f) Estimates and judgements

MRC is required to make judgements, estimates and assumptions in preparing these financial statements. These are based on historic experience and other factors or indicators that are considered to be relevant and reasonable, including impacts of COVID-19. By nature, these assumptions may change over time.

Significant judgements, estimates and assumptions relate to the following notes:

- note 3 revenue analysis – revenue recognition
- note 4 grants, subsidies, contributions and donations – revenue recognition
- note 8 capital expenses – fair value measurement
- note 10 investments – valuation of investment property
- note 11 trade and other receivables – impairment
- note 12 property, plant and equipment – valuation of property, plant and equipment, depreciation, asset useful lives and residual values
- note 13 intangible assets – valuation of intangibles, amortisation and asset useful lives
- note 16 trade and other payables – employee benefits
- note 18 provisions – restoration, rehabilitation, long service leave and other provisions
- note 19 other liabilities

- note 22 contingent liabilities
- note 23 superannuation
- note 26 transactions with related parties

g) Volunteer services

MRC operations are carried out with the assistance of volunteers, where individuals donate their time and skills to help MRC achieve its objectives within the community. MRC has not recognised volunteer services in these financial statements as the value donated cannot be reliably measured at this time.

h) Taxation

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

2) Analysis of results by function

a) Components of Mackay Regional Council by function

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

Office of the Mayor and Chief Executive Officer

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

Development Services

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

Organisational Services

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

Community and Client Services

The purpose of Community and Client Services is to provide opportunities for all residents, workers and visitors to participate in cultural and recreational activities which foster inclusion and stronger communities, as well as providing compliance and regulatory services in line with legislation and community standards. The program includes libraries, entertainment venues, art galleries and museums, community development, sport and recreation programs and health and regulatory services.

Engineering and Commercial Infrastructure

Engineering

The purpose of Engineering is to provide a high quality and effective road network within the region. The engineering function is responsible for asset management and providing and maintaining transport infrastructure; including the roads, bridges and drainage network.

Commercial Infrastructure

The purpose of Commercial Infrastructure function supports healthy and safe communities and natural environments by sustainably managing water and sewerage services. This function also protects and supports the community by providing sustainably managed waste collection and disposal services.

Capital Works

The purpose of the Capital Works function includes providing portfolio management, field and contract services and supporting major projects through centralised delivery of MRC's capital works program.

Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2021

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

Function	Income				Total income	Expenses		Total expenses	Net result	Total assets
	Recurrent		Capital			Recurrent	Capital			
	Grants	Other	Grants	Other						
	$000's									
Office of Mayor and CEO	-	-	-	-	-	4,271	-	4,271	(4,271)	-
Development Services	894	6,146	7,607	-	14,647	29,976	-	29,976	(15,328)	92
Organisational Services	10,434	109,520	4,174	134	124,262	79,239	4,642	83,881	40,382	532,102
Community and Client Services	2,054	6,289	-	-	8,342	24,747	-	24,747	(16,405)	2,809
Engineering	-	6,780	6,030	-	12,811	30,601	2,374	32,975	(20,165)	1,760,598
Commercial Infrastructure	1,345	123,620	8,904	165	134,034	90,821	(617)	90,204	43,830	1,359,552
Capital Works	808	85	23,013	928	24,834	2,374	-	2,374	22,460	-
Total at 30 June 2021	15,536	252,440	49,729	1,227	318,931	262,028	6,399	268,427	50,503	3,655,153
Office of Mayor and CEO	4	-	-	-	4	3,851	-	3,851	(3,848)	-
Development Services	854	5,411	5,506	-	11,772	27,932	-	27,932	(16,160)	84
Organisational Services	8,925	111,358	2,145	34	122,461	87,303	5,101	92,404	30,058	510,664
Community and Client Services	1,494	6,669	-	-	8,163	23,377	-	23,377	(15,214)	2,128
Engineering	22	6,800	1,898	-	8,720	30,296	2,768	33,065	(24,344)	1,694,820
Commercial Infrastructure	210	122,336	7,975	156	130,677	92,436	4,615	97,051	33,626	1,285,855
Capital Works	2,536	1,488	39,899	803	44,726	5,373	-	5,373	39,353	-
Total at 30 June 2020	14,045	254,063	57,422	992	326,523	270,568	12,484	283,052	43,471	3,493,550

Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2021

	Note	2021 $000's	2020 $000's

3) Revenue analysis

a) Rates and charges

Rates and charges are recognised as revenue at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability on the Statement of Financial Position until the commencement of the rating period to which they relate.

General rates	119,664	119,757
Separate and special rates and charges	3,657	4,170
Water consumption and utility charges	44,083	44,229
Sewerage utility charges	50,664	50,152
Waste management utility charges	22,396	22,223
	240,464	240,531
Less: discounts	(18,570)	(17,976)
Less: pensioner and other remissions	(2,332)	(2,304)
	219,562	220,251

b) Fees and charges

Revenue from fees and charges is recognised at the point in time when the performance obligation is satisfied and the customer receives the benefit of the goods or services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service. In some cases, the customer is required to pay on arrival, for example at caravan parks. There is no material obligation for MRC in relation to refunds or returns.

A small quantity of low value and short-term fees and charges are recognised at the time of receipt, in accordance with the practical expedients available in these instances.

Application fees	2,409	1,615
Licence fees and registrations	1,421	2,077
Fines and penalties	425	447
Venues, events and cultural fees	836	973
Waste and recycling fees	6,476	6,123
Other fees and charges	5,824	4,747
	17,391	15,982

c) Rental income

Rent from investment and other property, is recognised as income on a straight line basis over the lease term.

Investment property income	400	406
Other property income	774	692
	1,174	1,098

d) Interest income

Interest earned on deposits at call and fixed term deposits is accrued over the term of the investment.

Interest on deposits at call and fixed term deposits	1,559	3,487
Interest on debtor arrears	637	536
	2,196	4,023

e) Sales contracts and recoverable works

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

Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2021

	Note	2021 $000's	2020 $000's

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

Roads recoverable works	5,526	5,602
Water operations	1,254	621
Sewer operations	611	647
Other sales contracts and recoverable works	224	1,768
	7,615	8,638

4) Grants, subsidies, contributions and donations

Grant revenue arising from an enforceable agreement containing sufficiently specific performance obligations is recognised as revenue progressively, as the performance obligations are satisfied. MRC deems costs incurred as the most appropriate measure of satisfying sufficiently specific performance obligations.

Grants received with the intent to further MRC's objectives, with no sufficiently specific performance obligations are recognised at fair value, at the point in time in which MRC receives the asset.

Where assets are donated, or purchased for significantly below fair value, revenue is recognised when the asset is acquired or controlled by MRC.

Enforceable capital grants received to enable MRC to acquire or construct a specified item of property, plant and equipment, to be controlled by MRC, are recognised as revenue progressively as the sufficiently specific performance obligations are satisfied in accordance with the grant agreement. MRC deems costs incurred as the most appropriate measure of satisfying sufficiently specific performance obligations.

a) Recurrent

General purpose grants	5,771	6,278
Government grants and subsidies	8,613	6,680
Non-government grants and subsidies	328	131
Contributions and donations	824	956
	15,536	14,045

b) Capital

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

Developers also pay infrastructure charges for trunk infrastructure such as pump stations, treatment works, mains, sewers and water pollution control works. These infrastructure charges remain within the scope of AASB 1058, as there is no associated enforceable performance obligation and are recognised upon receipt.

Non-cash contributions with a value in excess of the recognition threshold of $5.0K are recognised by increasing non-current assets and capital revenue. When the threshold is not met, an operating revenue and corresponding operating expense are recorded.

Government grants and subsidies	22,932	22,349
Contributions and donations	10,821	8,105
	33,753	30,454
Contributed non-current assets at fair value	15,976	26,968
	49,729	57,422

Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2021

	Note	2021 $000's	2020 $000's

5) Employee benefits

Employee benefit expenses are recorded when the service has been provided by the employee.

Where staff are required to self-isolate or quarantine as a result of government direction relating to the COVID-19 pandemic, 20 days special leave may be accessed following exhaustion of other excess leave balances. This expense is recorded as special leave.

The Mackay Regional Council Certified Agreement (2017) expired on 30 June 2020 and negotiations on a new agreement remained ongoing at the date of this report. During the period, MRC made an interim pay increase to employees, back paid to 1 July 2020. The provisions of the 2017 agreement continue to apply, with no changes to terms or conditions of employment until such time as a new agreement is certified.

Wages and salaries		60,085	59,396
Annual, sick and long service leave entitlements		17,207	15,150
Special leave		2	39
Superannuation	23	9,604	9,071
Other employee related expenses		241	131
		87,139	83,787
Councillor remuneration		1,435	1,407
		88,574	85,194

6) Materials and services

Expenditure for materials and services is recorded as the goods or services are received.

Advertising and marketing	891	1,081
Audit of financial statements by the Auditor-General*	155	153
Capital project costs expensed	628	497
Communications and IT	1,723	1,707
Community facilities and entertainment	2,920	2,907
Consultants and services	10,947	12,101
Contractors	23,117	23,413
Donations, grants, subsidies and contributions	4,269	1,590
Electricity and public utilities	7,842	9,164
Equipment and hire fees	3,148	3,808
Fees and charges	2,410	2,481
Fuel and chemicals	3,859	4,118
Insurance	4,134	3,846
Registrations and subscriptions	2,092	2,248
Repairs and maintenance	18,235	18,153
Waste Levy payment	3,643	3,122
Waste Levy refund**	(3,643)	(3,122)
Other materials and services	4,910	5,057
	91,280	92,324

*The total fee quoted by the Queensland Audit Office in the external audit plan, for the audit of the 2021 annual financial statements, was $155.2K (2020: $152.5K).

**The State Government rebated $3.6M to mitigate the direct impact of the Waste Levy on households. Any portion of the refund not applied to the Waste Levy payment is reported in note 4 grants, subsidies, contributions and donations as government grants and subsidies.

Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2021

	Note	2021 $000's	2020 $000's
7) Finance costs			
Borrowing costs - Queensland Treasury Corporation		7,919	8,856
Bank charges		291	264
Interest on lease liabilities		14	19
Impairment of receivables		126	108
Unwinding of discounted provisions		221	266
		8,571	9,513
8) Capital expenses			
Loss on disposal or sale			
Property, plant and equipment		4,382	4,161
Non-current assets held for sale		-	654
Intangible assets		-	407
		4,382	5,222
Fair value (increases) or decreases			
Revaluation of investment property		1,057	(113)
Impairment loss on non-current assets held for sale		-	78
		1,057	(35)
Other expenses			
Capital project costs expensed		1,188	4,133
Adjustments to remediation provisions		(634)	2,896
Other capital expenses		407	267
		961	7,296
		6,400	12,483

9) Cash and cash equivalents

Cash and cash equivalents include cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions and other short-term, highly liquid investments. Original terms to maturity are three months or less and they are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash deposits are required to have a minimum credit rating of A-, therefore the likelihood of the counterparty having capacity to meet its financial commitments is strong.

MRC may be exposed to credit risk through investments in the Queensland Treasury Corporation (QTC) cash fund, which is an asset management portfolio that invests with a wide range of high credit rated counterparties. Deposits with the QTC cash fund are capital guaranteed.

MRC's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking reputational damage.

Cash at bank and on hand	2,550	3,143
Deposits at call	121,506	45,616
	124,056	48,759

MRC's cash and cash equivalents, including fixed term deposits are subject to internal and external restrictions that limit amounts available for discretionary or future use. Expenditure restrictions at the reporting date relate to:

Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2021

	Note	2021 $000's	2020 $000's
Externally restricted			
Unspent grants and subsidies		4,486	4,239
		4,486	4,239
Internally restricted			
Separate and special rates and charges		4,081	4,231
Capital reserves		66,371	59,222
Donations		298	291
		70,750	63,744

Funds held on behalf of other parties
Funds held in trust on behalf of other parties include security deposits lodged to guarantee performance, bonds and unclaimed monies paid into the trust account by MRC. MRC performs a custodian role only in respect of these monies. As these funds are for a specific purpose and cannot be used by MRC, they are not brought to account in these financial statements, as MRC has no rights over the assets.

Trust deposits		1,539	1,653
		1,539	1,653

10) Investments

Current			
Fixed term deposits		70,000	130,000
		70,000	130,000
Non-current			
Investment property		5,100	6,157
Shares		2	2
		5,102	6,159
		75,102	136,159

a) Investment property
Investment property is initially recognised at cost; being purchase price inclusive of any transaction costs. Fair value is subsequently measured at current market value, which is derived by reference to market-based evidence, including observable historical sales data for properties of similar nature and specification.

Revaluations are conducted annually at 30 June by an independent, registered valuer. This was last conducted by APV Valuers and Asset Management (APV). APV is a leading professional services firm with highly skilled valuers, experienced in the valuation of local government and public sector assets across Australia.

The carrying value of investment property is assessed annually for impairment indicators. COVID-19 has created much uncertainty, directly affecting market activity across many sectors. As at June 30, APV determined these effects to still be subjective.

Opening balance at 1 July	6,157	3,921
Transfers to or from property, plant and equipment	-	2,123
Fair value increase or (decrease)	(1,057)	113
Closing balance at 30 June	5,100	6,157

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

Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2021

	Note	2021 $000's	2020 $000's

c) Term deposits

MRC has category 1 investment powers and currently holds term deposits with various financial institutions; all of which are considered to be low risk with fixed rates and fixed original terms to maturity greater than 3 months, but less than 12. All term deposits are intended to be held to maturity.

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). MRC's standard settlement terms are 30 days from invoice date. No significant concentration of credit risk has been identified, as exposure is spread over a large number of counterparties and customers.

Interest is charged on overdue rates and trade receivables at 8.53% per annum, compounding monthly. MRC is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover rates arrears. For this reason, MRC does not generally impair any rates receivables. However, in the case of rates on state leased land, where the lease has been cancelled or land leased by MRC, the right to sell is forfeit. In addition to this and where other avenues to pursue the debt are doubtful, a provision for impairment will be made, pending the exhaustion of all legal options.

MRC used an allowance matrix to measure the expected credit losses of trade receivables from individual customers, which comprises a large number of small balances. Loss rates are calculated using a "roll rate" method, based on the probability of the receivable progressing through the successive stages of delinquency to write-off. The rates were derived using both observable historic default rates and assumptions of forward-looking market and economic conditions applied against like debtor segments where similar loss patterns exist or could be expected to exist. Forward looking assessments included an overlay to account for the estimated impact on credit losses as a result of COVID-19. Impairment of receivables is recognised as a finance cost.

Current		
Rates and utility charges	9,971	10,050
Interest receivable	1,125	2,004
GST recoverable	2,830	1,795
Other debtors	14,511	14,711
Less: provision for impairment of debt	(403)	(314)
	28,034	28,246
Non-current		
Other debtors	1,975	2,049
	30,009	30,295

Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2021

12) Property, plant and equipment

Current year movements:

Asset Class	Opening written down value 1 July 2020	Additions	Transfers	Disposals and write offs	Revaluation	Depreciation expense	Closing written down value 30 June 2021	Basis of measurement	Useful life range (years)
	$000's								
Land	153,239	546	-	-	-	-	153,787	Valuation	Indefinite
Site improvements	118,010	31	16,509	(1,354)	8,976	(5,069)	137,105	Valuation	2 - indefinite
Buildings	144,644	-	13,911	(292)	-	(6,774)	151,486	Valuation	10 - 100
Roads, bridges and drainage network	1,697,412	10,903	47,229	(2,289)	-	(27,677)	1,725,579	Valuation	5 - indefinite
Water	487,824	1,074	6,589	(430)	32,129	(13,554)	513,632	Valuation	2 - 100
Sewerage	580,214	2,566	8,954	(30)	33,655	(12,401)	612,958	Valuation	3 - 120
Plant and equipment	41,107	-	10,562	(2,102)	-	(6,783)	42,784	Cost	1-50
Capital works in progress	89,774	87,916	(105,657)	-	-	-	72,032	Cost	Not depreciated
Total	**3,312,223**	**103,036**	**(1,903)**	**(6,497)**	**74,760**	**(72,258)**	**3,409,363**		

Prior year movements:

Asset Class	Opening written down value	Additions	Transfers	Disposals and write offs	Revaluation	Depreciation expense	Closing written down value	Basis of measurement	Useful life range (years)
	$000's								
Land	146,396	206	6,644	(6)	-	-	153,239	Valuation	Indefinite
Site improvements	117,882	1,009	4,044	(124)	-	(4,801)	118,010	Valuation	2 - indefinite
Buildings	145,492	949	4,712	(171)	-	(6,338)	144,644	Valuation	10 - 100
Roads, bridges and drainage network	2,021,842	19,510	37,366	(2,657)	(389,130)	(38,774)	1,648,157	Valuation	5 - indefinite
Water	489,945	2,385	10,169	(1,247)	-	(13,428)	487,824	Valuation	2 - 100
Sewerage	583,877	3,158	5,679	(60)	-	(12,441)	580,214	Valuation	3 - 120
Plant and equipment	38,018	-	11,812	(2,260)	-	(6,463)	41,107	Cost	1-50
Capital works in progress	80,383	97,162	(87,771)	-	-	-	89,774	Cost	Not depreciated
Total	**3,623,835**	**124,379**	**(7,345)**	**(6,525)**	**(389,130)**	**(82,245)**	**3,262,968**		

Reported opening written down value comprises opening value and any adjustments taken to opening value at 1 July. Additions include contributed assets and developer offsets. Transfers comprise capitalised expenditure on constructed or purchased assets transferred out of capital works in progress, transfers between asset classes and other non-current assets and transfers to the Statement of Comprehensive Income. Amounts expensed to the Statement of Comprehensive Income are reported in note 6 materials and services and note 8 capital expenses.

Mackay Regional Council
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Gross asset cost and accumulated depreciation by asset class:

Asset Class	Closing balance at 30 June 2021			Opening balance at 1 July 2020			Closing balance at 30 June 2020		
	Gross asset value	Accumulated depreciation	Written down value	Gross asset value	Accumulated depreciation	Written down value	Gross asset value	Accumulated depreciation	Written down value
	$000's			$000's			$000's		
Land	153,787	-	153,787	153,241	-	153,241	153,239	-	153,239
Site improvements	217,717	(80,612)	137,105	195,036	(77,026)	118,010	195,036	(77,026)	118,010
Buildings	259,401	(107,915)	151,486	246,582	(101,939)	144,642	246,583	(101,939)	144,644
Roads, bridges and drainage network	2,680,998	(955,420)	1,725,579	2,626,930	(929,517)	1,697,412	2,596,413	(948,256)	1,648,157
Water	853,323	(339,691)	513,632	815,023	(327,200)	487,823	815,024	(327,200)	487,824
Sewerage	892,307	(279,350)	612,958	847,344	(267,130)	580,214	847,344	(267,130)	580,214
Plant and equipment	75,660	(32,877)	42,784	70,637	(29,529)	41,107	70,636	(29,529)	41,107
Capital works in progress	72,032	-	72,032	89,773	-	89,773	89,774	-	89,774
Total	**5,205,225**	**(1,795,865)**	**3,409,363**	**5,044,566**	**(1,732,341)**	**3,312,222**	**5,014,049**	**(1,751,080)**	**3,262,969**

Further details of adjustments taken to the opening value of property, plant and equipment at 1 July 2020, are disclosed in note 12f (iv) fair value measurement - roads, bridges and drainage network.

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a) Recognition

Items of property, plant and equipment with a total value of less than $5.0K, except for land which has a recognition threshold of $1, are treated as an expense in the year of acquisition. Individual assets valued below the asset recognition threshold are recognised as an asset if connected to a larger network. All other items of property, plant and equipment are capitalised and included in the relevant asset class.

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

b) Measurement of assets acquired during the period

All assets purchased or constructed during the reporting period are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration, plus costs incidental to acquisition; including architects' fees, engineering design fees and other establishment costs. Cost for constructed assets include the cost of all services, materials and plant used in construction, direct labour on the project and an appropriate proportion of indirect labour costs attributable to bringing the asset to the location and condition necessary for it to operate in the manner intended.

Property, plant and equipment received in the form of contributions or as offsets to infrastructure charges are brought to account as capital contribution revenue, based on the fair value of each asset, at such time that the asset is acquired or controlled by MRC and the value exceeds the recognition threshold for the respective class. Where an active market does not exist, as is the case for most infrastructure assets contributed to MRC, fair value is deemed to be current replacement cost.

Costs incurred on assets after initial recognition are capitalised if the associated work either renews, extends or upgrades the assets underlying service potential. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity of a non-current asset are expensed as incurred.

When MRC raises a provision for the restoration or rehabilitation of an MRC-controlled waste or quarry site, the provision is initially recognised against property, plant and equipment. Subsequent changes in the provision relating to the discount rate or the estimated amount or timing of restoration costs are recognised in capital expenses or taken against the asset revaluation surplus.

c) Valuation

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

In the intervening years, MRC uses internal engineers and asset managers to assess the condition and cost assumptions associated with all infrastructure assets; the results of which are considered in combination with an appropriate cost index for the region. Together these are used to form the basis of a management valuation for infrastructure asset classes in each of the intervening years. Where indicators exist that the asset class has experienced a significant and volatile change in value since the last reporting period, management will engage independent, professionally qualified valuers to perform a "desktop" valuation. This involves management providing updated information to the valuer regarding additions, deletions and changes in assumptions such as useful life, residual value and condition rating. The valuer then determines suitable indices which are applied to each of these asset classes.

Materiality concepts are considered in determining whether the difference between the carrying amount and the fair value of an asset is significant or experienced a volatile change, in which case a revaluation is undertaken.

Upon revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life. Separately identified components of assets are measured on the same basis as the assets to which they relate.

d) Depreciation

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the date an asset is commissioned and available for use; at which time they are capitalised and transferred from work in progress to the appropriate property, plant and equipment class.

Property, plant and equipment assets held at cost having a limited useful life are depreciated on a straight-line basis over their estimated useful lives. Capital works in progress, land, formation works and certain heritage and cultural assets are not depreciated.

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

Depreciation methodology, 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.

e) Impairment

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

MRC's asset base largely consists of highly specialised infrastructure and other specialist assets for which there is no active market. As a result, infrastructure asset classes rarely experience volatility and significant changes in value as a result of market sentiment are not probable.

f) Fair value measurement

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

There is no market for MRC's infrastructure assets due to their specialised nature and the services they provide. As such, the fair value of all infrastructure assets is determined on the basis of replacement with a new asset having similar service potential. Infrastructure assets are recorded at fair value, using written down current replacement cost (CRC). This comprises the CRC, less accumulated depreciation representing the amount of the asset already consumed or the expired future economic benefits of the asset. MRC first determined the gross cost of replacing the full-service potential of the asset then adjusted this amount to take account of the expired service potential of the asset.

CRC is measured by reference to the lowest cost at which the gross economic benefits (i.e. service potential) of the asset could be obtained in the normal course of business. It is assumed that the infrastructure assets will be replaced by their modern equivalent, in order to provide the required service potential required by MRC.

This method utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon years of experience, different judgements could result in a different valuation.

i) Land

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

	Note	2021 $000's	2020 $000's

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

MRC's fair value measurement has been either a level 2 or 3, depending on the assumptions relating to restrictions on land use and whether there is an active market. Independent valuer, APV determined no movement in cost index occurred for the 12 months ended 30 June 2021. The cumulative movement since the last comprehensive valuation of the class, conducted as at 30 June 2019 by Jones Lange La Salle Public Sector Valuations (JLL), was determined to be immaterial by internal stakeholders, as it represented only a 1.00% increase. Accordingly, no adjustment to the fair value of land was made in the current financial year.

Non-specialised (level 2)	45,016	45,015
Specialised (level 3)	108,771	108,225
Total written down value at 30 June	153,787	153,240

ii) Site improvements
Fair value measurement of site improvements has been based on either level 2 or level 3 inputs. The class was last valued at 30 June 2018 by independent valuers, Ross Searle and Associates (heritage and cultural assets) and JLL (all remaining assets in the class).

Fair values are benchmarked by the valuer to externally available published rates and internally generated data for similar works performed by MRC and contractors. Where an active market exists, fair value is measured at current market value. This is derived by reference to market-based evidence, including observable historical sales data.

For major site improvements, the fair value is determined on the basis of replacement with a new asset having similar service potential. A sample of assets were physically inspected to determine asset attributes and conditions for inclusion in the 2018 valuation. These conditions were in turn used to reflect the remaining life of the assets.

Non-specialised (level 2)	851	772
Specialised (level 3)	136,254	117,238
Total written down value at 30 June	137,105	118,010

APV reported a 2.00% cost movement increase for the 12 months ended 30 June 2021. This represents a cumulative increase of 4.57% since the last comprehensive valuation in 2018. This was determined to be material by internal stakeholders and as such, a commensurate adjustment to the fair value of site improvements was made in the current financial year. A comprehensive valuation of the class is currently planned for 2023.

iii) Buildings
A comprehensive revaluation of building assets was undertaken as at 30 June 2019 by independent valuers, JLL. For the 12 months ending 30 June 2021, APV advised a 1.50% increase in the relevant cost movement index. This represented a cumulative 3.02% increase which was determined to be immaterial by internal stakeholders. Accordingly, no adjustment to the fair value of buildings was made in the current financial year.

MRC’s fair value measurement has been either a level 2 or 3, depending on the assumption as to whether the building is specialised and if a market exists.

Non-specialised (level 2)	5,507	5,861
Specialised (level 3)	145,979	138,782
Total written down value at 30 June	151,486	144,643

Where MRC buildings are of a specialised nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential.

For non-specialised buildings, fair value is derived by reference to market-based evidence including observable historical sales data for comparative properties of similar nature and specification. A sample of assets were physically inspected to determine asset attributes and condition.

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

iv) Roads, bridges and drainage network (level 3)
For the 12 months ended 30 June 2021, APV reported a 0.20% increase in cost movement for the class, since the last comprehensive valuation undertaken as at 30 June 2020 by JLL. The increase was determined to be immaterial by internal stakeholders and as such, no adjustment to the fair value of the class was made in the current financial year.

During the reporting period, an inconsistency in the accounting treatment applied to some non-depreciable road assets in the comprehensive valuation undertaken in the preceding period was identified. This misstatement resulted in accumulated depreciation being overstated by $26.6M, as at 30 June 2020. This was corrected by a net opening balance adjustment being recognised against the asset revaluation surplus as at 1 July 2020.

MRC continues to undertake significant multi-year asset data improvement initiatives, intended to validate, standardise and enhance the classification and attribute accuracy of infrastructure assets recorded within the class. These processes incorporate separate operational phases which are categorised by asset sub-class and geographical location. The current year outcomes resulted in a number of assets of varying ages being recognised for the first time, or derecognised as a result of duplicate data entry or being controlled by third parties. This resulted in a net increase of $22.6M being recognised against the opening balance of the retained surplus as at 1 July 2020.

Retrospective adjustments to prior year comparatives have not been applied in any instances due to the impractical nature of determining the period specific effects and given that the amounts were immaterial to property, plant and equipment and equity balances.

MRC make assessments annually to identify any indicators that the carrying value of a class materially differs from the reported fair value. Any such indicators are considered in the requirement to comprehensively revalue the class.

Infrastructure assets were componentised where required with unit rates applied to the individual components in order to determine the replacement costs. A sample of above ground assets were physically inspected across each relevant subclass or subject to an assessment to determine remaining useful life. Where site inspections were conducted, the assets were allocated a condition rating, which is based on factors such as the age of the asset, overall condition as noted by the valuer during inspection, economic and or functional obsolescence. Condition assessment was made using a 10-point scale with 0 indicating an asset with a very high level of remaining service potential and 5 representing an asset near the end of its useful life. The condition rating directly translates to the level of depreciation applied and was used to estimate remaining useful life.

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

v) Water and sewerage (level 3)
MRC has commenced data improvement processes to validate and enhance the attribute accuracy of pump station sites, treatment plants and other assets recorded within the class by 30 June 2022.

The last comprehensive revaluation of water and sewerage infrastructure assets was performed by independent valuers, JLL as at 30 June 2018. The valuation methodology maintained that water and sewer assets can be broken into 2 broad groups:

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

Assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted, the assets were allocated a condition rating, which is based on factors such as the age of the asset, overall condition as noted by the valuer during inspection, economic and or functional obsolescence. The condition rating was made using a scale with a range between 0 and 5, where 0 indicates a brand new or rehabilitated asset and 5 represents an asset near the end of its useful life. The condition rating directly translates to the level of depreciation applied and was used to estimate remaining useful life.

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

Fair value of water and sewerage assets is determined using a cost approach and is derived from MRC's internal construction costs for similar projects, Rawlinson's, communication with suppliers to determine applicable unit rates, schedule rates for construction of assets or similar assets and performance of comprehensive condition assessment.

APV advised cost movement equal to a 1.10% increase for water assets and a 1.00% increase for sewerage assets, for the 12 months ended 30 June 2021. Cumulatively, this represented a 4.15% increase for water assets and a 4.04% increase for sewerage assets, since the last comprehensive valuation undertaken in 2018. This was determined to be material by internal stakeholders and as such, a commensurate adjustment to the fair value of water and sewer assets was made in the current financial year. A comprehensive valuation of the class is planned for 2022.

13) Intangible assets

Intangible assets with a total value of more than $5.0K are capitalised at cost and then amortised on a straight-line basis to best represent the pattern of consumption over the expected period of benefit. Where the capitalisation threshold is not met, items are expensed in the year of acquisition.

Software in use represents the majority of MRC's intangible assets, with useful lives between 1 and 15 years. The remaining intangible assets are land easements which have indefinite useful lives and as such are not amortised.

	Opening written down value at 1 July 2020	Additions	Transfers	Disposals and write offs	Amortisation expense	Closing written down value at 30 June 2021	Closing accumulated amortisation at 30 June 2021	Closing gross asset value at 30 June 2021	Useful life range (years)
	$000's								
2021									
Intangible assets	6,420	-	1,046	-	(1,293)	6,173	(7,474)	13,647	1 - indefinite
Capital works in progress	941	26	(960)	-	-	7	-	7	Not depreciated
Total	7,361	26	86	-	(1,293)	6,180	(7,474)	13,654	
2020									
Intangible assets	5,251	1,098	1,699	(386)	(1,241)	6,421	(6,181)	12,602	1 - indefinite
Capital works in progress	2,071	506	(1,637)	-	-	940	-	940	Not depreciated
Total	7,322	1,604	62	(386)	(1,241)	7,361	7,400	13,196	

Reported opening written down value comprises opening value and any adjustments taken to opening value at 1 July. Additions include contributed assets and developer offsets. Transfers comprise capitalised expenditure transferred out of works in progress, transfers to or from other non-current assets and transfers to the Statement

	Note	2021 $000's	2020 $000's

of Comprehensive Income. Amounts expensed to the Statement of Comprehensive Income are reported in note 6 materials and services.

14) Contract balances

a) Contract assets

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. Where work has been performed but an invoice milestone not yet met, the amount is recognised as a contract asset unless the rights to that amount of consideration are unconditional, in which case MRC recognises a receivable.

Invoicing milestones not yet met	4,086	829
	4,086	829

b) Contract liabilities

When an amount of consideration is received by a provider prior to MRC transferring a good or service to the customer, MRC presents the funds which exceed revenue recognised as a contract liability.

Current funds received in advance to construct assets	4,486	4,239
	4,486	4,239

15) Leases

MRC has leases in place over buildings and other assets. Where MRC assesses that an agreement contains a lease, a right of use asset and lease liability is recognised on inception of the lease. MRC does not separate lease and non-lease components for any class of assets.

The right of use asset is measured using the cost model where cost on initial recognition comprises the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right of use asset is amortised over the lease term on a straight-line basis. The carrying amount is reduced for impairment, where appropriate.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease.

MRC has applied the exceptions available for short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. MRC recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease payments during the period did not differ as a result of any COVID-19 associated rent relief.

a) Right of use assets

Right of use assets	Buildings	Other	Total
	$000's		
Opening balance at 1 July 2020	32	843	874
Amortisation	(22)	(30)	(52)
Closing balance at 30 June 2021	10	813	822
Adoption of AASB16 at 1 July 2019	54	873	927
Amortisation	(22)	(30)	(53)
Closing balance at 30 June 2020	32	843	874

	Note	2021 $000's	2020 $000's

b) Lease liabilities

Lease liabilities	< 1 year	1 to 5 years	> 5 years	Total contractual cash flows	Carrying amount
	$000's				
2021	41	203	855	1,099	856
2020	68	203	896	1,166	910

At each reporting date, MRC assesses whether it is reasonably certain that the extension options will be exercised based on current operations and corporate strategy. As at 30 June 2021 there were no extension options available.

16) Trade and other payables

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

Liabilities are recognised for employee benefits such as wages and salaries and annual leave in respect of services provided by the employees up to the reporting date. The liability is calculated using the present value of remuneration rates that will be paid when the liability is expected to be settled and includes related on-costs. Further information is available in note 5 employee benefits.

Annual leave is classified as a current liability as MRC considers there is no right to defer settlement.

Current		
Creditors and accruals	21,659	21,975
Annual leave	9,088	8,670
Other payables	760	718
	31,507	31,363

17) Borrowings

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost, with interest expensed as it accrues. Principal and interest repayments are made quarterly in arrears for all QTC borrowings. Principal repayments were made 6 monthly in arrears for Department of State Development, Infrastructure, Local Government and Planning (DSDILGP) non-interest bearing borrowings, in the comparative period.

All borrowing costs are expensed in the period in which they are incurred. No interest has been capitalised during the current or comparative reporting period. DSDILGP borrowings were fully repaid during the reporting period, while expected final payment dates vary from 2024 to 2033 for QTC borrowings. There have been no defaults or breaches of loan agreements during the period.

The market value of QTC borrowings at the reporting date was $139.4M. This represents the value of the debt if MRC repaid it all on that date. At the reporting date, it is the intention of MRC to hold the debt for its full term, as such no provision is required to be made in these accounts.

Current		
QTC	16,167	15,209
DLGRMA	-	308
	16,167	15,517
Non-current		
QTC	101,416	117,284
	101,416	117,284

Reconciliation of liabilities arising from financing activities:

Borrowings	Balance at 1 July	Cash flows	Balance at 30 June
	$000's		
2021	132,801	(15,218)	117,583
Total	132,801	(15,218)	117,583
2020	147,080	(14,279)	132,801
Total	147,080	(14,279)	132,801

MRC has financial labilities including a purchase card facility totalling $0.5M. The following table sets out the liquidity risk in relation to borrowings held by MRC. It represents the remaining undiscounted contractual cashflows (principal and interest) of financial liabilities at the end of the reporting period.

	< 1 year	1 to 5 years	> 5 years	Total contractual cash flows	Carrying amount
	$000's				
2021					
Loans - QTC	22,828	79,477	43,918	146,223	117,583
Loans - DLGRMA	-	-	-	-	-
Total	22,828	79,477	43,918	146,223	117,583
2020					
Loans - QTC	22,828	87,366	58,857	169,050	132,493
Loans - DLGRMA	308	-	-	308	308
Total	23,136	87,366	58,857	169,358	132,801

The outflows in the above table are not expected to occur significantly earlier or for significantly different amounts than indicated. MRC borrows using fixed rate loan products to limit exposure to interest rate risk and reduce the risk of adverse effects on future cash flows. To further manage exposure to the risk of not being able to meet financial obligations as they fall due, MRC maintains sufficient cash deposits at call to cater for unexpected volatility in cash flows. Further details of cash deposits are disclosed in note 9 cash and cash equivalents.

18) Provisions

Long service leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs (further information is available in note 5 employee benefits). The estimates are adjusted for the probability of the employee remaining in MRC's employment which would result in MRC being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attached to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value.

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

Waste restoration and quarry rehabilitation

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

	Note	2021 $000's	2020 $000's

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

Current		
Waste restoration	48,664	49,873
Quarry rehabilitation	2,875	245
Long service leave	11,572	10,672
Other	-	73
	63,111	60,863
Non-current		
Waste restoration	11,458	11,661
Quarry rehabilitation	3,513	5,603
Long service leave	1,775	1,664
	16,746	18,928

The cost of restoring waste sites is expected to be incurred between 2022 and 2033, after site closure and allowing a period for settlement. The portion estimated to be payable during the next 12 months is $0.3M based on the current schedule of works.

Golder Associates Pty Ltd (Golder) were engaged by MRC to determine landfill provision cost estimates as at 30 June 2020, following the compilation of a landfill remediation and risk framework (the framework) in 2019. Golder is a leading consultant, with highly skilled engineers and scientists who provide specialist services in the area of earth and environment, including remediation. The estimates reflect Golder's review of site-specific data including; geo-technical information, size, existing conditions, unique environmental and human health risks that require site specific closure works, long-term management strategies and current legislative obligations. APV advised a cost movement index equal to a 0.2% increase for the 12 months ended 30 June 2021. Following a determination by internal stakeholders, cost estimates were adjusted by a commensurate increase.

The cost of rehabilitating quarry sites is expected to be incurred between 2022 and 2059, after site closure and allowing a period for settlement. The portion estimated to be payable during the next 12 months is $0.3M based on the current schedule of works.

MRC determines estimates for quarry remediation annually, through the use of highly skilled internal engineers and other specialists with relevant expertise in this field. The cost estimates have been based on extensive site analysis, current legislative requirements and guidelines and encompass remediation and revegetation costs.

	Waste restoration	Quarry rehabilitation	Long service leave	Other	Total
	$000's				
Opening balance at 1 July	61,533	5,848	12,336	73	79,790
Provisions recognised or (derecognised)	(234)	680	2,249	(73)	2,622
Amounts used or paid	-	(20)	(1,239)	-	(1,259)
Unwinding of discount	156	65	-	-	221
Discount rate increase or (decrease)	(1,333)	(184)	-	-	(1,517)
Closing balance at 30 June	60,122	6,389	13,346	-	79,857

	Note	2021 $000's	2020 $000's

19) Other liabilities

Revenue is classified as a liability if it relates to an obligation to supply specific goods and services in future periods. Prepaid rates are recognised as a liability until the beginning of the rating period to which they relate.

Current		
Prepaid rates	9,446	8,249
Infrastructure charges offsets	-	731
Other liabilities	3,208	2,516
	12,654	11,496
Non-current		
Infrastructure charges offsets	1,163	882
	1,163	882

20) Asset revaluation surplus

The asset revaluation surplus comprises adjustments relating to changes in the 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 a capital expense. When an asset is disposed of, the amount reported in surplus in respect of that asset, is retained in the asset revaluation surplus and not transferred to retained surplus.

	Balance at 1 July	Movement	Balance at 30 June
	$000's		
Land	53	-	53
Site improvements	15,994	9,434	25,428
Buildings	5,784	-	5,784
Roads, bridge and drainage network	618,796	-	618,796
Water	201,316	32,129	233,445
Sewerage	252,025	33,655	285,680
Total	1,093,968	75,218	1,169,186

21) Commitments for expenditure

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

Waste operational commitments	39,095	58,479
Other operational commitments	6,639	4,955
Capital commitments	38,322	12,849
	84,056	76,283
This expenditure is payable:		
Within one year	57,399	29,411
Later than one year but not later than five years	26,657	41,156
Later than five years	-	5,716
	84,056	76,283

MRC is not committed by any material onerous contract provisions, as a result of COVID-19.

Note	2021 $000's	2020 $000's

22) Contingent liabilities

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

Legal matters

As at 30 June, various legal claims were pending against MRC. Where it is possible for MRC's legal counsel to make a reliable estimate of potential financial liability, if any, the amounts are disclosed below:

-	100

Local Government Mutual

MRC is a member of the Local Government Mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or it is unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution is to the total pool contributions in respect to any year that a deficit arises.

As at 30 June 2021, the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government WorkCare

MRC is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government WorkCare. Under this scheme, MRC has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self-insurance licence be cancelled and there were insufficient funds available to cover outstanding liabilities. Only the Queensland Government's worker's compensation authority may call on any part of the guarantee should the above circumstances arise.

MRC's maximum exposure to the bank guarantee is:

1,710	1,740

23) Superannuation

MRC contributes to the LGIAsuper Regional Defined Benefits Fund (the scheme), at the rate of 12% for each permanent employee who is a defined benefit member. This rate is set in accordance with the LGIAsuper trust deed and may be varied on the advice of an actuary. The Regional Defined Benefits Fund is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the *Local Government Act 2009.*

The scheme is a pooled defined benefit plan and it is not in accordance with the deed to allocate obligations, plan assets and costs at the council level.

Any amount by which the scheme is over or under funded may affect future contribution rate obligations, but has not been recognised as an asset or liability of the council.

MRC may be liable to the scheme for a portion of another local governments' obligations should that local government be unable to meet them. However the risk of this occurring is extremely low and in accordance with the LGIAsuper trust deed changes to council's obligations will only be made on that advice of an actuary.

The last completed actuarial assessment of the scheme as required under *Superannuation Prudential Standard 160* was undertaken as at 1 July 2018. The actuary indicated that "at the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." The measure of vested benefits represents the value of benefit entitlements should all participating employees voluntarily exit the scheme. MRC is not aware of anything that has happened since that time that indicated the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

	Note	2021 $000's	2020 $000's

No changes have been made to prescribed employer contributions which remain at 12% of employee salary or wages and there are no known requirements to change the rate of contributions.

The next triennial actuarial review is not due until 1 July 2021.

The most significant risks that may result in LGIAsuper increasing the contribution rate, on the advice of the actuary, are:

- Investment risk - the risk that the scheme's investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.
- Salary growth risk - the risk that wages or salaries will rise more rapidly than assumed, increasing vested benefits to be funded.

The amount of superannuation contributions paid by MRC during the period for the benefit of employees was:

Superannuation contributions to the scheme		375	434
Other superannuation contributions for employees		9,229	8,637
	5	9,604	9,071

24) Reconciliation of net result to net cash inflow from operating activities

Net result		50,503	43,470
Non-cash items			
Depreciation and amortisation		73,603	83,539
Finance costs		235	286
		73,838	83,825
Investing and development activities			
Grants, subsidies, contributions and donations	4(b)	(49,729)	(57,422)
Capital income		(1,227)	(992)
Capital expenses	8	6,399	12,483
		(44,556)	(45,931)
Movement in operating assets and liabilities			
Trade and other receivables		284	(12,425)
Other assets		490	(975)
Contract assets		(3,257)	(829)
Inventories		282	(481)
Trade and other payables		145	412
Provisions		937	472
Other liabilities		1,889	(1,382)
Contract liabilities		247	4,239
		1,017	(10,969)
Net cash inflow from operating activities		80,802	70,395

25) National Competition Policy

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

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

The following operating statement is for activities subject to the code of competitive conduct for the period ended 30 June 2021:

Operating statement	Mackay Water Services	Mackay Waste Services
	$000's	
Revenue for services provided to MRC	2,369	1,783
Revenue for services provided to external clients	96,135	28,796
Community service obligations (community or sporting rebates)	202	36
	98,706	30,615
Less: expenditure	72,630	22,545
Operating result before tax and dividend	26,076	8,070

26) Transactions with related parties

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

a) Transactions with controlled entities

Mackay Region Enterprises Pty Ltd is a controlled entity of MRC. $0.3K was receivable from this entity as at 30 June 2021 (2020: $0.1K).

b) Transactions with key management personnel

Key management personnel (KMP) include the Mayor, CEO and the Executive Leadership Team. KMP and other persons occupying or acting in KMP positions are required to complete a related party declaration bi-annually each financial year.

The compensation paid to KMP during the reporting period comprised the below. Detailed remuneration disclosures are provided in the annual report.

	Compensation $000's	
	2021	2020
Short term employee benefits	3,419	3,367
Post employee benefits	363	365
Long term benefits	22	18
Total	3,804	3,751

c) Transactions with other related parties

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

MRC employs a total of 1,125 staff (2020: 1,151), of which only 3 (2020: 3) are close family members of KMP. All close family members of KMP were employed through an arm's length process. They are paid in accordance with the Award for the job they perform. Employee expenses for those staff members amounted to $140.6K (2020: $147.2K). In some instances, these amounts do not represent a full financial year, but rather the actual period of employment. Further details are disclosed in note 5 employee benefits.

Mackay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2021

Management Certificate

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

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

a) The prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and

b) the general purpose financial statements, as set out on pages 1 to 30, present a true and fair view, in accordance with Australian Accounting Standards, of MRC's transactions for the financial year and financial position at the end of the year.

Mayor Mackay Regional Council **Cr Greg Williamson**	**Chief Executive Officer** **Michael Thomson**
27 September 2021	27 September 2021
Date	Date

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INDEPENDENT AUDITOR'S REPORT

To the Councillors of Mackay Regional Council

Report on the audit of the financial report

Opinion

I have audited the financial report of Mackay Regional Council.

In my opinion, the financial report:

a) gives a true and fair view of the council's financial position as at 30 June 2021, and of its financial performance and cash flows for the year then ended

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

The financial report comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Mayor and Chief Executive Officer.

Basis for opinion

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

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

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

Other information

Other information comprises financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Mackay Regional Council's annual report for the year ended 30 June 2021 was the current year financial sustainability statement and long-term financial sustainability statement.

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the financial report

The councillors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards, and for such internal control as the councillors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.

- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2021:

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

b) I consider that, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Local Government Act 2009*, any other Act and the Local Government Regulation 2012. The applicable requirements include those for keeping financial records that correctly record and explain the council's transactions and account balances to enable the preparation of a true and fair financial report.

12 October 2021

Sri Narasimhan
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Mackay Regional Council
Financial Statements
For the year ended 30 June 2021

Current Year Financial Sustainability Statement

MRC's performance at 30 June 2021, against key financial ratios and targets:

Key financial sustainability metrics	Target	Actual
Operating surplus ratio (%) Operating result (excluding capital items) as a percentage of operating revenue	0% - 10%	2.2%
Asset sustainability ratio (%) Capital expenditure on renewals divided by depreciation expense	> 90%	82.2%
Net financial liabilities ratio (%) (Total liabilities less current assets) divided by total operating revenue (excluding capital items)	< 60%	6.1%

1 a) Basis of preparation
The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the Financial Management (Sustainability) Guideline 2013.

The amounts used to calculate the 3 reported measures are prepared on an accrual basis and are drawn from MRC's audited general purpose financial statements for the year ended 30 June 2021.

Mackay Regional Council
Financial Statements
For the year ended 30 June 2021

Certificate of Accuracy
Current Year Financial Sustainability Statement

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

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

Mayor Mackay Regional Council **Cr Greg Williamson**	**Chief Executive Officer** **Michael Thomson**
27 September 2021	27 September 2021
Date	Date

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INDEPENDENT AUDITOR'S REPORT

To the Councillors of Mackay Regional Council

Report on the current-year financial sustainability statement

Opinion

I have audited the accompanying current-year financial sustainability statement of Mackay Regional Council for the year ended 30 June 2021, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with s.212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current-year financial sustainability statement of Mackay Regional Council for the year ended 30 June 2021 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

I draw attention to Note 1 which describes the basis of accounting. The current-year financial sustainability statement has been prepared in accordance with the Financial Management (Sustainability) Guideline 2013 for the purpose of fulfilling the council's reporting responsibilities under the Local Government Regulation 2012. As a result, the statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Other information

Other information comprises financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Mackay Regional Council's annual report for the year ended 30 June 2021 was the general purpose financial statements and long-term financial sustainability statement.

The councillors are responsible for the other information.

My opinion on the current-year financial sustainability statement does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

However, as required by the Local Government Regulation 2012, I have expressed a separate opinion on the general purpose financial report.

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

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

Responsibilities of the councillors for the current-year financial sustainability statement

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

Auditor's responsibilities for the audit of the current-year financial sustainability statement

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

My responsibility does not extend to forming an opinion on the appropriateness or relevance of the reported ratios, nor on the council's future sustainability.

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

- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.

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- Evaluate the overall presentation, structure and content of the statement, including the disclosures, and whether the statement represents the underlying transactions and events in a manner that achieves fair presentation.

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

12 October 2021

Sri Narasimhan
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Mackay Regional Council
Financial Statements
For the year ended 30 June 2021

Long Term Financial Sustainability Statement (Unaudited)

Key financial sustainability metrics	Target	Actual	Projection for the financial year ended								
			2022	2023	2024	2025	2026	2027	2028	2029	2030
Operating surplus ratio (%) Operating result (excluding capital items) as a percentage of operating revenue	0% - 10%	2.2%	0.3%	0.4%	0.5%	0.7%	1.0%	1.9%	2.4%	2.3%	2.2%
Asset sustainability ratio (%) Capital expenditure on renewals divided by depreciation expense	> 90%	82.2%	73.9%	87.0%	92.9%	91.6%	90.9%	92.2%	104.6%	108.5%	111.7%
Net financial liabilities ratio (%) (Total liabilities less current assets) divided by total operating revenue (excluding capital items)	< 60%	6.1%	21.8%	31.1%	43.6%	44.3%	41.4%	39.5%	37.9%	39.6%	38.3%

Mackay Regional Council's financial management strategy
Operating surplus ratio
As the Mackay region recovers from the effects of COVID-19, Council is continuing to invest in community initiatives to assist the recovery of the community. Council is forecasting a surplus budget for 2022 with nominal incremental increases to surpluses evident into the future. Council's strong financial position allows a steady and measured recovery while it still maintaining quality services to the community in future years.

Asset sustainability ratio
MRC continues to invest adequately in asset renewals to ensure continued services to the community over the long term. Due to significant investment in new assets in the past few years, MRC can boast a relatively new infrastructure asset base, which reduces the immediate need for renewal of those assets. Renewals expenditure is calculated based on sound asset management principles and is designed to optimise the costs of operating and maintaining the asset over its useful life. Continuing refinement of MRC's asset management plans will improve the ability to make informed decisions regarding asset management into the future. The ratio is an 'average of the long-term' and while 2022 and 2023 are below target, overall, the target is well exceeded for the life of the plan.

Net financial liabilities ratio
MRC's net financial liabilities ratio is within target for the life of the plan. This indicates the capacity to fund liabilities and increase loan borrowings if required. MRC has made a concerted effort to reduce debt and future borrowings in the short term. MRC remains within the target range for this ratio.

Mackay Regional Council
Financial Statements
For the year ended 30 June 2021

Certificate of Accuracy
Long Term Financial Sustainability Statement (Unaudited)

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

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

Mayor Mackay Regional Council **Cr Greg Williamson**	**Chief Executive Officer** **Michael Thomson**
27 September 2021	27 September 2021
Date	Date