Mackay REGIONAL COUNCIL

ANNUAL FINANCIAL STATEMENTS

For the period 1 July 2009 to 30 June 2010

MACKAY REGIONAL COUNCIL

Financial Statements
For the year ended 30 June 2010

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MACKAY REGIONAL COUNCIL

Statement of Comprehensive Income

For the year ended 30 June 2010

	Note	2010 Actual $	15.5 months-2009 Actual $
Income			
Revenue			
Recurrent Revenue			
Rates and levies	3 (a)	142,157,232	134,660,465
Fees and charges		16,056,258	19,578,930
Rental and levies	3 (b)	1,199,985	1,015,268
Interest received	3 (c)	4,863,098	10,189,140
Sales revenue	3 (d)	7,604,574	10,334,134
Other recurrent income	3 (e)	3,647,392	2,706,804
Grants, subsidies, contributions and donations	4 (i)	23,917,644	25,555,060
Total recurrent revenue		199,446,183	204,039,801
Capital revenue			
Grants, subsidies, contributions and donations	4 (ii)	73,168,460	86,167,606
Total revenue		272,614,643	290,207,407
Capital income	5	1,955,863	93,298
Net gain on restructure of local government	7	-	1,195,287,795
Total income		274,570,506	1,485,588,500
Expenses			
Recurrent expenses			
Employee benefits	8	(61,660,400)	(67,827,910)
Materials and services	9	(89,547,363)	(91,737,114)
Finance costs	10	(9,368,853)	(9,748,579)
Depreciation and amortisation	11	(51,193,014)	(50,211,950)
Total recurrent expenses		(211,769,630)	(219,525,553)
Capital expenses	12	(9,775,171)	(16,109,952)
Total expenses		(221,544,801)	(235,635,505)
Net result attributable to Council		**53,025,705**	**1,249,952,995**
Increase / (decrease) in asset revaluation surplus	24	-	970,421,287
Total comprehensive income for the year		53,025,705	2,220,374,282

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

MACKAY REGIONAL COUNCIL

Statement of Financial Position

As at 30 June 2010

	Note	2010 Actual $	15.5 months-2009 Actual $
Current Assets			
Cash assets and cash equivalents	14	69,964,301	96,885,233
Trade and other receivables	15	24,612,401	25,553,930
Inventories	16	1,835,179	2,327,142
		96,411,881	124,766,305
Non-current assets classified as held for sale	17	680,000	9,982,994
		97,091,881	134,749,299
Non-current Assets			
Trade and other receivables	15	-	5,000
Property, plant and equipment	18 (a)	2,377,541,862	2,292,340,056
Intangible assets	19	1,855,928	1,661,959
		2,379,397,790	2,294,007,015
TOTAL ASSETS		2,476,489,671	2,428,756,314
Current Liabilities			
Trade and other payables	20	24,953,588	22,319,132
Provisions	21	19,965,695	618,874
Borrowings	22	5,863,756	7,023,703
Other	23	1,625,412	3,152,573
		52,408,451	33,114,282
Non-current Liabilities			
Trade and other payables	20	-	1,990,126
Provisions	21	18,747,194	35,715,098
Borrowings	22	100,809,820	106,438,307
		119,557,014	144,143,531
TOTAL LIABILITIES		171,965,465	177,257,813
NET COMMUNITY ASSETS		**2,304,524,206**	**2,251,498,501**
Community Equity			
Council capital		1,274,342,849	1,192,440,391
Asset revaluation surplus	24	970,421,287	970,421,287
Other reserves	25	59,760,070	88,636,823
TOTAL COMMUNITY EQUITY		**2,304,524,206**	**2,251,498,501**

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

MACKAY REGIONAL COUNCIL

Statement of Changes in Equity

For the year ended 30 June 2010

	Note	Council Capital	Asset revaluation surplus	Other Reserves	Total
			24	25	
		$	$	$	$
Balance as at 1 July 2009		1,192,440,391	970,421,287	88,636,823	2,251,498,501
Net result attributable to Council		53,025,705	-	-	53,025,705
Other comprehensive income for the year					
Increase / (decrease) in asset revaluation surplus		-	-	-	-
Total comprehensive income for the year		1,245,466,096	970,421,287	88,636,823	2,304,524,206
Transfers to and from reserves					
Transfers to/from capital		44,963,990	-	(44,963,990)	-
Transfers to other reserves		(28,957,949)	-	28,957,949	-
Transfers from other reserves		12,870,712	-	(12,870,712)	-
Total transfers to and from reserves		28,876,753	-	(28,876,753)	-
Balance as at 30 June 2010		1,274,342,849	970,421,287	59,760,070	2,304,524,206
Balance as at 15 March 2008		-	-	-	-
Net result attributable to Council		1,269,080,562	-	-	1,269,080,562
Correction of error - effect on net result	32 (a)	(19,127,567)	-	-	(19,127,567)
Correction of error - revaluation adjustments	32 (a)	13,907,306	(13,907,306)	-	-
Correction of error - revaluation adjustments	32 (b)	21,478	1,666,056	-	1,687,534
Other comprehensive income for the year					
Increase / (decrease) in asset revaluation surplus		-	982,662,537	-	982,662,537
Net assets recognised and liabilities assumed		17,195,435	-	-	17,195,435
Restated total comprehensive income for the year		1,281,077,214	970,421,287	-	2,251,498,501
Transfers to and from reserves					
Transfers to/from capital		58,917,185	-	(58,917,185)	-
Transfers to other reserves		(176,130,442)	-	176,130,442	-
Transfers from other reserves		28,576,434	-	(28,576,434)	-
Total transfers to and from reserves		(88,636,823)	-	88,636,823	-
Balance as at 30 June 2009		1,192,440,391	970,421,287	88,636,823	2,251,498,501

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

MACKAY REGIONAL COUNCIL

Statement of Cash Flows
For the year ended 30 June 2010

	Note	2010 Actual $	15.5 months-2009 Actual $
Cash flows from operating activities :			
Receipts from customers		168,768,600	159,256,678
Payments to suppliers and employees		(148,532,894)	(151,597,608)
		20,235,706	7,659,070
Interest received		4,957,244	10,174,732
Non capital grants and contributions		23,917,644	25,555,060
Borrowing costs		(7,318,049)	(8,277,391)
Net cash inflow (outflow) from operating activities	31	41,792,545	35,111,471
Cash flows from investing activities:			
Payments for property, plant and equipment		(116,825,637)	(177,643,441)
Net movement in loans and advances		11,600	13,600
Proceeds from sale of property plant and equipment		12,596,743	5,361,423
Grants, subsidies, contributions and donations		42,292,251	52,932,734
Net cash inflow (outflow) from investing activities		(61,925,043)	(119,335,684)
Cash flows from financing activities:			
Proceeds from borrowings	22	-	34,315,888
Repayment of borrowings	22	(6,788,434)	(11,044,146)
Net cash inflow (outflow) from financing activities		(6,788,434)	23,271,742
Net increase (decrease) in cash held		(26,920,932)	(60,952,471)
Cash transferred on the restructure of local government	7 (b)	-	157,837,704
Cash at beginning of financial year		96,885,233	-
Cash at end of financial year	14	**69,964,301**	**96,885,233**

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

1 Summary of Significant Accounting Policies

1. 1 Basis of Preparation

These general purpose financial statements for the period 1 July 2009 to 30 June 2010 have been prepared in accordance with Australian Accounting Standards and comply with the requirements of the *Local Government Act 1993* and the *Local Government Finance Standard 2005.*

Pursuant to Part 1B of the *Local Government Act 1993* and in accordance with the *Local Government Reform Implementation Regulation 2008*, the Mackay Regional Council was formed on 15 March 2008 as a consequence of the amalgamation of Sarina Shire, Mirani Shire and Mackay City Councils.

The *Local Government Reform Implementation Regulation 2008* and the *Local Government Reform Implementation (Transferring Areas) Amendment Regulation (No.1) 2008* transferred the assets and liabilities of the former councils to the Mackay Regional Council as at the changeover date.

Pursuant to Section 159YQ of the *Local Government Act 1993* and Sections 26 and 35 of the *Local Government Reform Implementation Regulation 2008*, financial statements for 2008-2009 were prepared for a 15 month period from the 15 March 2008 to 30 June 2009. The 2009-2010 financial year is for a 12 month period from 1 July 2009 to 30 June 2010.

Assets and liabilities of the former councils have been recognised by Mackay Regional Council on 15 March 2008 at the previous book values of the transferor local governments. This is shown as income in the comparative figures of the Statement of Comprehensive Income and details are disclosed in note 7 (b).

Mackay Regional Council adopted consistent accounting policies from its commencement date of 15 March 2008. In some cases, this resulted in adjustments to the measurement of assets and liabilities transferred from the former councils as at 15 March 2008. These accounting policy alignment adjustments are shown in the comparative figures in note 7 and details are disclosed in note 7 (b).

This financial report has been prepared under the historical cost convention except for the revaluation of certain non-current assets.

1. 2 Statement of Compliance

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

1. 3 Adoption of new and revised Accounting Standards

In the current year Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has resulted in the following changes to Council's accounting policies:

Presentation of Financial Statements (AASB 101 Presentation of Financial Statements, AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101, AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101).

The revised Standard and Amending Pronouncements do not affect any of the amounts presented in the financial statements, but have changed the disclosures made in the financial statements. The change in terminology in the revised AASB 101 has resulted in the Balance Sheet being renamed the Statement of Financial Position, and the Cash Flow Statement being renamed the Statement of Cash Flows. The former Income Statement has been replaced with a single Statement of Comprehensive Income. In line with the new concept of "comprehensive income" the bottom of the Statement contains other Comprehensive Income that was previously included in the Statement of Changes in Equity.

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

	Effective for annual report periods beginning on or after:
AASB 124 *Related Party Disclosures* (December 2009)	1 January 2011
2009-8 *Group Cash-settled Share-based Payment Transactions* (July 2009)	1 January 2010
2009-9 *Additional Exemptions for First-time Adopters* (September 2009)	1 January 2010
2009-10 *Classification of Rights Issues* (October 2009)	1 January 2013
2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2009)	1 January 2013
2009-12 *Amendments to Australian Accounting Standards in relation to AASB 8 Operating Segments* (December 2009)	1 January 2011
2009-13 *Amendments to AAS arising from Interpretation 19* (December 2009)	1 July 2010
2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (Interpretation 14)* (December 2009)	1 January 2011
Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* (December 2009)	1 July 2010

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

The *2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* includes amendments to *AASB 117 Leases* which revise the criteria for classification of leases involving land and buildings. Council will be required to reassess the classification of the land components of all unexpired leases that Council has entered into as at 1 July 2010, on the basis of the information existing at the inception of the relevant lease. If any such leases are reclassified to become finance leases, retrospective accounting adjustments will be processed as far as practicable.

Initial application of the other Standards/Interpretations in issue but not yet effective is not expected to have any material impact on Council's financial statements.

1. 4 Currency

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

1. 5 Constitution

Mackay Regional Council is constituted under the Queensland Local Government Act 1993 and is domiciled in Australia.

1. 6 Date of Authorisation

The financial report was authorised for issue on the date it was submitted to the Auditors for final signature. This is the date the management certificate is signed.

1. 7 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of Council's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

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

Valuation of property, plant and equipment - note 1.15 and note 18 (b)
Impairment of property, plant and equipment - note 1.18 and note 18 (a)
Provisions - note 1.23 and note 21
Contingencies - note 28

1. 8 Rates, Levies, Grants and Other Revenue

Rates, Grants and Other Revenue are recognised as revenue on receipt of funds or earlier unconditional entitlement to the funds.

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

(b) **Grants, Subsidies and Contributions**
Grants, subsidies and contributions that are recognised as revenue in the year in which Council obtains control over them.

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

(d) **Rental Income**
Rental revenue is recognised as income on a periodic straight line basis over the lease term.

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

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

1. 9 Financial Assets and Financial Liabilities

Council recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, Council becomes a party to the contractual provisions of the instrument.

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

Financial assets
Cash and cash equivalents (note 1.10)
Receivables - measured at amortised cost (note 1.11)

Financial liabilities
Payables - measured at amortised cost (note 1.20)
Borrowings - measured at amortised cost (note 1.22)

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

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

The fair value of borrowings, as disclosed in note 22 to the accounts, is determined by reference to published price quotations in an active market and/or by reference to pricing models and valuation techniques. It reflects the value of the debt if the Council repaid it in full at balance date. As it is the intention of the Council to hold its borrowings for their full term, no adjustment provision is made in these accounts.

The fair value of trade receivables approximates the amortised cost less any impairment. The fair value of payables approximates the amortised cost.

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

All other disclosures relating to the measurement and financial risk management of financial instruments are included in note 33.

1. 10 Cash and Cash Equivalents

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

1. 11 Receivables

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

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

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

Loans and advances are recognised in the same way as other receivables. Terms are usually a maximum of five years with interest charged at negotiated rates. Security is not normally obtained. In accordance with the accounting standards loans and advances are not considered financial assets when assessing credit risk as disclosed in note 33.

1. 12 Inventories

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

Inventories held for distribution (internal consumption) are:
- goods to be supplied at no, or nominal, charge, and
- goods to be used for the provision of services at no, or nominal, charge.

Inventory for distribution is valued at cost, adjusted when applicable for any loss of service potential.

1. 13 Land Held for Resale

Land acquired with the intention of reselling it (with or without further development) is classified as inventory. As inventory this land is valued at the lower of cost or net realisable value. Inventory land is treated as a current asset except where it is anticipated that a material portion of land value will not be sold within 12 months. Land held beyond 12 months is reported as non-current inventory.

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

1. 14 Investments

Term deposits in excess of three months are reported as investments, with deposits of less than three months being reported as cash equivalents. At 30 June 2010 Council did not have any term deposits in excess of three months.

1. 15 Property, Plant and Equipment

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. Items of plant and equipment, infrastructure assets and buildings with a total value of less than $5,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

The classes of property plant and equipment recognised by the Council are reported in note 18 (a).

(a) Major Plant

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

(b) Acquisition of Assets

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect's fees and engineering design fees and all other establishment costs.

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

Assets transferred from the former councils, as a result of a Government restructure, were initially recognised at the amount at which they were recognised by the former councils as at the changeover day as disclosed in Note 1.1 and Note 7 (b). Those assets are reflected as additions from abolished councils at net carrying value in Note 18 (a).

(c) Capital and Operating Expenditure

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

(d) Valuation

Land and improvements, buildings, major plant and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with *AASB116 Property, Plant and Equipment* and the *Local Government Finance Standard 2005*. Other plant and equipment is measured at cost.

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

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

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

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

Details of valuers and methods of valuations are disclosed in Note 18 (b).

(e) Depreciation

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

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

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

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

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

The estimated useful lives of property, plant and equipment are reviewed annually. Details of the range of useful lives for each class of asset are shown in note 18 (a).

(f) **Unfunded Depreciation**

The Council has elected not to fund depreciation expenses for assets that will not be replaced or where external funding sources other than loans will be obtained to fund their replacement. Depreciation is funded to the extent necessary to meet council defined future service delivery levels to the community unless insufficient revenue sources are available to cover this depreciation amount. In this case the unfunded depreciation reflects a more serious decline to the council's capital value and sustained shortfalls may affect the Council's ability to maintain this level of service into the future.

(g) **Land Under Roads**

The Mackay Regional Council does not control any land under roads. All land under the road network within the council area has been dedicated and opened for public use under the *Land Act 1994* or the *Land Title Act 1994* and is not controlled by council but is controlled by the State pursuant to the relevant legislation. Therefore this land is not recognised in these financial statements.

1. 16 Intangible Assets

Only intangible assets which have a cost exceeding $5,000 are recognised as intangible assets.

Expenditure on internally generated intangible assets is recognised from the date of the approval by the Council of a capital expenditure authorisation for the acquisition or development of the asset. This approval is taken to indicate that the project meets the criteria for recognition in AASB138.57

Expenditure on internally generated assets, up to the decision to generate the asset in a particular form, is research expenditure and is not capitalised.

It has been determined that there is not an active market for any of the Council's intangible assets. Therefore, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

1. 17 Capital Work in Progress

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

1. 18 Impairment of Non Current Assets

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

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

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

1. 19 Operating Leases

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

1. 20 Payables

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

1. 21 Liabilities - Employee Benefits

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

(a) **Salaries and Wages**
A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is included in note 20 as a payable.

(b) **Annual Leave**
A liability for annual leave is recognised. The current portion is calculated on current wage and salary levels and includes related employee on-costs. This liability represents an accrued expense and is reported in note 20 as a payable.

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

(d) **Superannuation**
The superannuation expense for the reporting period is the amount of the contribution the local government makes to the superannuation plan which provides benefits to its employees.

Details of those arrangements are set out in note 29.

(e) **Long Service Leave**

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

This liability represents an accrued expense and is reported in note 21 as a provision.

1. 22 Borrowings

Loans payable are measured at book value at date of reporting.

Borrowing costs, which includes interest and administration fees, are expensed in the period in which they arise. Costs that are not settled in the period in which they arise are included in payables.

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

Borrowings are classified as current liabilities except for the principle amount that is due and payable, under the contractual terms of the loan agreement, twelve months after the end of the reporting. This amount is classified as a non current amount. Further details are provided in note 22.

1. 23 Restoration Provision

A provision is made for the cost of restoration of assets and other future restoration costs where it is probable the Council will be liable, or required, to incur such a cost on the cessation of use of the facility. Further details can be found in note 21.

The provision is measured at the expected cost of the work required discounted to current day values using an appropriate rate.

(a) **Restoration on Assets with no probable Future Economic Benefit**

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

(b) **Restoration on Assets with probable Future Economic Benefit**

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

Changes to the provision resulting from the passing of time (the unwinding of the discount) are treated as a finance cost.

1. 24 Council Capital Value

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

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

1. 25 Asset Revaluation Surplus

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

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

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

When an asset is disposed of the amount in the reserve in respect of that asset is retained in the reserve. The asset revaluation surplus does not therefore reflect a surplus that can be related to currently held assets and, as council infrastructure assets are not valued on a market value basis, this surplus does reflect a realisable amount.

1. 26 Reserves held for Future Capital Expenditure

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

(a) **Constrained Works Reserve**
This reserve is credited with monetary revenue received during the reported period and constrained for the purpose of funding specific capital expenditure. As the expenditure is incurred on specified capital assets the equivalent funds are transferred from the reserve to the capital account. The closing balance reported at the period end represents funds not yet expended and must be retained until expended in the manner specified by the contributor.

(b) **Capital Improvements Reserve**
This reserve represents funds held for upgrade of council assets.

(c) **Carry Forward Works Reserve**
This reserve represents revenue raised for funding programmed works to be completed in future financial years.

(d) **NCP Financial Incentive Reserve**
This reserve represents funds set aside to undertake works associated with improving competitiveness.

(e) **Offstreet Parking Reserve**
This reserve represents amounts held to meet the needs of residents in respect of offstreet parking facilities.

(f) **Pensioner Housing Reserve**
This reserve represents unallocated funds received from pensioner housing rentals, which are spent on capital works relating to pensioner housing.

(g) **Cleansing Reserve**
This reserve is held to provide funding for future refuse facilities projects.

(h) **Disaster Response Reserve**
This reserve represents unspent funds from the disaster response levy.

(i) **Natural Environmental Levy Reserve**
This reserve represents unspent funds from the natural environmental levy.

(j) **Water Reserve**
This reserve represents funds held in repect of certain future water infrastructure requirements.

(k) **Sewerage Reserve**
This reserve represents funds held in repect of certain future sewerage infrastructure requirements.

(l) **Gravel Quarry Reserve**
This reserve is held to provide funding for future quarry restoration capital expenditure.

1. 27 Reserves held for funding future recurrent expenditure:

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

(a) **Constrained Recurrent Reserve**
This reserve represents contributions and grant funding received for operational projects where the required works have not been carried out.

1. 28 Retained surplus

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

1. 29 National Competition Policy

The Council has reviewed its activities to identify its business activities. Details of these activities are disclosed in note 34.

1. 30 Rounding and Comparatives

Amounts included in the financial statements have been rounded to the nearest $1 or, where that amount is $0.50 or less, to zero.

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

The Mackay Regional Council was formed on 15 March 2008 as a consequence of the amalgamation of Sarina Shire, Mirani Shire and Mackay City Councils. Pursuant to Section 159YQ of the *Local Government Act 1993* and Sections 26 and 35 of the *Local Government Reform Implementation Regulation 2008*, financial statements for 2008-2009 were prepared for the period 15 March 2008 to 30 June 2009. Therefore comparative figures presented in the financial statements for the year ending June 2009 are for a 15 and a half month period.

The assets and liabilities of the former Sarina Shire, Mirani Shire and Mackay City Councils were transferred to the Mackay Regional Council on the changeover date. Therefore asset and liability balances disclosed in the notes as being at the beginning of the comparative financial year, comprise asset and liabilities that were transferred from Sarina Shire, Mirani Shire and Mackay City Councils due to the restructure.

1. 31 Financial Risk Management

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

Investments in financial assets are only made where those assets are with a bank or other financial institution in Australia and are for a period of less than one year.

The Council does not invest in derivatives or other high risk investments.

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

Details of financial instruments and the associated risks are shown at note 33.

1. 32 Trust Funds Held for Outside Parties

Funds held in the trust account on behalf of outside parties include those funds from the sale of land for arrears in rates recovery, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) paid into the trust account by the Council. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements. For details see note 30.

1. 33 Judgements and Assumptions

The Council has made no judgements or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

1. 34 Taxation

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

The controlled entity of the Council pays an income tax equivalent to the Council in accordance with the requirements of the *Local Government Act 1993.*

Where an activity of the controlled entity of the Council is subject to the National Tax Equivalents Regime, the income tax expense is calculated on the operating surplus adjusted for permanent differences between taxable and accounting income. These transactions are eliminated upon consolidation.

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

2 Analysis of results by function

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

Year ended 30 June 2010

Functions	Income		Total income	Total expenses	Net result for period	Assets
	Grants	Other				
	2010 $	2010 $	2010 $	2010 $	2010 $	2010 $
Corporate Services	8,894,580	76,343,879	85,238,459	45,639,614	39,598,845	88,794,031
Development Services	46,000	4,891,225	4,937,225	9,613,961	(4,676,736)	351,486
Community Services	1,165,941	6,768,269	7,934,210	19,633,180	(11,698,970)	373,032,975
Engineering Services	30,605,026	41,521,865	72,126,891	64,774,803	7,352,088	1,234,722,763
Water and Waste Services	11,927,661	92,406,060	104,333,720	81,883,243	22,450,478	779,588,416
Total	52,639,208	221,931,298	274,570,506	221,544,801	53,025,705	2,476,489,671

Year ended 30 June 2009

Functions	Income		Total income	Total expenses	Net Result for period	Assets
	Grants	Other				
	15.5 months 2009 $	15.5 months 2009 $	15.5 months 2009 $	15.5 months 2009 $	15.5 months 2009 $	15.5 months 2009 $
Corporate Services	8,299,021	70,918,475	79,217,496	37,681,750	41,535,746	99,976,034
Development Services	398,842	9,759,027	10,157,869	15,930,815	(5,772,946)	279,680
Community Services	32,302,052	4,357,239	36,659,291	18,876,933	17,782,358	382,923,786
Engineering Services	15,770,957	38,283,077	54,054,034	72,604,535	(18,550,501)	1,168,795,389
Water and Waste Services	3,646,822	106,565,193	110,212,015	90,541,472	19,670,543	776,781,426
Total	60,417,694	229,883,011	290,300,705	235,635,505	54,665,200	2,428,756,314

2 (b) Components of Council functions

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

Corporate Services

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

Development Services

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

Community Services

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

Engineering Services

Comprises Engineering Services Management, Technical Services, Construction, Maintenance and Parks and Environment.

Water and Waste Services

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

	Note	2010 Actual $	15.5 months-2009 Actual $
3 Revenue analysis			
(a) Rates and levies	1.8 (a)		
General rates		78,096,301	72,305,725
Special rates and charges		5,034,781	4,475,408
Water consumption and charges		28,350,420	32,182,679
Sewerage		27,911,608	24,218,871
Sewerage trade waste		1,513,699	1,145,702
Garbage charges		13,689,693	11,857,918
Rates and utility charge revenue		154,596,502	146,186,303
Less: Discounts		(11,020,945)	(10,176,489)
Less: Pensioner remissions		(1,418,325)	(1,349,349)
Net rates and utility charges		142,157,232	134,660,465
(b) Rental and levies	1.8 (d)		
Rental income		1,199,985	972,823
Lease fees		-	42,445
		1,199,985	1,015,268
(c) Interest received	1.8 (e)		
Investments		4,420,175	9,642,000
Overdue rates and utility charges		442,923	547,140
		4,863,098	10,189,140
(d) Sales revenue	1.8 (f)		
Sales of contract and recoverable works		6,536,449	9,598,499
Mackay Entertainment and Convention Centre income		1,005,392	661,063
Gravel royalties		62,733	74,572
		7,604,574	10,334,134

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

(e) Other recurrent income	1.8 (f)		
Other Income		3,647,392	2,706,804
		3,647,392	2,706,804

	Note	2010 Actual $	15.5 months-2009 Actual $
4 Grants, subsidies, contributions and donations	1.8 (b)		
(i) Recurrent - grants and subsidies, other contributions and donations are analysed as follows:			
General purpose grants		8,277,084	7,673,733
State Government subsidies & grants		15,306,824	17,499,726
Other Non-Government subsidies		-	6,500
Donations		333,736	218,269
Contributions		-	156,832
Total recurrent revenue		23,917,644	25,555,060
(ii) Capital - grants and subsidies, and other contributions are analysed as follows:			
(a) Monetary revenue designated for capital funding purposes:			
State Government subsidies & grants		29,055,300	35,237,735
Contributions		13,236,951	17,694,999
		42,292,251	52,932,734
(b) Non-monetary revenue received is analysed as follows:	1.8 (c)		
Developer assets contributed by developers at fair value		30,876,209	33,199,987
Other physical asset contributed at fair value		-	34,885
		30,876,209	33,234,872
Total capital revenue		73,168,460	86,167,606
5 Capital income			
Gain on the disposal of assets held for sale		1,955,863	93,298
		1,955,863	93,298
6 Gain (loss) on the disposal of non-current assets clasified as held for sale			
(a) Proceeds from the sale of non-current assets classified as held for sale		10,756,363	113,298
Less: Book value of non-current assets classified as held for sale		(8,800,500)	(20,000)
		1,955,863	93,298

	Note	2010 Actual $	15.5 months-2009 Actual $
7 Gain on restructure of local government			
Net result attributable to Council		53,025,705	1,249,952,995
Less:			
Assets and liabilities transferred from abolished councils	7 (b)	-	1,211,031,071
Adjustment for unrecognised assets	7 (a)	-	(15,743,276)
Net gain on restructure of local government	7 (b)	-	1,195,287,795
Net result before gain on restructure of local government		53,025,705	54,665,200
(a) Adjustments due to accounting policy alignment			
Property, Plant and Equipment - Assets		-	(6,087,071)

Mackay Regional Council adopted an asset recognition threshold for assets, other than land and plant and equipment, of $5,000. This resulted in the derecognition of assets transferred from the former Councils where the gross value fell below the asset recognition threshold.

Property, Plant and Equipment - Depreciation		-	(9,656,205)

Mackay Regional Council has a useful life of 50 years for water infrastructure assets, Mirani and Sarina Shire Councils had a useful life of 80 years.

		-	(15,743,276)

7 (b) Net gain on assets transferred from abolished councils

The Local Government Reform Commission report to the Minister for Local Government, Planning and Sport on 27 July 2007 recommended that the former Sarina Shire, Mirani Shire and Mackay City Councils be amalgamated to form the Mackay Regional Council. Pursuant to Part 11B of the *Local Government Act 1993* and in accordance with the *Local Government Reform Implementation Regulation 2008* the amalgamation was effective from the changeover date of 15 March 2008.

The *Local Government Reform Implementation Regulation 2008* and the *Local Government Reform Implementation (Transferring Areas) Amendment Regulation (No.1) 2008* transferred the assets and liabilities of the former Councils (referred to paragraph 1), to the Mackay Regional Council as at changeover date. The assets and liabilities of the former councils have been recognised at the amounts at which the they were recognised by the transferor local governments as at the changeover day.

Mackay Regional Council adopted consistent accounting policies from its commencement date of 15 March 2008. In some cases, this resulted in adjustments to the measurement of assets and liabilities transferred from former councils as at 15 March 2008.

Details are as follows:

	Sarina Shire Council	Mirani Shire Council	Mackay City Council	Total gain recognised by Council	Adjustments due to accounting policy alignment	Net Gain on restructure of local government
	$	$	$	$		
Assets						
Current assets						
Cash and cash equivalents	9,068,005	9,496,728	139,272,971	157,837,704	-	157,837,704
Trade receivables	1,463,711	516,202	13,115,268	15,095,181	-	15,095,181
Inventory	38,686	404,298	1,132,202	1,575,186	-	1,575,186
Other financial assets	49,172	26,835	1,046,638	1,122,645	-	1,122,645
	10,619,574	10,444,063	154,567,079	175,630,716	-	175,630,716
Non-current assets held for resale	20,000	-	-	20,000	-	20,000
	10,639,574	10,444,063	154,567,079	175,650,716	-	175,650,716
Non-current assets						
Receivables	-	4,000	14,600	18,600	-	18,600
Property, plant and equipment	122,635,692	94,034,988	966,231,913	1,182,902,593	(15,743,276)	1,167,159,317
	122,635,692	94,038,988	966,246,513	1,182,921,193	(15,743,276)	1,167,177,917
Total assets	133,275,266	104,483,051	1,120,813,592	1,358,571,909	(15,743,276)	1,342,828,633
Liabilities						
Current liabilities						
Trade payables	1,750,880	1,310,615	17,225,242	20,286,737	-	20,286,737
Borrowings	1,862,556	240,946	5,738,497	7,841,999	-	7,841,999
Provisions	-	-	951,516	951,516	-	951,516
Other	-	-	2,054,485	2,054,485	-	2,054,485
	3,613,436	1,551,561	25,969,740	31,134,737	-	31,134,737
Non-current liabilities						
Payables	90,726	62,203	3,684,232	3,837,161	-	3,837,161
Borrowings	2,380,392	2,341,022	77,619,523	82,340,937	-	82,340,937
Provisions	5,476,008	4,102,629	20,649,366	30,228,003	-	30,228,003
	7,947,126	6,505,854	101,953,121	116,406,101	-	116,406,101
Total liabilities	11,560,562	8,057,415	127,922,861	147,540,838	-	147,540,838
Net gain from assets transferred	121,714,704	96,425,636	992,890,731	1,211,031,071	(15,743,276)	1,195,287,795

	Note	2010 Actual $	15.5 months-2009 Actual $
8 Employee benefits			
Total staff wages and salaries		49,023,596	54,413,655
Councillors' remuneration		1,126,741	1,376,871
Annual, sick and long service leave entitlements		11,231,884	11,361,629
Superannuation	29	5,845,796	6,192,018
		67,228,017	73,344,173
Other employee related expenses		302,314	245,077
		67,530,331	73,589,250
Less : Capitalised employee expenses		(5,869,931)	(5,761,340)
		61,660,400	67,827,910
9 Materials and services			
Audit fees		192,164	192,455
Councillor's conferences, deputations and other expenses		198,122	166,804
Precepts and contributions (PRIT)		285,980	694,571
Donations, grants and subsidies		982,005	1,229,778
Legal fees		1,621,000	1,693,219
Insurance		1,584,323	1,532,955
Other material and services		84,683,769	86,227,332
		89,547,363	91,737,114
10 Finance costs			
Finance costs charged by the Queensland Treasury Corporation		7,318,049	8,284,722
Bank charges		521,007	530,707
Impairment of receivables		1,055,767	25,183
Refuse sites - change in present value over time		427,436	818,719
Quarry sites - change in present value over time		46,594	89,248
		9,368,853	9,748,579
11 Depreciation and amortisation	1.15 (e)		
(a) Depreciation of non-current assets			
Land		-	1,270
Site improvements		1,001,624	-
Buildings		1,534,495	2,545,576
Plant and equipment		3,758,691	6,732,926
Roads, bridge and drainage network		23,566,772	26,783,756
Water		9,129,773	6,684,272
Sewerage		10,836,162	6,518,185
Waste infrastructure		911,840	-
Heritage & cultural assets		14,849	-
Other assets		-	945,965
Total depreciation of non-current assets	18 (a)	50,754,206	50,211,950

	Note	2010 Actual $	15.5 months-2009 Actual $
11 Depreciation and amortisation (continued)			
(b) Amortisation of intangible assets			
Computer software		438,808	-
Total amortisation of intangible assets	19	438,808	-
Total depreciation and amortisation		51,193,014	50,211,950
Adjustment for unfunded depreciation:		-	(5,886,914)
Total funded depreciation		51,193,014	44,325,036
12 Capital expenses			
Gain (loss) on the disposal of capital assets	13	(9,775,171)	(14,563,223)
Revaluation decrement of property, plant and equipment	18 (a)	-	(1,546,729)
Change arising from revision of the future restoration expenditure		-	-
Total capital expenses		(9,775,171)	(16,109,952)
13 Gain (loss) on the disposal of non-current assets			
(a) Proceeds from the sale of plant and equipment		1,840,380	2,753,507
Less: Book value of plant and equipment sold		(2,129,606)	(3,576,669)
		(289,226)	(823,162)
(b) Proceeds from the sale of land and buildings		-	2,494,618
Less: Book value of land and buildings sold		-	(2,463,540)
		-	31,078
(c) Proceeds from the sale of Infrastructure		-	-
Less: Book value of infrastructure written off		(9,485,945)	(13,771,139)
		(9,485,945)	(13,771,139)
Total gain (loss) on the disposal of non-current assets	12	(9,775,171)	(14,563,223)
14 Cash assets and cash equivalents	1.10		
Cash in operating bank account		1,894,550	6,263,154
Cash on hand		26,035	20,125
Deposits and investments held with QTC at variable interest rate		68,043,716	90,601,954
Balance per statement of cash flows		69,964,301	96,885,233
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:			
Unspent government grants and subsidies		4,516,976	8,854,650
Unspent loan monies		-	5,309,031
Total unspent restricted cash		4,516,976	14,163,681

	Note	2010 Actual $	15.5 months-2009 Actual $
15 Trade and other receivables	1.11		
(a) Current			
Rateable revenue and utility charges		7,754,308	7,451,828
Interest receivable - rates		499,395	593,541
Accrued government operating grants and subsidies		3,280	3,280
GST recoverable		3,149,798	3,925,748
Other debtors		12,864,331	12,070,153
Prepayments		1,343,084	1,497,780
Loans and advances to community organisations		5,000	11,600
Less: Provision for impairment of receivables		(1,006,795)	-
		24,612,401	25,553,930
(b) Non-current			
Loans and advances to community organisations		-	5,000
		-	5,000

Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.

The loans and advances to community organisations relates to a loan made to Kookaburra Child Care Centre on interest free terms. This debt will be extinguished in March 2011.

16 Inventories	1.12		
Current			
Inventories held for sale:			
Miscellaneous saleable items		171,246	121,467
Treated water		136,763	200,643
		308,009	322,110
Inventories for internal use:			
Stockpile inventory		1,185,048	1,734,464
Plant and equipment stores		342,122	270,568
		1,527,170	2,005,032
Total inventories		1,835,179	2,327,142

17 Non-current assets classified as held for sale	1.13		
Opening balance at valuation		9,982,994	-
Balance transferred from abolished councils		-	20,000
Transfer from / (to) other non-current asset category		(502,494)	9,982,994
Disposals		(8,800,500)	(20,000)
		680,000	9,982,994

Council has decided to sell land associated with the prior Pioneer Shire Council building as it is no longer required. It is expected to be sold within one year.

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

18 (a) Property, plant and equipment

	Land	Site improvements	Buildings	Plant and equipment	Heritage & cultural assets	Roads, bridge and drainage network	Water	Sewerage	Waste infrastructure	Other assets	Works in progress	Total
Basis of measurement	Valuation	Valuation	Valuation	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	
	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010
Asset Values	$	$	$	$	$	$	$	$	$	$	$	$
Opening gross value	245,774,599	32,484,563	125,758,462	35,147,493	582,696	1,250,974,505	480,780,097	515,425,314	14,197,634	-	114,104,564	2,815,229,927
Additions at cost	-	-	-	-	-	-	-	-	-	-	116,825,637	116,825,637
Contributed assets at valuation	-	-	-	-	-	21,833,630	3,549,402	5,493,177	-	-	-	30,876,209
Disposals	-	-	-	(4,327,835)	-	-	-	-	-	-	-	(4,327,835)
Write-offs	-	(17,325)	-	-	-	(9,784,516)	(2,574,940)	(323,829)	-	-	-	(12,700,610)
Assets classified as held for sale	502,494	-	-	-	-	-	-	-	-	-	-	502,494
Internal transfers to other asset classes	1,102,028	14,763,545	28,253,576	9,964,831	1,690,370	32,625,415	4,870,409	4,084,238	151,816	-	(98,139,005)	(632,777)
Closing gross value	247,379,121	47,230,783	154,012,038	40,784,489	2,273,066	1,295,649,034	486,624,968	524,678,900	14,349,450	-	132,791,196	2,945,773,045
Accumulated depreciation and impairment												
Opening balance	-	2,747,091	14,970,094	6,180,357	67,772	163,674,937	188,787,394	145,403,600	1,058,626	-	-	522,889,871
Depreciation provided in period	-	1,001,624	1,534,495	3,758,691	14,849	23,566,772	9,129,773	10,836,162	911,840	-	-	50,754,206
Depreciation on disposals	-	-	-	(2,198,229)	-	-	-	-	-	-	-	(2,198,229)
Depreciation on write-offs	-	(1,213)	-	-	-	(1,182,036)	(1,786,612)	(244,804)	-	-	-	(3,214,665)
Closing accumulated depreciation	-	3,747,502	16,504,589	7,740,819	82,621	186,059,673	196,130,555	155,994,958	1,970,466	-	-	568,231,183
Net value at 30 June 2010	247,379,121	43,483,281	137,507,449	33,043,670	2,190,445	1,109,589,361	290,494,413	368,683,942	12,378,984	-	132,791,196	2,377,541,862
Residual value		5,177,752	70,006,259	13,698,448	43,125	456,802,488	-	-	283,093	-	-	546,011,165
Range of estimated useful life in years	Not depreciated	20-80	40-100	3-20	20-100 Artwork Not Depreciated	5-100	20-80	20-60	20-80			

18 (a) Property, plant and equipment - prior year

	Land	Site improvements	Buildings	Plant and equipment	Heritage & cultural assets	Roads, bridge and drainage network	Water	Sewerage	Waste infrastructure	Other assets	Works in progress	Total
Basis of measurement	Valuation	Valuation	Valuation	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	
	15.5 months	15.5 months	15.5 months	15.5 months	15.5 months	15.5 months	15.5 months	15.5 months	15.5 months	15.5 months	15.5 months	15.5 months
	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009
Asset Values	$	$	$	$	$	$	$	$	$	$	$	$
Transferred from abolished councils	104,874,547	963,677	76,883,782	39,455,911	-	524,148,558	169,148,622	90,355,902	-	19,195,947	157,740,075	1,182,767,021
Derecognition due to change in asset recognition threshold	-	-	-	(5,358,670)	-	-	-	-	-	(934,765)	-	(6,293,435)
Additions at cost	-	-	-	-	-	-	-	-	-	-	175,117,279	175,117,279
Contributed assets at valuation	-	-	-	-	-	18,710,237	3,917,119	11,801,037	-	-	-	34,428,393
Disposals	(1,185,500)	-	(2,403,972)	(3,576,669)	-	-	-	-	-	-	-	(7,166,141)
Write-offs	-	-	-	-	-	(11,759,974)	(848,157)	(16,213,992)	-	(34,314)	-	(28,856,437)
Revaluation adjustment to the ARR	140,602,333	5,796,209	42,881,686	-	134,320	671,063,575	299,882,692	271,661,935	1,110,385	-	-	1,433,133,135
Revaluation adjustment to Income	-	-	-	-	-	-	-	-	-	(1,546,729)	-	(1,546,729)
Assets classified as held for sale	(9,982,994)	-	-	-	-	-	-	-	-	-	-	(9,982,994)
Internal transfers to other asset classes	(8,938,061)	25,724,677	8,396,966	4,609,178	448,376	27,287,930	8,280,774	155,024,039	13,087,249	(18,129,870)	(218,752,790)	(2,961,532)
Assets not previously recognised	20,404,274	-	-	17,743	-	21,524,179	399,047	2,796,393	-	1,449,731	-	46,591,367
Closing gross value	245,774,599	32,484,563	125,758,462	35,147,493	582,696	1,250,974,505	480,780,097	515,425,314	14,197,634	-	114,104,564	2,815,229,927
Accumulated depreciation and impairment												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation on assets derecognised	-	-	-	-	-	-	-	-	-	(206,364)	-	(206,364)
Depreciation provided in period	1,270	-	2,545,576	6,732,926	-	26,783,756	6,684,272	6,518,185	-	945,965	-	50,211,950
Depreciation on disposals	-	-	(1,125,932)	-	-	-	-	-	-	-	-	(1,125,932)
Depreciation on write-offs	-	-	-	-	-	(6,512,793)	(483,208)	(8,063,916)	-	(25,381)	-	(15,085,298)
Revaluation adjustment to the ARR	8,920	2,747,091	13,546,381	-	67,772	127,187,650	172,843,422	145,251,833	1,058,626	-	-	462,711,695
Internal transfers to other asset classes	(10,190)	-	4,069	(552,569)	-	(30,397)	-	-	-	(714,220)		(1,303,307)
Change in depreciation accounting policy	-	-	-	-	-	-	9,656,205	-	-	-	-	9,656,205
Depreciation on assets not previously recognised	-	-	-	-	-	16,246,721	86,703	1,697,498	-	-	-	18,030,922
Closing accumulated depreciation	-	2,747,091	14,970,094	6,180,357	67,772	163,674,937	188,787,394	145,403,600	1,058,626	-	-	522,889,871
Net value at 30 June 15.5 months-2009	245,774,599	29,737,472	110,788,368	28,967,136	514,924	1,087,299,568	291,992,703	370,021,714	13,139,008	-	114,104,564	2,292,340,056
Residual value	-	4,701,497	63,020,636	12,982,052	-	435,920,487	-	-	-	-	-	516,624,672
Range of estimated useful life in years	Not depreciated	5-100	20-100	3-20	20 Artwork Not Depreciated	12-80	15-80	15-80	30-100			

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

Land
Assets on hand at 15 March 2008 are included at their current market value at 30 June 2009 as determined by Australian Pacific Valuers. Additional assets acquired from 15 March 2008 to 30 June 2010 have been recognised at their cost, which has been determined to approximate their fair value.

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

Site Improvements
Assets on hand at 15 March 2008 are included at their written down current replacement cost at 30 June 2009 as determined by Australian Pacific Valuers. Additional assets acquired from 15 March 2008 to 30 June 2010 have been recognised at their cost, which has been determined to approximate their fair value.

Buildings
Assets on hand at 15 March 2008 were comprehensively revalued at their written down replacement cost as at 30 June 2009 by Australian Pacific Valuers. The valuation was based on publicly available data on sales of similar land/buildings in nearby localities prior to 30 June 2009. Such valuations were also influenced by details supplied by the Council in respect of the age, internal features, design and physical condition of each building. Additional assets acquired from 15 March 2008 to 30 June 2010 have been recognised at their cost which has been determined to approximate their fair value.

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

Heritage & Cultural Assets
Artworks (Paintings) -
Assets on hand at 15 March 2008 are included at their written down current replacement cost at 30 June 2009 as determined by Grahame Galleries and Editions. Additional assets acquired from 15 March 2008 to 30 June 2010 have been recognised at their cost, which has been determined to approximate their fair value.

Art Other (Sculptures, Street Art) -
Assets on hand at 15 March 2008 are included at their written down current replacement cost at 30 June 2009 as determined by Bettina MacAulay. Additional assets acquired from 15 March 2008 to 30 June 2010 have been recognised at their cost, which has been determined to approximate their fair value.

Infrastructure
Road, Bridges and Drainage Infrastructure
Assets on hand at 15 March 2008 are included at their written down current replacement cost at 30 June 2009 as determined by Australian Pacific Valuers. Additional assets acquired from 15 March 2008 to 30 June 2010 have been recognised at their cost, which has been determined to approximate their fair value.

Water and Sewerage Infrastructure
Assets on hand at 15 March 2008 are included at their written down current replacement cost at 30 June 2009 as determined by Cardno (Qld) Pty Ltd. Additional assets acquired from 15 March 2008 to 30 June 2010 have been recognised at their cost, which has been determined to approximate their fair value.

Waste Infrastructure
Assets on hand at 15 March 2008 are included at their written down current replacement cost at 30 June 2009 as determined by Australian Pacific Valuers. Additional assets acquired from 15 March 2008 to 30 June 2010 have been recognised at their cost, which has been determined to approximate their fair value.

	Note	2010 Actual $	15.5 months-2009 Actual $
19 Intangible assets	1.16		
Computer software			
Opening gross carrying value		2,280,024	-
Transfer from / (to) other non-current asset category		632,777	3,478,714
Correction of error	32 (b)	-	(1,198,690)
Closing gross carrying value		2,912,801	2,280,024
Accumulated amortisation			
Opening balance		618,065	-
Transfer from / (to) other non-current asset category		-	1,820,490
Correction of error	32 (b)	-	(1,202,425)
Amortisation in the period		438,808	-
Closing balance		1,056,873	618,065
Net carrying value at the period end		1,855,928	1,661,959

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

20 Trade and other payables			
Current			
Creditors	1.20	17,928,451	18,100,935
Annual leave	1.21 (b)	6,420,881	3,667,400
Other entitlements		604,256	550,797
		24,953,588	22,319,132
Non Current			
Annual leave	1.21 (b)	-	1,990,126
		-	1,990,126

Employee benefit expenses are calculated at current pay levels and adjusted for inflation and likely future changes in salary level. Further details on employee entitlements are reported in note 1.21

21 Provisions			
Current			
Long service leave	1.21 (e)	665,695	618,874
Property restoration:			
(i) Refuse sites		19,300,000	-
		19,965,695	618,874
Non-Current			
Long service leave	1.21 (e)	6,437,194	4,579,128
Property restoration:	1.23		
(i) Refuse sites		11,100,000	29,972,564
(ii) Quarry sites		1,210,000	1,163,406
		18,747,194	35,715,098

	Note	2010 Actual $	15.5 months-2009 Actual $
21 Provisions (continued)			
Details of movements in provisions:			
(i) Long service leave			
Opening balance		5,198,002	-
Transferred from abolished councils		-	3,837,161
Amount provided for in the period		2,382,290	1,360,841
Amount paid in the period		(477,403)	-
Balance at the end of period		7,102,889	5,198,002
Details of movements in provisions:			
(ii) Refuse sites			
Opening balance		29,972,564	-
Transferred from abolished councils		-	30,105,361
Increase in provision - due to change in time		427,436	818,719
Amount expended in year		-	(951,516)
Balance at the end of period		30,400,000	29,972,564
Current portion		19,300,000	19,300,000
Non-current portion		11,100,000	10,672,564
		30,400,000	29,972,564

This is the present value of the estimated future cost of restoring the refuse sites under the State Government environmental regulations at the end of its useful life. The projected cost is $31,275,948 and this cost is expected to be incurred between 2011 and 2020 after closing the sites and allowing a period for settlement.

(iii) Quarry sites			
Opening balance		1,163,406	-
Transferred from abolished councils		-	1,074,158
Increase in provision - due to change in time		46,594	89,248
Balance at the end of period		1,210,000	1,163,406
Current portion		-	-
Non-current portion		1,210,000	1,163,406
		1,210,000	1,163,406

This is the present value of the estimated future cost of restoring the quarry sites under the State Government environmental regulations at the end of its useful life. The projected cost is $6,734,633 and this cost is expected to be incurred between 2012 and 2057.

	Note	2010 Actual $	15.5 months-2009 Actual $
22 Borrowings	1.22		
(a) Bank overdraft			
The Council does not have a bank overdraft facility.			
(b) Unsecured borrowings			
Unsecured borrowings are provided by the Queensland Treasury Corporation. All borrowings are in Australian dollars and carried at amortised cost, interest being expensed as it accrues. Expected final repayment dates vary from 31 December 2010 to 31 March 2030. There have been no defaults or breaches of the loan agreement during the period. Principal and interest repayments are made quarterly in arrears.			
(c) Secured borrowings			
The Council has no secured borrowings.			
Details of borrowings at balance date are:			
Current			
Queensland Treasury Corporation		5,863,756	7,023,703
Non Current			
Queensland Treasury Corporation		100,809,820	106,438,307
Details of movements in borrowings:			
Queensland Treasury Corporation			
Opening balance		113,462,010	-
Loans raised		-	34,315,888
Loans recognised on the restructure of local government		-	90,182,937
Principal repayments		(6,788,434)	(11,044,146)
Interest accrued		-	7,331
Book value at period end		106,673,576	113,462,010
Classified as :			
Current		5,863,756	7,023,703
Non-current		100,809,820	106,438,307
		106,673,576	113,462,010

The loan market value at the reporting date was $112,346,702. This represents the value of the debt if the Council repaid it at that date. As it is the intention of the Council to hold the debt for its full term, no provision is required to be made in these accounts.

Borrowings are all in Australian dollars and are underwritten by the Queensland State Government.

23 Other liabilities			
Current			
Unearned revenue		1,625,412	3,152,573
		1,625,412	3,152,573

	Note	2010 Actual $	15.5 months-2009 Actual $
24 (i) Asset revaluation surplus	1.25		
Movements in the asset revaluation reserve were as follows:			
Balance at beginning of period		970,421,287	-
Net adjustment to non-current assets charged to the reserve:			
Adjustments to the fair value through correction to opening balance:	18 (a)		
Land		-	140,917,610
Site improvements		-	3,049,118
Buildings		-	29,335,305
Roads, bridge and drainage network		-	543,875,925
Water		-	127,039,270
Sewerage		-	126,410,102
Waste infrastructure		-	51,759
Heritage & cultural assets		-	66,548
Revaluations movements charged to the reserve		-	970,745,637
Change in value of future rehabilitation costs charged to the reserve		-	(324,350)
Balance at end of the year		970,421,287	970,421,287
(ii) Asset revaluation reserve analysis			
The closing balance of the asset revaluation reserve is comprised of the following asset categories:			
Land		140,917,611	140,917,611
Site improvements		3,049,118	3,049,118
Buildings		29,335,305	29,335,305
Roads, bridge and drainage network		543,875,925	543,875,925
Water		127,039,270	127,039,270
Sewerage		126,085,752	126,085,752
Waste infrastructure		51,758	51,758
Heritage & cultural assets		66,548	66,548
		970,421,287	970,421,287

	Note	2010 Actual $	15.5 months-2009 Actual $
25 Other reserves	1.26		
(a) Summary of reserves held for funding future capital expenditure:			
(i) Constrained Works Reserve		4,516,976	11,305,740
(ii) Capital Improvements Reserve		9,626,146	19,120,563
(iii) Carry Forward Works Reserve		5,307,837	19,507,288
(iv) NCP Financial Incentive Reserve		-	7,873
(v) Offstreet Parking Reserve		347,017	434,540
(vi) Pensioner Housing Reserve		82,444	121,411
(vii) Cleansing Reserve		2,988,103	2,088,893
(viii) Disaster Response Reserve		282,064	-
(ix) Natural Environmental Levy Reserve		2,406,515	1,906,346
(x) Water Reserve		23,166,460	22,147,692
(xi) Sewerage Reserve		9,822,609	10,633,325
(xii) Gravel Quarry Reserve		75,000	-
		58,621,171	87,273,671
(b) Summary of reserves held for funding future recurrent expenditure:			
(i) Constrained Recurrent Reserve	1.27	1,138,899	1,363,152
Total reserves		59,760,070	88,636,823
Movements in capital reserves are analysed as follows:			
(i) Constrained Works Reserve			
Balance at the beginning of period		11,305,740	-
Transfer from retained earnings for future expenditure		282,032	25,356,977
Transfer to the capital account funds expended in the period		(7,060,634)	(14,924,862)
Transfer to retained earnings		(10,162)	873,625
Balance at period end		4,516,976	11,305,740
(ii) Capital Improvements Reserve			
Balance at the beginning of period		19,120,563	-
Transfer from retained earnings for future expenditure		10,430,828	43,291,563
Transfer to the capital account funds expended in the period		(18,958,513)	(8,445,619)
Transfer to retained earnings		(966,732)	(15,725,381)
Balance at period end		9,626,146	19,120,563

	Note	2010 Actual $	15.5 months-2009 Actual $
25 Other reserves (continued)			
(iii) Carry Forward Works Reserve			
Balance at the beginning of period		19,507,288	-
Transfer from retained earnings for future expenditure		2,257,583	49,792,003
Transfer to the capital account funds expended in the period		(7,208,610)	(26,628,371)
Transfer to retained earnings		(9,248,424)	(3,656,344)
Balance at period end		5,307,837	19,507,288
(iv) NCP Financial Incentive Reserve			
Balance at the beginning of period		7,873	-
Transfer from retained earnings for future expenditure		89	7,873
Transfer to the capital account funds expended in the period		-	-
Transfer to retained earnings		(7,962)	-
Balance at period end		-	7,873
(v) Offstreet Parking Reserve			
Balance at the beginning of period		434,540	-
Transfer from retained earnings for future expenditure		83,861	441,814
Transfer to the capital account funds expended in the period		(93,160)	-
Transfer to retained earnings		(78,224)	(7,274)
Balance at period end		347,017	434,540
(vi) Pensioner Housing Reserve			
Balance at the beginning of period		121,411	-
Transfer from retained earnings for future expenditure		-	144,737
Transfer to the capital account funds expended in the period		(38,967)	(23,326)
Transfer to retained earnings		-	-
Balance at period end		82,444	121,411
(vii) Cleansing Reserve			
Balance at the beginning of period		2,088,893	-
Transfer from retained earnings for future expenditure		722,832	2,782,442
Transfer to the capital account funds expended in the period		176,378	(693,549)
Transfer to retained earnings		-	-
Balance at period end		2,988,103	2,088,893
(viii) Disaster Response Reserve			
Balance at the beginning of period		-	-
Transfer from retained earnings for future expenditure		448,662	-
Transfer to the capital account funds expended in the period		(165,148)	-
Transfer to retained earnings		(1,450)	-
Balance at period end		282,064	-

	Note	2010 Actual $	15.5 months-2009 Actual $
25 Other reserves (continued)			
(ix) Natural Environmental Levy Reserve			
Balance at the beginning of period		1,906,346	-
Transfer from retained earnings for future expenditure		1,258,118	2,421,001
Transfer to the capital account funds expended in the period		(298,265)	(133,885)
Transfer to retained earnings		(459,684)	(380,770)
Balance at period end		2,406,515	1,906,346
(x) Water Reserve			
Balance at the beginning of period		22,147,692	-
Transfer from retained earnings for future expenditure		9,224,822	25,321,335
Transfer to the capital account funds expended in the period		(7,812,647)	(2,315,446)
Transfer to retained earnings		(393,407)	(858,197)
Balance at period end		23,166,460	22,147,692
(xi) Sewerage Reserve			
Balance at the beginning of period		10,633,325	-
Transfer from retained earnings for future expenditure		3,180,984	24,313,313
Transfer to the capital account funds expended in the period		(3,504,424)	(5,752,127)
Transfer to retained earnings		(487,276)	(7,927,861)
Balance at period end		9,822,609	10,633,325
(xii) Gravel Quarry Reserve			
Balance at the beginning of period		-	-
Transfer from retained earnings for future expenditure		75,000	-
Transfer to the capital account funds expended in the period		-	-
Transfer to retained earnings		-	-
Balance at period end		75,000	-
(d) Movements in recurrent reserves are analysed as follows:			
(i) Constrained Recurrent Reserve			
Balance at the beginning of period		1,363,152	-
Transfer from retained earnings for future expenditure		993,138	2,257,384
Transfer to retained earnings		(1,217,391)	(894,232)
Balance at period end		1,138,899	1,363,152
26 Commitments for expenditure			
Contractual commitments			
Contractual commitments at balance date but not recognised in the financial statements are as follows:			
Disposal of garbage and solid waste		40,422,650	53,933,505
Flood damage repairs		8,057,994	-
		48,480,644	53,933,505

	Note	2010 Actual $	15.5 months-2009 Actual $
26 Commitments for expenditure (continued)			
Capital commitments			
Commitment for the construction of the following assets contracted for at the reporting date but not recognised as liabilities are as follows:			
Buildings		21,845,421	271,774
Infrastructure		5,879,957	4,452,332
Other assets		12,463	889,364
		27,737,841	5,613,470
These expenditures are payable :			
Within one year		27,737,841	5,613,470
Later than 1 year but not later than 5 years		-	-
Later than 5 years		-	-
		27,737,841	5,613,470

27 Events after balance date

There were no material financial adjusting events after balance date.

28 Contingent liabilities

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

Various claims are pending against the Council. In the opinion of the Council's solicitor the potential loss on all claims at 30 June 2010 should not exceed:		446,721	1,829,455

The Council has disclaimed liability and no provision has been made in the financial statements pertaining to these claims.

The Mackay Regional Council is a member of the Queensland local government workers compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise.

The Council's maximum exposure to the bank guarantee is:		1,739,348	1,623,084

The Mackay Regional Council is a member of the local government mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or it is unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution is to the total pool contributions in respect to any year that a deficit arises. As at 30 June 2009 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

		9,768,415	10,053,438

29 Superannuation

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

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

	Note	2010 Actual $	15.5 months-2009 Actual $

29 Superannuation (continued)

The scheme has two elements referred to as the Defined Benefits Fund (DBF) and the Accumulation Benefits Fund (ABF). The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the Local Government Act 1993.

The DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs.

Any amount by which either fund is over or under funded would only affect future benefits and contributions to the DBF, and is not an asset or liability of the Council. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

The audited general purpose financial report of the scheme as at 30 June 2009 (the most recent available) which was not subject to any audit qualification, indicates that the assets of the scheme are sufficient to meet the vested benefits.

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2009. The actuary indicated thatthe DBF is in a very modest financial position with regard to the net asset coverage of vested liabilities. Investment returns will be volatile under the required investment strategy, particularly over short periods. The DBF therefore needs sufficient reserves to be able to withstand a reasonable range of such influences. Because the DBF is now running down and cash flows are negative, the VBI (vested benefit index) should not be allowed whenever possible to retreat below 100%. Once below 100%, benefits drawn reduce the available assets for remaining members and hence the net asset coverage of vested benefits declines further.

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

Council has been advised by the trustee of the scheme, following advice from the scheme actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of DBF members. Under amendments to the *Local Government Act 1993* passed in June 2009, the trustee of the scheme has the power to levy additional contributions on councils which have employees in the DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

The next actuarial investigation will be made as at 1 July 2012.

The amount of superannuation contributions paid by Mackay Regional Council to the scheme in this period for the benefit of employees was:		5,845,796	6,192,018

30 Trust funds 1.32

Security deposits	5,417,532	5,570,138
Mackay Artspace Gift Fund	3,137	2,154
	5,420,669	5,572,292

The Mackay Regional Council performs only a custodial role in respect of these monies, and because the monies cannot be used for Council purposes, they are not brought to account in these financial statements. The cash is held with both QTC and the Westpac Bank. The deposits are interest bearing with a floating interest rate.

	Note	2010 Actual $	15.5 months-2009 Actual $
31 Reconciliation of net result attributable to council to net cash flow from operating activities			
Net result attributable to council		53,025,705	1,249,952,995
Non-cash operating items:			
Depreciation and amortisation	11	51,193,014	50,211,950
Change in restoration provisions expensed to finance costs		474,030	907,967
		51,667,044	51,119,917
Investing and development activities:			
Capital grants, subsidies and contributions	4	(73,168,460)	(86,167,606)
Capital income	5	(1,955,863)	(93,298)
Capital expenses		9,775,171	16,117,282
Net gain on restructure of local government		-	(1,195,287,795)
		(65,349,152)	(1,265,431,417)
Changes in operating assets and liabilities :			
(Increase) decrease in receivables		934,929	(10,501,370)
(Increase) decrease in inventories (excluding land)		491,963	(751,956)
Increase (decrease) in payables		644,330	9,215,889
Increase (decrease) in provisions		1,904,887	409,325
Increase (decrease) in other liabilities		(1,527,161)	1,098,088
		2,448,948	(530,024)
Net cash inflow from operating activities		41,792,545	35,111,471

32 Correction of error

(a) Liabilities

In the process of valuing the Council's remediation provisions as at 30 June 2010, it was discovered that certain sites had been omitted from previous financial reports and that prior estimations were incorrect. This error has been corrected by adjusting the amalgamation note and opening balances as at 15 March 2008, subsequently the comparative amounts for 2008-09 have been restated as follows:

	As at 30 June 2009
Net value of quarry sites added	963,676
Net value of refuse sites added	(7,974,752)
Net value of non-current assets added	(7,011,076)
Increase in quarry provision	(1,124,099)
Increase in refuse provision	(11,040,952)
	(12,165,051)

Upon review of the amalgamation note it was also discovered that a liability for payroll tax was overstated. This has also been corrected as follows:

Decrease in trade and other payables	48,560
Correction of error	(19,127,567)

	Note	2010 Actual $	15.5 months-2009 Actual $
			As at 30 June 2009
32 Correction of error (continued)			
Movements:			
Decrease in gain on amalgamation			(18,420,535)
Increase in finance costs			(707,032)
Decrease in net result attributable to Council			(19,127,567)
Decrease in property plant and equipment			(7,011,075)
Increase in provision non current liability			(12,165,051)
Decrease in trade and other payables			48,560
Decrease in equity			(19,127,567)

The amortisation charge for the period ended 30 June 2010 was calculated after the error was discovered and therefore did not need correction.

(b) Assets

Council is recognising changes to the opening value of its assets. The formation of Mackay Regional Council resulted in the transfer of assets from the three former Councils of Mackay City, Mirani and Sarina and special accounting recognition rules in place to facilitate the transfer of ownership meant that the new entity accepted ownership of the assets, for no consideration, and at their written down value. During the reporting period a comprehensive revaluation of all assets was completed, and in some cases in error, the new asset values were reflected at net value in lieu of recognising the full gross value and accumulated depreciation in their component parts. In the case of the 'Water' class, the major impact resulted from the recognition of water service lines and meters which were not included in the transfer of assets from the amalgamation of Council's.

Movements:	
Increase in property plant and equipment	17,743
Increase in intangible assets	3,735
Increase in asset revaluation reserve	1,666,056
Increase in equity	1,687,534

The financial statements as at 30 June 2009 have been restated to account for these movements.

33 Financial instruments

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

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

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

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

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

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

(a) Credit risk exposure

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

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

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

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

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

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

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

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

	Note	2010	15.5 months-2009
		$	$
Financial Assets			
Cash and cash equivalents	14	69,938,266	96,865,108
Receivables - rates	15	7,754,308	7,451,828
Receivables - other	15	15,510,009	16,587,722
Other credit exposure			
Guarantee	28	1,739,348	1,623,084
		94,941,931	122,527,742

33 Financial instruments - continued

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

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

Fully Performing	Past due				Impaired	Total
	Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days		
$	$	$	$	$	$	$
19,272,526	1,227,632	460,840	449,734	2,860,379	1,006,795	23,264,317

(b) Liquidity risk

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

Council manages its exposure to liquidity risk by maintaining sufficient undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in the note 22.

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

	0 to 1 year	1 to 5 years	Over 5 years	Total
2010	$	$	$	$
Trade and other payables	17,928,451	-	-	17,928,451
Loans QTC	12,811,239	47,709,299	110,811,610	171,332,148
	30,739,690	47,709,299	110,811,610	189,260,599

	0 to 1 year	1 to 5 years	Over 5 years	Total
15.5 months-2009	$	$	$	$
Trade and other payables	18,100,935	-	-	18,100,935
Loans QTC	14,106,622	48,839,554	117,786,760	180,732,936
	32,207,557	48,839,554	117,786,760	198,833,871

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

(c) Interest rate risk

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

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

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

33 Financial instruments - continued

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

	Net carrying amount		Profit		Equity	
	2010 $	15.5 months-2009 $	2010 $	15.5 months-2009 $	2010 $	15.5 months-2009 $
Financial Assets	-	-	699,383	968,651	699,383	968,651
Financial Liabilities	(106,673,576)	(113,462,010)	(1,066,736)	(1,134,620)	(1,066,736)	(1,134,620)
at variable interest rates	(106,673,576)	(113,462,010)	(367,353)	(165,969)	(367,353)	(165,969)

34 National Competition Policy

Activities to which the code of competitive conduct is applied

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

(a) Roads business activity:

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

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

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

(i) trading in goods and services to clients in competition with the private sector, or

(ii) the submission of a competitive tender in the local government's own tendering process in competition with others for the provision of goods and services to its self. Excluded activities are (a) library services, and (b) an activity or part thereof prescribed by legislation.

Local government may elect to apply a Code of Competitive Conduct (CCC) to their identified business activities. This requires the application of full cost pricing, identifying the cost of community service obligations (CSO) and eliminating the advantages and disadvantages of public ownership within that activity. The application of the CCC to the roads business activity is compulsory.

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

Roads Inc. Bridges & Street Sweeping
Main Roads Contract
Plant / Workshop Operations
Mackay Convention Precinct

Financial performance of activities subject to competition reforms:

	Roads (Inc. Bridges & Street Sweeping)	Main Roads Contract	Plant / Workshop Operations	Mackay Convention Precinct
	2010 $	2010 $	2010 $	2010 $
Revenue for services provided to the Council	-		14,697,861	321,271
Revenue for services provided to external clients	160,372	4,423,302	137,893	3,478,406
Community service obligations	-	-	-	606,682
	160,372	4,423,302	14,835,754	4,406,359
Less : Expenditure	14,759,497	4,197,873	9,755,658	7,590,436
Surplus / (deficit)	(14,599,125)	225,429	5,080,096	(3,184,077)

34 National Competition Policy (continued)

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

Water and Waste Water	2010 Actual $
Operating Revenue	
Rates & Utility Charges	57,775,727
Less: Discounts and Remissions	(3,568,231)
Fees & Charges	2,239,662
Sales - Contract & Recoverable Work	1,786,511
Operating Grants & Subsidies	8,311
Interest on Investments	1,948,783
Other Revenue	117,821
Community Services Obligations	381,048
Internal Transfers - Income	446,584
	61,136,216
Less: Operating Expenses	
Employee Cost	10,733,871
Goods, Services & Other Operational Costs	11,724,782
Transfer from Capital re Loss on Disposal of Assets	867,354
Finance Costs (incl Interest Expense)	4,154,851
Other Expenses	1,380,440
Depreciation	20,107,194
Competitive Neutrality Costs	2,229,119
Internal transfers - expenses	2,125,872
	53,323,483
Less: Transfers	
Transfer from capital re loss on disposal of assets	(867,354)
Retained (Surplus) Deficit Brought Forward from Prior Year	(4,124,265)
Transfer (to) Capital General Revenue Expended	(5,511,128)
Inter-Function Dividends & Return on Capital	8,504,673
Transfers from Reserves	(1,082,703)
Transfers to Reserves	8,782,979
	5,702,202
Operating Surplus (Deficit)	2,110,531

34 National Competition Policy (continued)

Waste Services	2010 Actual $
Operating Revenue	
Rates & Utility Charges	13,689,693
Less: Discounts and Remissions	(744,349)
Fees & Charges	4,947,474
Interest on Investments	505,346
Other Revenue	319,442
Internal Transfers - Income	209,691
	18,927,297
Less: Operating Expenses	
Employee Cost	867,014
Goods, Services & Other Operational Costs	14,117,106
Finance Costs (incl Interest Expense)	2,529,567
Other Expenses	196,225
Depreciation	1,135,421
Competitive Neutrality Costs	151,952
Internal transfers - expenses	140,004
	19,137,289
Less: Transfers	
Retained Surplus (Deficit) Brought Forward from Prior Year	(505,265)
Transfer (to) Capital General Revenue Expended	(58,867)
Inter-Function Dividends & Return on Capital	243,425
Transfers from Reserves	(111,870)
Transfers to Reserves	870,847
	438,270
Operating Surplus (Deficit)	(648,262)

Description of CSO's provided to business activities:

Activities	CSO description	Actual $
Mackay Water	In terms of Financial Services Policy FIN01 - 'Community Services Obligations' Council will provide a CSO for Rebates to Community / Sporting Bodies and a revenue supplement to offset tax equivalents.	381,048
Mackay Convention Precinct	In terms of Financial Services Policy FIN01 - 'Community Services Obligations' Council has determined that this service should be provided to all users at an affordable price. This decision recognises an active role undertaken by Council in encouraging the artistic and cultural development of the region. All steps are taken to ensure that the business operations are undertaken effectively in terms of National Competition aims. As the community benefit is largely intangible, Council will fund the residual cost of provision of service with a CSO.	606,682

MANAGEMENT CERTIFICATE

For the year ended 30 June 2010

This general purpose financial report of the Mackay Regional Council has been prepared pursuant to Section 532 of the Local Government Act 1993, the Local Government Finance Standard 2005 (the standard) and other prescribed requirements.

In accordance with Section 48 of the Standard we certify that:

(i) the relevant recording and reporting procedures have been complied with in the preparation of the final financial statements; and

(ii) the final financial statements for the year ended 30 June 2010 and supporting notes present the council's income, financial position, equity and cash flows as required by the *Local Government Act 1993.*

Mayor

Date: 24 / 11 / 2010

Chief Executive Officer

Date: 23 / 11 / 2010

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Mackay Regional Council

Matters Relating to the Electronic Presentation of the Audited Financial Report

The auditor's report relates to the financial report of Mackay Regional Council for the financial year ended 30 June 2010 included on Mackay Regional Council's website. The Council is responsible for the integrity of the Mackay Regional Council's website. I have not been engaged to report on the integrity of the Mackay Regional Council's website. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from Mackay Regional Council, to confirm the information included in the audited financial report presented on this website.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Report on the Financial Report

I have audited the accompanying financial report of Mackay Regional Council, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Financial Report

The Council is responsible for the preparation and fair presentation of the financial report in accordance with the Local Government Act 1993, Local Government Finance Standard 2005 including compliance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the

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

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

Independence

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

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

Auditor's Opinion

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

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

(b) in my opinion -

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

(iv) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of the Mackay Regional Council for the financial year ended 30 June 2010 and of the financial position as at the end of that year.

Robert Forbes

R J Forbes FCA
as Delegate of the Auditor-General of Queensland

Dated this 24th November 2010
Brisbane