Mackay REGIONAL COUNCIL

Annual Financial Statements

For the period 1 July 2014 - 30 June 2015

MACKAY REGIONAL COUNCIL

Financial Statements

For the year ended 30 June 2015

Table of contents

QAO certified statements

MACKAY REGIONAL COUNCIL

Statement of Comprehensive Income
For the year ended 30 June 2015

	Note	2015 Actual $	2014 Actual $
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	213,085,910	203,870,178
Fees and charges	3(b)	19,805,040	25,499,645
Rental income		721,184	596,250
Interest received	3(c)	6,122,912	5,608,861
Sales contracts and recoverable works	3(d)	6,740,396	8,031,092
Other recurrent income		2,855,567	2,785,058
Grants, subsidies, contributions and donations	4(a)	15,941,424	20,819,163
		265,272,433	267,210,247
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	123,315,500	166,675,637
Total revenue		388,587,933	433,885,884
Capital income		920,326	254,049
Total income		389,508,259	434,139,933
Expenses			
Recurrent expenses			
Employee benefits	5	(75,166,936)	(77,789,249)
Materials and services	6	(98,343,824)	(117,795,454)
Finance costs	7	(19,340,463)	(14,850,749)
Depreciation and amortisation	8	(69,076,412)	(63,351,847)
		(261,927,635)	(273,787,299)
Capital expenses	9	(34,398,782)	(64,828,361)
Total expenses		(296,326,417)	(338,615,660)
Net result		**93,181,842**	**95,524,273**
Other comprehensive income			
Items that will not be reclassified to net result			
Increase (decrease) in asset revaluation surplus	17	177,560,941	(24,054,413)
Total other comprehensive income for the year		177,560,941	(24,054,413)
Total comprehensive income for the year		270,742,783	71,469,860

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

QAO certified statements

MACKAY REGIONAL COUNCIL

Statement of Financial Position
as at 30 June 2015

	Note	2015 Actual $	2014 Actual $
Current assets			
Cash and cash equivalents	10	141,669,420	149,491,490
Trade and other receivables	11	19,212,292	18,641,291
Inventories		2,604,769	3,009,858
		163,486,481	171,142,639
Non current assets classified as held for sale		2,532,000	2,447,000
Total current assets		166,018,481	173,589,639
Non-current assets & investments			
Trade and other receivables	11	1,450,000	-
Investments		1,454,945	-
Property, plant and equipment	12	3,575,804,997	3,338,942,043
Intangible assets		1,619,714	1,892,605
Total non-current assets		3,580,329,656	3,340,834,648
Total assets		3,746,348,137	3,514,424,287
Current liabilities			
Trade and other payables	14	19,697,394	26,124,777
Borrowings	15	11,297,211	11,893,714
Provisions	16	34,574,981	34,297,426
Other liabilities		1,042,038	1,222,965
Total current liabilities		66,611,624	73,538,882
Non-current liabilities			
Borrowings	15	184,788,860	224,165,696
Provisions	16	7,696,895	6,763,983
Total non-current liabilities		192,485,755	230,929,679
Total liabilities		259,097,379	304,468,561
Net community assets		3,487,250,758	3,209,955,726
Community equity			
Retained surplus		1,928,492,912	1,828,758,821
Asset revaluation surplus	17	1,558,757,846	1,381,196,905
Total community equity		3,487,250,758	3,209,955,726

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

QAO certified statements

MACKAY REGIONAL COUNCIL

Statement of Changes in Equity
For the year ended 30 June 2015

	Note	Retained surplus	Asset revaluation surplus	Total
			17	
		$	$	$
Balance as at 1 July 2014		1,828,758,821	1,381,196,905	3,209,955,726
Opening balance adjustment	12	6,552,249	-	6,552,249
		1,835,311,070	1,381,196,905	3,216,507,975
Net result		93,181,842	-	93,181,842
Increase in asset revaluation surplus		-	177,560,941	177,560,941
Total comprehensive income for the year		93,181,842	177,560,941	270,742,783
Balance as at 30 June 2015		1,928,492,912	1,558,757,846	3,487,250,758
Balance as at 1 July 2013		1,725,263,954	1,405,251,318	3,130,515,272
Opening balance adjustment	12	7,970,594	-	7,970,594
		1,733,234,548	1,405,251,318	3,138,485,866
Net result		95,524,273	-	95,524,273
Decrease in asset revaluation surplus		-	(24,054,413)	(24,054,413)
Total comprehensive income for the year		95,524,273	(24,054,413)	71,469,860
Balance as at 30 June 2014		1,828,758,821	1,381,196,905	3,209,955,726

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 2015

	Note	2015 Actual $	2014 Actual $
Cash flows from operating activities:			
Receipts from customers		240,791,469	250,900,051
Payments to suppliers and employees		(180,366,226)	(210,051,893)
		60,425,242	40,848,158
Interest received		5,689,810	5,300,468
Non capital grants and contributions		15,941,424	20,819,163
Borrowing costs		(17,979,194)	(13,525,067)
Net cash inflow from operating activities	22	64,077,282	53,442,722
Cash flows from investing activities:			
Payments for property, plant and equipment		(76,150,018)	(130,106,760)
Payments for investment		(2,001)	-
Capital receipts		920,326	254,049
Proceeds from sale of property plant and equipment		1,044,097	5,216,195
Grants, subsidies, contributions and donations		42,261,583	59,609,598
Net cash outflow from investing activities		(31,926,013)	(65,026,918)
Cash flows from financing activities:			
Proceeds from borrowings	15	-	14,656,187
Repayment of borrowings	15	(39,973,339)	(10,844,034)
Net cash outflow from financing activities		(39,973,339)	3,812,153
Net decrease in cash and cash equivalents		(7,822,070)	(7,772,043)
Cash and cash equivalents at beginning of the financial year		149,491,490	157,263,533
Cash and cash equivalents at end of the financial year	10	**141,669,420**	**149,491,490**

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 are for the period 1 July 2014 to 30 June 2015 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012* .

Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

These financial statements have been prepared under the historical cost convention except for the following:

- financial assets and liabilities, certain classes of property, plant and equipment and investment property which are measured at fair value;
- assets held for sale which are measured at fair value less cost of disposal.

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

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

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

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

Recurrent/capital classification

Revenue and expenditure are presented as "recurrent" or "capital" in the Statement of Comprehensive Income on the following basis:

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

The following transactions are classified as either "Capital Income" or Capital Expenses" depending on whether they result in accounting gains or losses:

- disposal of non-current assets
- discount rate adjustments to restoration provisions
- revaluations of investment property and property, plant and equipment.

All other revenue and expenses have been classified as "recurrent".

1. 2 Statement of compliance

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, and the timing of the recognition of non-reciprocal grant revenue.

1. 3 Basis of consolidation

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

1. 4 Adoption of new and revised Accounting Standards

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

With the application of *AASB 10 Consolidated Financial Statements* for the first time this year, Council identified two controlled entities, Mackay Region Enterprises Pty Ltd which was incorporated during the period and the Artspace Mackay Foundation which was not previously considered to be controlled by Council. These entities are not considered material to Council's business and as such the financial statements have not been prepared on a consolidated basis to include these entities.

AASB 101 Presentation of Financial Statements will take effect from 1 January 2016 and states that an entity need not provide a specific disclosure required by an Australian Accounting Standard if the information resulting from that disclosure is not material. In anticipation, Council has simplified its disclosures in accordance with the AASB 101 changes.

The Australian Accounting Standards Board (AASB) has issued an update to AASB 13. This update provides relief for not-for-profit public sector entities from making some previously required disclosures about the fair value measurement of property, plant and equipment assets which are primarily held for internal or policy use, rather than to earn revenue. More specifically, the disclosure of quantitative information about the significant unobservable inputs used in fair value measurements and the sensitivity of certain fair value measurements to changes in unobservable inputs will no longer be required and is reflected in these financial statements.

From 1 July 2016 *AASB 124 Related Party Disclosures* will apply to Council. This means that Council will disclose more information about related parties and transactions with those related parties. Council is currently preparing for this change by identifying related parties. Related parties will include the Mayor, Councillors and some Council staff. In addition the close family members of those people and any organisations that they control or are associated with will be classified as related parties.

AASB 9 Financial Instruments will be effective for Council's reporting period commencing 1 July 2018 and must be applied retrospectively. *AASB 9* replaces *AASB 139 Financial Instruments: Recognition and Measurement* and changes the classification, measurement and disclosure of financial assets. Under the new requirements, the four current categories of financial assets will be replaced with two measurement categories, fair value and amortised cost. This change will require Council to measure all financial assets at fair value or amortised cost rather than at cost. The impact is anticipated to be immaterial.

AASB 15 is effective from 1 January 2017 and will replace *AASB 118 Revenue, AASB 111 Construction Contracts* and a number of interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contacts with customers.

Other amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have a material impact on the financial statements.

1. 5 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 with revisions to accounting estimates being recognised in the period in which the estimate is revised and in future periods as relevant.

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

Valuation and depreciation of property, plant and equipment - note 1.11, note 12 and note 13
Annual leave - note 1.13(b) and note 14
Provisions - note 1.13(d), note 1.15 and note 16
Contingent liabilities - note 19
Non-cash contributions - note 1.6(c) and note 12

1. 6 Revenue

(a) Rates and levies

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

(b) Grants and subsidies

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. In the financial year ended 30 June 2015, and previous years, an equivalent amount was constrained through internally imposed expenditure restrictions from Council capital until the funds were expended.

(c) Non-cash contributions

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

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

(d) Cash contributions

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

(e) Interest received

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

(f) Sales revenue

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

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

(g) Fees and charges

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

1. 7 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 1.8)
Receivables - measured at amortised cost (note 1.9)
Investments - measured at cost or fair value (note 1.10)

Financial liabilities
Payables - measured at amortised cost (note 1.12)
Borrowings - measured at amortised cost (note 1.14)

All other disclosures relating to the measurement and financial risk management of financial instruments are included in note 23.

1. 8 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.

1. 9 Trade and other receivables

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

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

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

1. 10 Investments

Mackay Regional Council holds 100% of the 2,000 shares in the controlled entity, Mackay Region Enterprises Pty Ltd. Council entered into this arrangement as a long term investment. Council also holds the single Government Redeemable Preference Share of $1 in the Connect Housing Group (formally Mackay Regional Housing Company).

The shares in these companies are not listed on any stock exchange and there is no active market. As a result the fair value of these investments cannot be reliably measured and therefore the shares are measured at cost.

Council also holds investment property which is held for the primary purpose of earning rentals and/or capital appreciation. Investment property is measured using the fair value model. This means all investment property is initially recognised at cost (including transaction costs) and then subsequently revalued annually at the balance date by a registered valuer. Where investment property is acquired at no or nominal cost, it is recognised at fair value.

1. 11 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. Land and infrastructure assets with a total value of less than $1 are treated as an expense in the year of acquisition, along with items of plant and equipment, and buildings with a total value of less than $5,000. 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 12.

(a) Acquisition of assets

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

Property, plant and equipment received in the form of 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.

(b) Capital and operating expenditure

Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are treated as capital expenditure. Assets under construction are not depreciated until they are completed and commissioned, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity and useful life 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.

Expenditure incurred in accordance with Natural Disaster Relief and Recovery Arrangements on road assets is analysed to determine whether the expenditure is capital in nature. The analysis of the expenditure requires Council engineers to review the nature and extent of expenditure on a given asset. For example, expenditure that patches a road is generally maintenance in nature, whereas a kerb to kerb rebuild is treated as capital. Material expenditure that extends the useful life or renews the service potential of the asset is capitalised.

(c) Valuation

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

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

In the intervening years, Council uses internal engineers to assess the condition and cost assumptions associated with all infrastructure assets, the results of which are considered in combination with any relevant indices. Together these are used to form the basis of a management valuation for infrastructure asset classes in each of the intervening years. With respect to the valuation of the land, site improvements and buildings asset classes in the intervening years, management reviews the asset condition and any relevant indices to see if there was any material changes. The result of which determine whether engagement of an independent valuer to perform "desktop" valuation is required. A desktop valuation involves management providing updated information to the valuer regarding additions, deletions and changes in assumptions such as useful life, residual value and condition rating. The valuer then determines suitable indices which are applied to each of these asset classes.

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

Futher details in relation to valuers, the methods of valuation and the key assumptions used are disclosed in note 13.

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.

(d) 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.

(e) Depreciation

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

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

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

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

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

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

Details of the range of useful lives for each class of asset are shown in note 12.

(f) 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. 12 Trade and other payables

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

1. 13 Liabilities - employee benefits

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

(a) Salaries and wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is included in note 14 as a payable.

(b) Annual leave

A liability for annual leave is recognised. Amounts expected to be settled within 12 months are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense and is reported in note 14 as a payable.

As Council does not have any unconditional right to defer this liability beyond 12 months, annual leave is classified as a current liability.

(c) Superannuation

The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in note 20.

(d) 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 is reported in note 16 as a provision.

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

1. 14 Borrowings and borrowing costs

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

All borrowing costs are expensed in the period in which they are incurred.

1. 15 Restoration provision

A provision is made for the cost of restoration in respect of refuse dumps and quarries where it is probable the Council will be liable, or required, to incur such a cost on the cessation of use of these facilities. The provision is measured at the expected cost of the work required, discounted to current day values using the interest rates attaching to Commonwealth Government guaranteed securities with a maturity date corresponding to the anticipated date of the restoration.

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

Restoration of assets with no probable future economic benefit

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

Restoration of 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. 16 Asset revaluation surplus

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

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

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

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

1. 17 Retained surplus

This represents the amount of Council's net funds not set aside in asset revaluation surplus reserve to meet specific future needs.

1 18 Joint arrangement

Council remains a party to the joint arrangement (as disclosed in the 2013-2014 Financial Statements) with Economic Development Queensland - EDQ (previously the Urban Land Development Authority - ULDA). The aim of the joint arrangement is to develop and sell lots located at and known as Bedford Road, Andergrove Mackay. In accordance with the agreement, Mackay Regional Council's interest in the joint arrangement is 50%.

Due to the immaterial nature of this arrangement relevant to total Council operations, application of *AASB 11 Joint Arrangements* is not made in these financial statements.

1. 19 National competition policy

The Council has reviewed its activities to identify its business activities. Details of these activities are disclosed in note 24.

1. 20 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 paid into the trust account by the Council. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

The monies are disclosed in the notes to the financial statements for information purposes only in note 21.

1. 21 Taxation

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

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

Where an activity of the business units of the Council is subject to the National Tax Equivalents Regime, the income tax expense is calculated on the operating surplus adjusted for permanent differences between taxable and accounting income.

The Council pays Payroll Tax to the Queensland Government on certain activities.

2 Analysis of results by function

(a) Components of Council functions

Council underwent a re-structure of its departmental functions during the period. Therefore, to enhance comparability, a restatement of analysis by function for the year ended 30 June 2014 is made in note 2(b) to reflect what the results would have been had this stucture been in place previously.

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

Office of the Mayor & CEO

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

Organisational Services

The goal of Organisational Services is to provide accurate, timely and appropriate information to support sound decision making and meet statutory requirements. This includes advice and support to other Council departments particularly in areas of people and culture, workplace health and safety, governance, financial and asset information.

Organisational Services also manages Council's extensive fleet, contract and procurement activities as well as managing and maintaining all Council owned buildings.

Development Services

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

Development Services also includes activities and services related to food safety, promotion of responsible pet ownership, as well as mosquito and pest control.

Community & Client Services

The goal of Community and Client Services is to provide opportunities for all residents, workers and visitors to participate in cultural and recreational activities which foster inclusion and stronger communities.

The program includes libraries, entertainment venues, art galleries and museums, community development and sport and recreation programs.

Engineering and Commercial Infrastructure

The goal Engineering and Commercial Infrastructure is to provide high quality, sustainably managed and efficient roads, water, sewerage and waste management services.

Engineering

This function provides and maintains transport infrastructure, including the maintenance and provision of the roads, drainage network, footpaths and bikeways, boat ramps and bridges.

Commercial Infrastructure

This function supports healthy and safe communities and natural environments by sustainably managing water and sewerage services. This function also protects and supports the community by providing sustainably managed refuse collection and disposal services.

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

Year ended 30 June 2015

Functions	Income				Total income	Expenses		Total expenses	Net result	Assets
	Recurrent		Capital			Recurrent	Capital			
	Grants	Other	Grants	Other						
	2015 $	2015 $	2015 $	2015 $	2015 $	2015 $	2015 $	2015 $	2015 $	2015 $
Office of Mayor and CEO	1,000,000	347,252	-	161	1,347,413	5,993,038	-	5,993,038	(4,645,625)	-
Organisational Services	7,040,122	107,691,785	693,654	71,293	115,496,854	22,390,732	2,513,360	24,904,092	90,592,762	564,564,850
Development Services	767,309	9,053,390	2,950,818	2,500	12,774,017	33,112,555	444,196	33,556,751	(20,782,734)	4,596,019
Community & Client Services	1,161,066	5,986,922	-	-	7,147,988	21,742,675	1,182	21,743,857	(14,595,869)	3,267,256
Engineering	5,972,927	8,669,889	85,093,153	525,426	100,261,395	37,455,827	28,873,947	66,329,774	33,931,621	2,083,010,319
Commercial Infrastructure	-	117,581,771	34,577,875	320,946	152,480,592	141,232,808	2,566,097	143,798,905	8,681,687	1,090,909,693
Total	15,941,424	249,331,009	123,315,500	920,326	389,508,259	261,927,635	34,398,782	296,326,417	93,181,842	3,746,348,137

Year ended 30 June 2014 (restated)

Functions	Income				Total income	Expenses		Total expenses	Net result	Assets
	Recurrent		Capital			Recurrent	Capital			
	Grants	Other	Grants	Other						
	2014 $	2014 $	2014 $	2014 $	2014 $	2014 $	2014 $	2014 $	2014 $	2014 $
Office of Mayor and CEO	1,313,228	133,724	8,956,196	-	10,403,148	5,741,215	-	5,741,215	4,661,933	-
Organisational Services	3,462,295	100,144,771	12,893,976		116,501,042	51,491,171	4,924,686	56,415,857	60,085,185	578,539,948
Development Services	216,661	10,993,212	3,309,933	55,000	14,574,806	33,075,572	263,159	33,338,731	(18,763,925)	4,870,503
Community & Client Services	1,199,055	6,642,737	-	32,728	7,874,520	21,584,171	22,460	21,606,631	(13,732,111)	2,003,521
Engineering	14,623,498	9,008,806	97,797,089	166,321	121,595,714	52,140,940	50,694,736	102,835,676	18,760,038	1,852,327,467
Commercial Infrastructure	4,426	119,467,834	43,718,443	-	163,190,703	109,754,230	8,923,320	118,677,550	44,513,153	1,076,682,848
Total	20,819,163	246,391,084	166,675,637	254,049	434,139,933	273,787,299	64,828,361	338,615,660	95,524,273	3,514,424,287

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	Note	2015 Actual $	2014 Actual $
3 Revenue analysis			
(a) Rates, levies and charges	1.6(a)		
General rates		114,820,364	107,657,740
Special rates and charges		6,979,873	6,729,090
Water consumption and charges		42,809,178	41,226,714
Sewerage charges		44,958,957	43,463,846
Sewerage trade waste		1,474,186	1,881,701
Garbage charges		21,226,883	20,610,969
Total rates and utility charges revenue		232,269,441	221,570,060
Less: discounts		(16,159,231)	(15,767,084)
Less: pensioner and other remissions		(3,024,300)	(1,932,798)
		213,085,910	203,870,178
(b) Fees and charges	1.6(g)		
Application fees		2,929,806	5,592,827
Licence fees and registrations		1,820,904	1,894,725
Fines and penalties		650,254	576,129
Venues, events and cultural fees		4,482,851	4,955,401
Waste and recycling fees		6,560,511	8,520,604
Other fees and charges		3,360,714	3,959,959
		19,805,040	25,499,645
(c) Interest received	1.6(e)		
Interest on investments		4,916,377	4,870,775
Interest from overdue rates and utility charges		1,206,535	738,086
		6,122,912	5,608,861
(d) Sales contracts and recoverable works	1.6(f)		
Roads recoverable works		4,333,994	4,466,779
Water operations		1,289,051	1,800,113
Sewer operations		1,022,193	1,445,873
Other sales contracts and recoverable works		95,158	318,327
		6,740,396	8,031,092
4 Grants, subsidies, contributions and donations	1.6(b)		
(a) Recurrent			
General purpose grants		6,433,934	2,992,105
Government grants and subsidies		8,575,455	17,513,524
Non-government grants and subsidies		-	11,000
Donations		104,305	-130,191
Contributions		827,730	172,343
		15,941,424	20,819,163

		Note	2015 Actual $	2014 Actual $
4	**Grants, subsidies, contributions and donations (Continued)**			
	(b) Capital			
	Government grants and subsidies		24,323,246	34,708,636
	Contributions	1.6(d)	17,938,337	24,900,962
			42,261,583	59,609,598
	Contributed assets recognised as income during the reporting period:			
	Developer assets contributed by developers at fair value	1.6(c)	80,392,081	98,109,843
	Other physical assets contributed*		661,836	8,956,196
			81,053,917	107,066,039
			123,315,500	166,675,637

*Note: the Pioneer River Improvement Trust was abolished by the *River Improvement Trust Amendment Regulation (No. 1) 2014* on 1 July 2014. On this day, the assets and liabilities of the former Pioneer River Improvement Trust were recognised by Mackay Regional Council and is disclosed in the 2015 amount above.

		Note	2015 Actual $	2014 Actual $
5	**Employee benefits**			
	Total staff wages and salaries		60,683,717	63,120,712
	Councillor's remuneration		1,130,978	1,082,454
	Annual, sick and long service leave entitlements		13,494,295	13,937,492
	Superannuation	20	7,868,219	7,871,184
			83,177,209	86,011,842
	Other employee related expenses		84,031	141,077
			83,261,240	86,152,919
	Less: capitalised employee costs		(8,094,304)	(8,363,670)
			75,166,936	77,789,249
6	**Materials and services**			
	Advertising and marketing		1,191,971	1,056,446
	Audit of annual financial statements by the Auditor-General of Queensland		157,400	151,870
	Communications and IT		1,898,652	1,506,924
	Consultants and services		5,855,188	6,197,834
	Contractors		21,905,550	39,730,698
	Donations, grants and subsidies		852,646	1,269,125
	Electricity		6,508,047	6,274,393
	Equipment and hire fees		3,871,861	3,927,988
	Fuel		2,402,858	2,804,043
	Legal fees		1,481,046	2,293,375
	Insurance		2,694,060	2,696,488
	Rates and charges		2,047,560	1,884,726
	Registrations and subscriptions		1,901,950	2,084,911

	Note	2015 Actual $	2014 Actual $
6 Materials and services (Continued)			
Repairs and maintenance		37,522,205	38,108,906
Other materials and services		8,052,830	7,807,727
		98,343,824	117,795,454
7 Finance costs			
Finance costs charged by Queensland Treasury Corporation		17,979,194	13,525,067
Bank charges		400,796	373,826
Impairment of receivables		555,625	464,649
Refuse restoration - change in present value over time		342,278	427,152
Quarry restoration - change in present value over time		62,570	60,055
		19,340,463	14,850,749
8 Depreciation and amortisation	1.11(e)		
Depreciation of non-current assets			
Site improvements		2,654,418	2,211,033
Buildings		2,986,375	2,919,370
Plant and equipment		3,641,106	4,225,797
Roads, drainage and bridge works		34,718,463	32,657,678
Water		9,917,824	10,129,797
Sewerage		10,119,380	9,574,873
Waste infrastructure		4,361,677	872,076
Heritage and cultural assets		42,296	37,386
	12	68,441,539	62,628,010
Amortisation of intangible assets			
Computer software		634,873	723,837
		634,873	723,837
Total depreciation and amortisation		69,076,412	63,351,847
9 Capital expenses			
Loss on the disposal of non-current assets			
Proceeds from the sale of plant and equipment		1,044,097	1,917,398
Less: book value of plant & equipment sold, written off or disposed	12	(1,941,410)	(2,851,852)
		(897,313)	(934,454)
Proceeds from the sale or disposal of land		-	-
Less: book value of land sold, written-off or disposed	12	(43,981)	(3,750,018)
		(43,981)	(3,750,018)
Proceeds from the disposal of buildings		-	1,649,399
Less: book value of buildings write-offs or disposals	12	(1,685,367)	(1,744,618)
		(1,685,367)	(95,219)

		Note	2015 Actual $	2014 Actual $
9	**Capital expenses (Continued)**			
	Proceeds from the disposal of infrastructure		-	-
	Less: book value of infrastructure write-offs or disposals	12	(31,742,077)	(59,898,068)
			(31,742,077)	(59,898,068)
	Loss on the disposal of land classified as held for sale			
	Proceeds from the sale of land classified as held for sale		-	1,649,398
	Less: book value of land classified as held for sale		-	(1,800,000)
			-	(150,602)
	Loss on the disposal of intangibles			
	Proceeds from the disposal of intangibles		-	-
	Less: book value of intangibles write-offs or disposals		(30,044)	-
			(30,044)	-
	Total capital expenses		(34,398,782)	(64,828,361)
10	**Cash and cash equivalents**	1.8		
	Cash in operating bank account		7,893,585	14,156,052
	Cash on hand		41,912	23,232
	Deposits at call		133,733,923	135,312,206
			141,669,420	149,491,490

Councils cash and cash equivalents are subject to a number of external restrictions that limit amounts available for discretionary or future use. These include:

	2015	2014
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:		
Unspent government grants and subsidies	18,582,562	30,583,132
Unspent loan monies	-	3,926,636
Total external unspent restricted cash	18,582,562	34,509,768

The Council may be exposed to credit risk through its investments in the QTC Cash Fund and QTC Working Capital Facility. The QTC Cash Fund is an asset management portfolio that invests with a wide range of high credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed. Working Capital Facility deposits have a duration of one day and all investments are required to have a minimum credit rating of "A-", therefore the likelihood of the counterparty having capacity to meet its financial commitments is strong.

		Note	2015 Actual $	2014 Actual $
11	**Trade and other receivables**	1.9		
	Current			
	Rates and utility charges		10,890,916	9,950,991
	Interest receivable		1,847,129	1,414,027
	GST recoverable		2,300,798	1,358,833
	Prepayments		1,937,336	2,029,513
	Other debtors		5,063,839	6,257,622
	Less: provision for impairment of debt		(2,827,726)	(2,369,695)
			19,212,292	18,641,291
	Non-Current			
	Other debtors		1,450,000	-
	Total receivables		20,662,292	18,641,291

Council is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts. For this reason Council does not generally impair any rate receivables however due to ownership complexities on a particular property Council elected in 2010 to recognise a provision for impairment of debt which currently amounts to $2,691,145 (2014: $2,239,001).

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

Movement in accumulated impairment losses (other debtors) is as follows:

	2015	2014
Opening balance at 1 July	(2,369,695)	(1,939,854)
Impairment debts written off during the year	2,377	2,663
Additional impairments recognised	(460,792)	(436,104)
Impairments reversed	384	3,600
Closing Balance as 30 June	(2,827,726)	(2,369,695)

Ageing of past due receivables and the amount of any impairment is disclosed in the following table:

	2015	2014
Not past due	15,095,780	13,643,908
Past due 31-60 days	43,854	28,117
Past due 61-90 days	48,174	75,325
More than 90 days	709,422	494,733
Impaired	2,827,726	2,369,695
Total	18,724,956	16,611,778

12 Property, plant and equipment

	Land	Site improvements	Buildings	Plant and equipment	Heritage and cultural assets	Roads, bridge and drainage network	Water	Sewerage	Waste Infrastructure	Works in progress	Total
Basis of measurement	Fair Value	Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
	2015 $	2015 $	2015 $	2015 $	2015 $	2015 $	2015 $	2015 $	2015 $	2015 $	2015 $
Asset Values											
Opening gross value as at 1 July 2014	252,396,129	101,287,823	191,092,970	53,988,781	3,743,920	2,022,930,540	580,122,522	629,334,534	51,987,731	128,057,894	4,014,942,844
Additions	-	-	-	-	-	-	-	-	-	76,150,018	76,150,018
Contributed assets at valuation	550,000	911,300	50,000	102,483	-	65,094,460	7,142,744	12,746,728	-	-	86,597,715
Assets not previously recognised*	-	208,896	-	-	-	4,315,187	5,390,706	604,702	-	-	10,519,491
Disposals	(43,981)	-	-	(3,393,647)	-	-	-	-	-	-	(3,437,628)
Write-offs	-	(707,907)	(2,791,266)	(1,170,532)	-	(35,716,410)	(3,346,008)	(2,334,874)	-	-	(46,066,992)
Assets classified as held for sale	(85,000)	-	-	-	-		-	-	-	-	(85,000)
Assets transferred to investment property								-		(1,452,944)	(1,452,944)
Revaluation adjustment to asset revaluation surplus	(25,286,113)	(1,605,732)	193,810	-	175,196	478,325,798	-	-	2,427,795	-	454,230,754
Transfers between classes	599,502	4,539,260	2,745,566	3,102,548	(240,000)	53,544,964	14,205,693	48,507,027	1,066,756	(128,480,761)	(409,445)
Closing gross value as at 30 June 2015	228,130,537	104,633,645	191,291,080	52,629,633	3,679,116	2,588,494,539	603,515,657	688,858,117	55,482,282	74,274,207	4,590,988,813
Accumulated depreciation and impairment											
Opening balance as at 1 July 2014	-	19,009,370	53,988,915	16,856,779	208,832	235,173,013	169,549,462	159,795,468	21,418,962	-	676,000,801
Contributed assets at valuation	-	-	1,375	39,272	-	5,503,151	-	-	-	-	5,543,798
Depreciation provided in period	-	2,654,418	2,986,375	3,641,106	42,296	34,718,463	9,917,834	10,119,380	4,361,677	-	68,441,539
Depreciation on assets not previously recognised*	-	73,219	-	-	-	2,055,149	1,733,461	105,413	-	-	3,967,242
Depreciation on disposals	-	-	-	(1,664,195)	-	-	-	-	-	-	(1,664,195)
Depreciation on write-offs	-	(213,067)	(1,105,899)	(938,574)	-	(6,893,107)	(1,924,503)	(1,332,445)	-	-	(12,407,590)
Revaluation adjustment to asset revaluation surplus	-	(355,734)	37,875	-	9,928	274,566,443	-	-	1,081,128	-	275,339,640
Transfers between classes	-	352,407	-	(321,999)	(52,559)	(18,778)	-	-	23,510	-	(17,419)
Closing accumulated depreciation as at 30 June 2015	-	21,520,613	55,908,641	17,592,389	208,497	545,104,339	179,276,244	168,687,816	26,885,277	-	1,015,183,816
Total written down value at 30 June 2015	228,130,537	83,113,032	135,382,439	35,037,244	3,470,619	2,043,390,200	424,239,413	520,170,301	28,597,005	74,274,207	3,575,804,997
Residual Value	-	-	3,979,644	14,968,899	474,968	-	-	-	-		
Range of estimated useful life in years	Land not depreciated	5-100	10-100	1-50	35-100 Artwork not depreciated	5-100	9-143	3-120	5-100		
Additions comprise:											
Infrastructure renewals	-	-	-	-	-	-	-	-	-	47,113,307	47,113,307
Other additions	-	-	-	-	-	-	-	-	-	29,036,711	29,036,711
Total additions	-	-	-	-	-	-	-	-	-	76,150,018	76,150,018

* Assets not previously recognised
As part of ongoing asset data improvements, additional assets not previously recognised were identified and brought to account. This resulted in a net adjustment of $6,552,249.

If the amounts disclosed above as assets not previously recognised had been accounted for properly in the past, they would have been recorded in determining the net position in previous years which would be included in equity this year. Consequently Council have adjusted these against the opening balance in the Statement of Changes in Equity. Given the total adjustment required was immaterial to both equity and property, plant and equipment balances, Council has not adjusted any of the comparative figures or completed the prior period error disclosure as required under *AASB108 Accounting Policies, Changes in Accounting Estimates and Errors*.

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12 Property, plant and equipment

	Land	Site improvements	Buildings	Plant and equipment	Heritage and cultural assets	Roads, bridge and drainage network	Water	Sewerage	Waste infrastructure	Works in progress	Total
Basis of measurement	Valuation	Valuation	Valuation	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	
	2014 $	2014 $	2014 $	2014 $	2014 $	2014 $	2014 $	2014 $	2014 $	2014 $	2014 $
Asset Values											
Opening gross value as at 1 July 2013	266,358,112	95,739,992	184,430,175	53,252,171	2,915,903	1,934,013,071	565,100,266	604,906,839	31,024,516	122,595,823	3,880,336,868
Additions	-	-	-	-	-	-	-	-	-	130,106,760	130,106,760
Contributed assets at valuation	12,785,000	2,489,611	8,143,526	14,145	-	55,500,735	9,415,801	19,461,089	-	-	107,809,907
Assets not previously recognised*	358,000	966,022	-	-	-	6,961,704	174,571	2,292,210	-	-	10,752,507
Disposals	(3,479,018)	-	(2,665,404)	(6,195,508)	-	-	-	-	-	-	(12,339,930)
Write-offs	(271,000)	(525,650)	-	-	(21,104)	(58,054,673)	(6,933,038)	(5,600,551)	(3,262,860)	-	(74,668,876)
Assets classified as held for sale	(2,447,000)	-	-	-	-	-	-	-	-	-	(2,447,000)
Revaluation adjustment to asset revaluation surplus	(24,344,112)	(9,674)	(246,933)	-	849,121	(466,245)	(19,911)	-	384,728	-	(23,853,026)
Other equity adjustments**	(501,000)	-	-	-	-	-	-	-	-	-	(501,000)
Transfers between classes	3,937,147	2,627,522	1,431,606	6,917,973	-	84,975,948	12,384,833	8,274,947	3,841,347	(124,644,689)	(253,366)
Closing gross value as at 30 June 2014	252,396,129	101,287,823	191,092,970	53,988,781	3,743,920	2,022,930,540	580,122,522	629,334,534	31,987,731	128,057,894	4,014,942,844
Accumulated depreciation and impairment											
Opening balance as at 1 July 2013	-	17,035,887	51,406,840	15,971,734	171,858	208,034,974	163,078,540	152,582,292	20,844,198	-	629,126,323
Contributed assets at valuation	-	157,473	583,491	2,904	-	-	-	-	-	-	743,868
Depreciation provided in period	-	2,211,033	2,919,370	4,225,797	37,386	32,657,678	10,129,797	9,574,873	872,076	-	62,628,010
Depreciation on assets not previously recognised*	-	240,501	-	-	-	1,839,858	46,815	153,739	-	-	2,280,913
Depreciation on disposals	-	-	(920,786)	(3,343,656)	-	-	-	-	-	-	(4,264,442)
Depreciation on write-offs	-	(261,981)	-	-	(412)	(7,360,447)	(3,705,690)	(2,515,436)	(655,842)	-	(14,499,808)
Revaluation adjustment to asset revaluation surplus	-	(14,063)	-	-	-	-	-	-	-	-	(14,063)
Other equity adjustments**	-	-	-	-	-	-	-	-	-	-	-
Transfers between classes	-	(359,480)	-	-	-	950	-	-	358,530	-	-
Closing accumulated depreciation as at 30 June 2014	-	19,009,370	53,988,915	16,856,779	208,832	235,173,013	169,549,462	159,795,468	21,418,962	-	676,000,801
Total written down value at 30 June 2014	252,396,129	82,278,453	137,104,055	37,132,002	3,535,088	1,787,757,527	410,573,060	469,539,066	10,568,769	128,057,894	3,338,942,043
Residual Value***	-	20,337,240	43,978,350	15,450,332	91,852	-	-	-	-		
Range of estimated useful life in years	Land not depreciated	5-100	10-100	3-50	35-100 Artwork not depreciated	10-140	10-100	3-100	5-100		
Additions comprise:											
Infrastructure renewals	-	-	-	-	-	-	-	-	-	87,397,040	87,397,040
Other additions	-	-	-	-	-	-	-	-	-	42,709,720	42,709,720
Total additions	-	-	-	-	-	-	-	-	-	130,106,760	130,106,760

* Assets not previously recognised

As part of ongoing asset data improvements, additional assets not previously recognised were identified and brought to account. This resulted in a net adjustment of $8,471,594 which is considered immaterial against Council capital and property, plant and equipment balances hence no adjustment has been made against comparative figures or has been disclosed as a prior period error as required under *AASB108 Accounting Policies, Changes in Accounting Estimates and Errors*.

** Other equity adjustments

Land - Council recognised some land parcels in 2011 as not previously recognised assets, however it has since been identified that legal ownership of land to the value of $500,000 does not presently reside with Council. The remaining $1,000 has since been identified as reserve land and is therefore not classified as freehold.

If the amounts disclosed above as assets not previously recognised and other equity adjustments had been accounted for properly in the past, they would have been recorded in determining the net position in previous years which would be included in equity this year. Consequently Council have adjusted these against the opening balance in the Statement of Changes in Equity. Given the total adjustment required was $7,970,594, Council has not adjusted any of the comparative figures or completed the prior period error disclosure as required under *AASB108 Accounting Policies, Changes in Accounting Estimates and Errors* as it has determined that the adjustment is immaterial to both equity and property, plant and equipment balances.

*** Residual Value Restatement

The Australian Accounting Standard Board (AASB), in a Board meeting held 27-28 May 2015 prescribed the use of residual value is prohibited except in circumstances where monetary consideration is expected to be received in respect to an asset at the end of its useful life. Therefore those asset classes not expected to be sold at the end of their end of their useful life and which were disclosed as having a residual value (due to anticipated cost savings associated with recycling of materials) in the 2013-2014 Financial Statement are herein restated to reflect the AASB decision.

QAO certified statements

13 Fair value measurements

i) Recognised fair value measurements

Council measures and recognises the following assets at fair value on a recurring basis:

Investment Property

Property, plant and equipment
- Land
- Site improvements
- Buildings
- Heritage and cultural assets
- Road, bridge and drainage network
- Water
- Sewerage
- Waste Infrastructure

Council does not measure any liabilities at fair value on a recurring basis

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes.

Council borrowings are measured at amortised cost with interest recognised as a profit or loss when incurred. The fair value of borrowings disclosed in note 15 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flows at balance date (level 2).

The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature (level 2).

Council also has assets measured at fair value on a non-recurring basis as a result of being reclassified as assets held for sale. A description of the valuation techniques and the inputs used to determine the fair value of this land is included below under the heading "Land (level 2)".

In accordance with *AASB 13* fair value measurements are categorised on the following basis:
- Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Fair value based on inputs that are directly or indirectly observable for the asset or liability (level 2)
- Fair value based on unobservable inputs for the asset and liability (level 3)

The following table categorises fair value measurements as level 2 and level 3 in accordance with *AASB 13* . Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as level 1.

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

13 Fair value measurements (Continued)

The table presents the Council's assets and liabilities measured and recognised at fair value at 30 June 2015.

	Note	Level 2 (Significant other observable inputs)		Level 3 (Significant unobservable inputs)		Total	
		$		$		$	
		2015	2014	2015	2014	2015	2014
Recurring fair value measurements							
Investment Property		1,452,944	-	-	-	1,452,944	-
Land	12	6,549,300	-	221,581,237	252,396,129	228,130,537	252,396,129
Site improvements	12	-	-	83,113,032	82,278,453	83,113,032	82,278,453
Buildings	12	11,458,850	-	123,923,589	137,104,055	135,382,439	137,104,055
Heritage and cultural assets	12	474,968	-	2,995,651	3,535,088	3,470,619	3,535,088
Road, bridge and drainage network	12	-	-	2,043,390,200	1,787,757,527	2,043,390,200	1,787,757,527
Water	12	-	-	424,239,413	410,573,060	424,239,413	410,573,060
Sewerage	12	-	-	520,170,301	469,539,066	520,170,301	469,539,066
Waste Infrastructure	12	-	-	28,597,005	30,568,769	28,597,005	30,568,769
		19,936,062	-	3,448,010,428	3,173,752,147	3,467,946,490	3,173,752,147

Non-recurring fair value measurements		
Land held for sale	2,532,000	2,447,000

There were no transfers between levels 1 and 2 during the year, however certain parcels of residential land and buildings were transferred from level 3 to level 2.

Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

(ii) Valuation techniques used to derive fair values for level 2 and level 3 valuations

Specific valuation techniques used to value Council assets comprise:

Investment property (level 2)
Council's investment property comprises land and building located in the Mackay CBD. This does not include community housing which is disclosed below in Land (level 2).

All investment property was acquired during the period and as such is measured at cost, comprising its purchase price and any directly attributable expenditure for example, professional fees for legal services, property transfer fees and transaction costs. Subsequent to initial measurement at cost, investment property will be revalued annually to reflect fair value with changes in the fair value recognised as other economic flows (gain/loss) in the comprehensive income statement in the period they arise.

Land (level 2)
All Council's land holdings were disclosed as Level 3 assets in the 2013-2014 Financial Statements, however a more detailed consideration of the valuation approach, whereby land parcels associated with residential buildings in areas with regular and comparable sales, has led to the transfer of these assets to the Level 2 category, evidenced in the above table.

Council obtains independent valuation at least every 3 years for all rental properties. The last valuation was undertaken by Assetic Pty Ltd as at 30 June 2014. Indicative market movements since the last valuation to 30 June 2015 were determined by AssetVal Pty Ltd through discussions with local real estate agents and analysis of sales evidence.

Land (level 3)
Land fair values were determined by independent valuer Assetic Pty Ltd effective 30 June 2014. Level 3 valuation inputs were used to value land in freehold title as well as land used for special purposes, which is restricted in use under current zoning rules. The appraisal was undertaken on the basis of a review and reassessment of the values determined as at 30 June 2009. Those assets with a value over $1M as at 30 June 2013 and those identified as new assets since the valuation were individually assessed. A combination of physical inspection, desktop assessment of aerial photography and review of recent market movement in Mackay was used as the basis of valuation. Due to the number and nature of freehold properties held by council, it was not considered practical to individually assess all properties, however through the course of the revaluation, approximately 80% of the assets were individually reviewed.

Given the characteristics of some smaller parcels of land, a minimum notional value was adopted. This resulted in assets with a value of less than $5,000 not being subject to reassessment.

Indicative market movements since the last valuation to 30 June 2015 were determined by AssetVal Pty Ltd and were estimated through discussions with local real estate agents, analysis of sales evidence and previous valuation work undertaken in the Queensland property market. An assessment of how median prices changed in the previous 12 months was completed via an analysis of growth charts and sales price mapping to determine appropriate rates of movement. Upon consultation of the results with internal parties responsible for these assets, a 10% decrease has been adopted.

13 Fair value measurements (Continued)

Site improvements (level 3)

Site improvement assets were last valued as at 30 June 2014 by independent registered valuers, Assetic Pty Ltd. The data sources employed by Assetic Pty Ltd to determine the appropriate unit rates includes published rates (such as reference guides by Rawlinson's Australian Construction Handbook 2013 and Cordell's E-Costing Website), actual rates for similar work done by Council and actual rates for similar work performed by contractors for Council. Indices movement from the date of the last valuation to 30 June 2015 was determined by AssetVal Pty Ltd.

All assets were physically inspected to determine asset attribute quantities and conditions for inclusion in the 30 June 2014 valuation. These conditions were in turn used to reflect the remaining life of the assets. The methodologies used to determine useful lives includes an independent review with industry recommendations / neighbouring councils and the International Infrastructure Management Manual.

The site improvement index review, completed by AssetVal Pty Ltd resulted in a 1% decrease which has been confirmed as reasonable by internal engineers and technical officers. The assessment was developed by combining the road and bridge index, the electrical cable and equipment manufacturing index, concrete product manufacturing index and the engineering and design index. The weighting of each index is based on an estimated project cost breakdown at 30%, 20%, 30% and 20% respectively.

Buildings (level 2)

The entire asset class of building was disclosed as Level 3 in the 2013-2014 Financial Statements, however similar consideration of the valuation approach for Land Level 2 noted above was applied for buildings. As such, residential and commercial buildings in areas with regular and comparable sales has led to the transfer of certain assets to the Level 2 category.

Indexation for Level 2 buildings during the reporting period was assessed by AssetVal Pty Ltd and was based on a market (level 2) basis as per the original valuation undertaken, with consideration of local market sales and general property market movement in the region from 1 July 2014 to 30 June 2015. A range of local sales have been analysed and evidence of the current property market trends in Mackay Regional Council area was considered with a 10% decrease adopted. This movement was reviewed and confirmed by management as being reasonable.

Buildings (level 3)

The last full valuation of buildings was undertaken effective 30 June 2013. Assets were comprehensively revalued at their written down replacement cost at that date by independent registered valuers, Assetic Pty Ltd. The methodologies employed for buildings valuation is the same as those listed above for Site Improvements.

Existing buildings as at 30 June 2014 were assessed by AssetVal Pty Ltd to apply appropriate indexation rates as a 30 June 2015. Buildings were assessed by analysing data which has been derived from information from Rawlinsons Australian Construction Handbook 2015, Costweb, Australian Institute of Quantity Surveyors and the Housing Industry Association.

The indexation assessment is based on inputs from producer price data, construction indices and recent construction cost guides. These are analysed by determining the movement between 1 July 2014 and 30 June 2015 and include the regional building price index for all construction from Rawlinsons Australian Construction Handbook, Costweb, AIQS as well as sales and growth charts on residential, non residential and commercial buildings sources from the Department of Environment and Resource Management and Australian Institute of Quantity Surveyors. A 1.5% increase, reviewed and approved by management has been applied accordingly.

Additional buildings acquired from 1 July 2014 to 30 June 2015 have been recognised at their cost, which has been determined to approximate their fair value.

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit useful lives. Allowance was made for the application of Council's remaining life models and renewal treatments of each component and the condition of the asset. Condition was assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability, utilisation and obsolescence.

Waste Infrastructure (level 3)

Assets on hand at 30 June 2012 are included at their written down current replacement cost at 30 June 2013 as determined by independent registered valuers, Assetic Pty Ltd. Additional assets acquired from 1 July 2012 to 30 June 2015 have been recognised at their cost, which has been determined to approximate their fair value. The methodologies employed for Waste valuation is the same as those listed above for Site Improvements.

Condition was assessed using the following table:

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

13 Fair value measurements (Continued)

Heritage and cultural assets (level 2)
Council's heritage and cultural assets class was disclosed as Level 3 in the 2013-2014 Financial Statements, however a more detailed consideration of the artworks held , whereby an active market exists for certain pieces, has led to the transfer of these assets to the Level 2 category. The methodology employed per the most recent valuation completed by Bettina MacAulay of MacAuley Partners as at 30 June 2014 supports this movement between classes.

Asset acquired during the period, since the date of the last valuation are recorded at cost.

The 2014 valuation included a physical inspection of all artworks with valuations being determined according to recent market prices for similar works by particular artists, or based on replacement cost. Market price information was sourced from specialist subscription data services, the valuer's industry contacts including artists, agents, dealers and specialist manufacturers. Where such data was not available for particular assets, assessment was based on recent market prices for artworks by artists of similar reputation.

AssetVal Pty Ltd conducted an indexing exercise to determine fair values as at 30 June 2015 and consulted with JH Wagner and Sons, a privately owned and operated Stonemasonry company who specialise in monumental masonry. Without a detailed list of the monuments and artwork owned by Mackay Regional Council, AssetVal applied a broad increase which is primarily a reflection of raw material cost increases in the specified period. The figures obtained via JH Wagner have been supported by Rawlinsons Australian Construction Handbook 2015 and confirmed by management. As such a 5% increase has been adopted.

Heritage and cultural assets (level 3)
Heritage and cultural assets valued per level 3 inputs include public works, monuments and structures for which no active market exists. The most recent valuation of Council's heritage and cultural assets occurred as at 30 June 2014 and was determined by Bettina MacAulay of MacAuley Partners. Asset acquired since the date of valuation are recorded at cost.

The methodology employed for the 2014 valuation included a physical inspection of all artworks with valuations being determined according to information available from specialist subscription data services, the valuer's industry contacts including artists, agents, dealers and specialist manufacturer who work with artists to create large-scale public artworks.

Applied indices to determine fair value as at 30 June 2015 was completed by AssetVal Pty Ltd. The details of this exercise are disclosed above, Heritage and cultural assets (level 2).

Infrastructure Assets (level 3)
All Council Infrastructure assets categorised as Water assets, Sewerage assets and Road, Bridge and Drainage assets were fair valued using written down current replacement cost. This valuation comprises the asset's current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

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

1(a) Road, bridge and drainage network (level 3) - calculation of current replacement cost
Current Replacement Cost
A full valuation of Council's road, bridge and drainage network was undertaken by independent valuers, AssetVal Pty Ltd, effective 30 June 2015. Due to the predominantly specialised nature of such assets, all infrastructure valuations were undertaken on a Cost Approach to valuation. The cost approach is deemed a Level 3 input. Under this approach, the following process was adopted:

- Where there was no depth of market as determined for the assets, the net current value of an asset was considered the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset. Published/available market data for recent projects, and/or published cost guides were utilised to determine the estimated replacement cost (gross value) of the asset, including allowances for preliminaries and professional fees. This is considered a Level 2 input.

- A condition assessment was applied, which is based on factors such as the age of the asset, overall condition as noted by the Valuer during inspection, economic and/or functional obsolescence. The condition assessment directly translates to the level of depreciation applied.

- While the replacement cost of the assets could be supported by market supplied evidence (level 2), the other unobservable inputs (such as estimates of useful life and asset condition) were also required (level 3).

Infrastructure assets were componentised where required with unit rates applied to the individual components in order to determine the replacement cost.

The unit rates applied were based on brownfield project costs and include all materials, labour and overheads. The unit rates were estimated in consultation with Council's Technical Services staff using information collated from recent project costs.

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

	Sealed Roads	Unsealed Roads
	$	$
Formation	5.58	7.67
Pavement	40.65	47.88
Sub pavement	39.76	40.68
Surface	37.96	n/a

13 Fair value measurements (Continued)

Accumulated Depreciation

To calculate the appropriate amount of accumulated depreciation, assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted (i.e. for sampled visible assets), the assets were allocated a condition assessment, which was used to estimate remaining useful life as tabled below:

Percentage of life remaining	Description
95% - 100%	1. Brand new or rehabilitated to new with no visible deterioration.
55% - 95%	2. Excellent overall condition, early stages of deterioration.
15% - 55%	3. Fair overall condition, obvious deterioration, some serviceability loss.
5% - 15%	4. Poor overall condition, obvious deterioration, some serviceability loss, high maintenance costs.
0% - 5%	5. Extremely poor condition, severe serviceability problems. Renewal required immediately.

1(b) Road, bridge and drainage network - unobservable inputs
As detailed above Council's roads, drainage and bridge network has been valued using written down current replacement cost. This method utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon years of experience, different judgements could result in a different valuation. The table below summarises the most significant unobservable inputs that would have an impact on the valuation:

Significant unobservable input	Range of inputs
Condition rating (useful life)	1-5 As specified
Number of labour hours	5-100 hr/m2
Raw material usage quantities	Varies dependant of type and application
Remaining useful life	1-100 years
Non-depreciable component of replacement cost	$0-$1,405,000

Estimated useful lives are disclosed in note 12.

2(a) Water & Sewerage - calculation of current replacement cost
Current Replacement Cost
The last full valuation of water and sewerage assets was undertaken as at 1 July 2011, being valued at their written down current replacement cost as determined by independent valuers AssetVal Pty Ltd, who also undertook an indexation exercise to determine movement during the period. No material movement was identified with the results confirmed by internal engineers and technical officers. The valuation methodology identified that water and sewer assets can be broken into two broad groups:

- Active assets: includes pump stations, bores, reservoirs, flow control and treatment plants
- Passive assets: which include mostly network assets such as pipe work and manholes

AssetVal Pty Ltd's cost models were derived from the following sources:
- AssetVal Pty Ltd database
- Rawlinson's Australian Construction Handbook (2011)
- Communication with suppliers
- Schedule rates for construction of asset or similar assets

The 2011 valuation unit rates (replacement costs) were increased by 27% to allow for non-construction intangibles including investigation, design, management, contract supervision and other incurred project costs.

Additional assets acquired from 2 July 2011 to 30 June 2015 have been recognised at cost or unit rates (in the event they were donated or not previously recognised), which has been determined to approximate their fair value.

Average cost per water main - $331.91 per linear metre
Average cost per sewer main - $415.93 per linear metre
Average cost per water node - $3,001.86
Average cost per sewer node - $4,672.11

13 Fair value measurements (Continued)

Accumulated Depreciation

In determining accumulated depreciation, assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted (i.e. for active assets), the assets were allocated a condition assessment, using the same table as identified for waste.

Where site inspections were not conducted (i.e. for passive assets and active assets for which no site inspections were undertaken), the remaining useful life was calculated on an age basis after taking into consideration current and planned maintenance records.

2(b) Water and Sewer - unobservable inputs

The method used to value Council's water and sewerage assets utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon years of experience, different judgements could result in a different valuation. The table below summarises the most significant unobservable inputs that would have an impact on the valuation:

Significant unobservable input	Range of inputs
Condition rating (useful life)	0 - End of life
Standard material usage quantities	Varies depending on the type of material
Number of labour hours	Varies depending on site and complexity
Non-depreciable value	$0 - $167,796 (sewer) $0 - $3,521,000 (water)

Estimated useful lives are disclosed in note 12.

(iii) Changes in Fair Value Measurement using significant unobservable inputs (level 3)

The changes in level 3 assets with recurring fair value measurements are detailed in note 12 (property, plant and equipment). However, since certain asset classes disclosed in those notes comprise both level 2 and level 3 assets, the movement in level 3 assets are detailed below.

Changes in level 3 assets	**Land**	**Buildings**	**Heritage and cultural assets**
	$	**$**	**$**
Opening gross value as at 1 July 2014	252,396,129	191,092,971	3,743,920
Additions	1,105,522	2,632,445	-
Disposals	-	(2,791,266)	-
Transfer to Other Class	(85,000)	-	(240,000)
Transfer to Level 2	(7,277,000)	(18,859,449)	(452,350)
Revaluation adjustment	(24,558,413)	2,242,875	152,579
Closing gross value as at 30 June 2015	**221,581,238**	**174,317,576**	**3,204,149**
Accumulated depreciation			
Opening balance as at 1 July 2014	-	53,998,915	208,832
Depreciation provided for in period	-	2,986,375	42,296
Additions	-	1,375	-
Disposals	-	(1,105,899)	-
Transfer to Other Class	-	-	(52,559)
Transfer to Level 2	-	(6,127,393)	-
Revaluation adjustment	-	650,615	9,929
Accumulated depreciation value as at 30 June 2015	**-**	**50,403,988**	**208,498**
Value as at 30 June 2015	**221,581,238**	**123,913,588**	**2,995,651**

(iv) Valuation processes

Council's valuation policies and procedures are set by adhering to the Asset and Asset Management Policies as developed by the Chief Executive Officer, the Manager of Asset Management and Council's Strategic Leadership and Performance Team. Policies are reviewed at least bi-annually taking into consideration an analysis of movements in fair value and other relevant information. Council's current policy for the valuation of property, plant and equipment (recurring fair value measurements) is set out in note 1.11. Non-recurring fair value measurements are made at the point of reclassification by a registered valuer.

		Note	2015 Actual $	2014 Actual $
14	**Trade and other payables**	1.12		
	Current			
	Creditors and accruals		12,162,804	18,313,280
	Annual leave		6,900,375	7,147,251
	Other entitlements		634,215	664,246
			19,697,394	26,124,777

Current employee benefit expenses are calculated on current wage and salary levels and includes related employee on-costs. Council considers it does not have an unconditional right to defer settlement of the liability therefore all annual leave is classified as a current liability. The portion payable later than one year, estimated at $1,771,155 is calculated on projected future wage and salary levels and related employee on-costs, discounted to present values. Further details on employee entitlements are reported in note 1.13.

		Note	2015 Actual $	2014 Actual $
15	**Borrowings**	1.14		
	Current			
	Loans - Queensland Treasury Corporation		10,989,211	11,585,714
	Loans - Department of Local Government, Community Recovery and Resilience		308,000	308,000
			11,297,211	11,893,714
	Non-current			
	Loans - Queensland Treasury Corporation		183,248,860	222,317,696
	Loans - Department of Local Government, Community Recovery and Resilience		1,540,000	1,848,000
			184,788,860	224,165,696
	Loans - Queensland Treasury Corporation			
	Opening balance at beginning of financial year		233,903,410	229,783,257
	Loans raised		-	14,656,187
	Principal repayments		(44,269,200)	(10,536,034)
	Market Value Adjustment - Expense		4,603,861	-
	Book value at end of financial year		194,238,071	233,903,410
	Loans - Department of Local Government, Community Recovery and Resilience			
	Opening balance at beginning of financial year		2,156,000	2,464,000
	Principal repayments		(308,000)	(308,000)
	Book value at end of financial year		1,848,000	2,156,000

All borrowings are carried at amortised cost with interest being expensed as it accrues, excluding the Loans - Department of Local Government, Community Recovery and Resilience which is a non-interest bearing borrowing. Expected final repayment dates vary from July 2016 to March 2034. There have been no defaults or breaches of the loan agreement during the period.

	Note	2015 Actual $	2014 Actual $

15 Borrowings (Continued)

Principal and interest repayments are made quarterly in arrears for all QTC borrowings. In respect to the Department of Local Government, Community Recovery and Resilience loan, which is a non interest bearing loan as stated above, principal repayments are made semi-annually in arrears.

The loan market value at the reporting date for QTC borrowings was $223,970,210. This represents the value of the debt if Council repaid it all on that date. At the reporting date, it is the intention of Council to hold the debt for its full term, as such no provision is required to be made in these accounts.

16 Provisions

	Note	2015 Actual $	2014 Actual $
Current			
Refuse restoration	1.15	27,854,415	27,414,153
Quarry restoration	1.15	115,803	265,266
Long service leave	1.13(d)	6,604,763	6,618,007
		34,574,981	34,297,426
Non-current			
Refuse restoration	1.15	3,951,580	3,031,853
Quarry restoration	1.15	1,977,074	2,058,535
Long service leave	1.13(d)	1,768,241	1,673,595
		7,696,895	6,763,983

Long service leave benefits are calculated in accordance with Council's obligations. The apportionment of current liability reflects the latest estimates around Council's ability to defer settlement and leave probability calculations. The portion estimated to be payable during the year is $1,396,655 based on an average of previous years long service leave expenses. Estimates are reviewed and adjusted annually as a result of change in circumstance and or new information. Further details on employee entitlements are reported in note 1.13.

Details of movements in provisions:

	2015 Actual $	2014 Actual $
Refuse restoration		
Balance at beginning of financial year	30,446,006	31,309,449
Increase in provision - change in present value over time	342,278	427,152
Increase in provision - due to change in future cost		
Funded by asset revaluation surplus	1,576,230	(42,424)
Expensed during the year - included in repairs and maintenance	824,830	2,168,479
Decrease in provision		
Write-offs through remediations	(1,383,349)	(3,416,650)
Balance at the end of financial year	31,805,995	30,446,006

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 $38,618,364 and this cost is expected to be incurred between 2016 and 2050 after closing the sites and allowing a period for settlement.

	Note	2015 Actual $	2014 Actual $
16 Provisions (Continued)			
Quarry restoration			
Balance at beginning of financial year		2,323,801	2,005,871
Increase in provision - change in present value over time		62,570	60,055
(Decrease)/increase in provision - due to change in future cost			
Funded by asset revaluation surplus		(246,057)	257,875
Expensed during the year - included in repairs and maintenance		(47,437)	-
Balance at the end of financial year		2,092,877	2,323,801

This is the present value of the estimated future cost of restoring the quarry sites under the State Government Environmental Regulations at the end of its useful life. The projected cost is $3,344,745 and this cost is expected to be incurred between 2015 and 2057.

Long service leave			
Balance at beginning of financial year		8,291,602	7,849,796
Amount provided for in the period		1,357,322	1,435,987
Amount paid in the period		(1,275,920)	(994,181)
Balance at the end of financial year		8,373,004	8,291,602
17 Asset revaluation surplus	1.16		
Movements in the asset revaluation surplus were as follows:			
Balance at beginning of financial year		1,381,196,905	1,405,251,318
Net adjustment to non-current assets at end of financial year to reflect a change in current fair value:			
Land		(25,286,113)	(24,344,112)
Site improvements		(1,066,511)	(339,391)
Buildings		155,935	(246,933)
Roads, bridge and drainage network		203,759,355	(466,245)
Water		-	(19,911)
Waste infrastructure		426,940	-
Heritage & cultural assets		165,268	849,121
		178,154,874	(24,567,471)
Change in value of future rehabilitation costs charged to the reserve			
Site improvements		246,057	(257,874)
Waste infrastructure		(1,576,230)	42,424
Change in value of future restoration asset funded by the reserve			
Site improvements		(183,487)	343,780
Waste infrastructure		919,727	384,728
		177,560,941	(24,054,413)
Balance at end of financial year		1,558,757,846	1,381,196,905

	Note	2015 Actual $	2014 Actual $
17 Asset revaluation surplus (Continued)			
Asset revaluation surplus analysis			
The closing balance of the asset revaluation surplus comprises the following asset categories:			
Land		91,342,646	116,628,759
Site improvements		29,902,538	30,906,479
Buildings		6,960,998	6,805,063
Roads, bridge and drainage network		1,131,966,275	928,206,920
Water		129,580,193	129,580,193
Sewerage		162,087,999	162,087,999
Waste infrastructure		5,836,260	6,065,823
Heritage & cultural assets		1,080,937	915,669
		1,558,757,846	1,381,196,905

18 Commitments for expenditure

	2015 Actual $	2014 Actual $
Contractual commitments		
Contractual commitments at balance date but not recognised in the financial statements are as follows:		
Disposal of garbage and solid waste	23,630,258	23,835,486
	23,630,258	23,835,486
These expenditures are payable :		
Within one year	23,630,258	14,499,736
Later than 1 year but not later than 5 years	-	9,335,750
	23,630,258	23,835,486
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	162,123	328,708
Infrastructure	10,939,804	10,757,549
Other assets	806,595	495,308
	11,908,522	11,581,565
These expenditures are payable :		
Within one year	11,908,522	11,581,565
	11,908,522	11,581,565

	Note	2015 Actual $	2014 Actual $

19 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 2015 should not exceed:

		2,876,745	-

Department of Families, Housing, Community Services and Indigenous Affairs

Council agreed to act as guarantor for a development project under the Housing Affordability Fund Program. The guarantee provides for affordable housing to be developed and sold at a discount on market rates.

Council's maximum exposure to the bank guarantee is:		8,000,000	8,000,000

Local Government Mutual

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

As at 30 June 2015 the financial statements reported an accumulated surplus and it is not anticipated any liabilities will arise.

Local Government Workcare

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

Council's maximum exposure to the bank guarantee is:		2,743,744	3,289,198

20 Superannuation

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

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

The scheme has three elements referred to as:

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

The ABF is a defined contribution scheme as defined in *AASB 119*. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the *Local Government Act 2009*.

	Note	2015 Actual $	2014 Actual $

20 Superannuation (Continued)

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

The Regional DBF is a defined benefit plan as defined in *AASB119* . The Council is not able to account for the Regional 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. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

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

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

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

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2012. The actuary indicated that "the Regional DBF is currently in a satisfactory but modest financial position and remains vulnerable to adverse short and medium term experience."

Following the previous actuarial assessment in 2009, councils were advised by the trustee of the scheme, following advice from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of Regional DBF members. In the 2012 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

Under the Local Government Act 2009 the trustee of the scheme has the power to levy additional contributions on councils which have employees in the Regional DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

There are currently 72 councils contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 councils. Council made less than 4% of the total contributions to the plan in the 2014-15 financial year.

The next actuarial investigation will be made as at 1 July 2015.

	Note	2015 Actual $	2014 Actual $
The amount of superannuation contributions paid by Mackay Regional Council to the scheme in this period for the benefit of employees was:	5	7,868,219	7,871,184

		Note	2015 Actual $	2014 Actual $
21	**Trust funds**	1.20		
	Security deposits		2,945,319	3,819,343
	Mackay Artspace Gift Fund		11,913	6,696
			2,957,232	3,826,039

Mackay Regional Council performs only a custodial role in respect of these monies. As these funds cannot be used by the Council, they are not brought to account in these financial statements.

		Note	2015 Actual $	2014 Actual $
22	**Reconciliation of net result for the year to net cash flow from operating activities**			
	Net result		93,181,842	95,524,273
	Non-cash items:			
	Depreciation and amortisation	8	69,076,412	63,351,847
	Change in restoration provisions expensed to finance costs	7	404,848	487,207
			69,481,260	63,839,054
	Investing and development activities:			
	Capital grants, subsidies and contributions	4	(123,315,500)	(166,675,637)
	Capital income		(920,326)	(254,049)
	Capital expenses	9	34,398,782	64,828,361
			(89,837,044)	(102,101,325)
	Changes in operating assets and liabilities:			
	(Increase)/decrease in receivables		(2,021,001)	9,754,267
	Decrease/(increase) in inventories (excluding land)		405,089	(412,430)
	Decrease in payables		(7,033,338)	(13,777,034)
	Increase in provisions		81,402	441,806
	(Decrease)/increase in other liabilities		(180,927)	174,111
			(8,748,775)	(3,819,280)
	Net cash inflow from operating activities		64,077,283	53,442,722

23 Financial instruments

Mackay Regional Council has exposure to the following risks arising from financial instruments:
- liquidity risk
- market risk

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

Liquidity risk

Liquidity risk is the risk that the Council will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Mackay Regional Council is exposed to liquidity risk through its normal course of business and through its borrowings with QTC and other financial institutions.

The Council manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in note 10.

The table below sets out the liquidity risk in relation to financial liabilities held by the Council. It represents the remaining contractual cash flows (principal and interest) of financial liabilities at the end of the reporting period, excluding the impact of netting agreements.

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	$	$	$	$	$
2015					
Trade and other payables	12,162,804	-	-	12,162,804	-
Loans - QTC	22,614,476	90,457,904	165,120,647	278,193,027	194,238,071
Loans - DLGCRR	308,000	1,232,000	308,000	1,848,000	1,848,000
	35,085,280	91,689,904	165,428,647	292,203,831	196,086,071
2014					
Trade and other payables	18,313,280	-	-	18,313,280	-
Loans - QTC	25,117,431	94,705,893	234,754,949	354,578,273	233,903,410
Loans - DLGCRR	308,000	1,232,000	616,000	2,156,000	2,156,000
	43,738,711	95,937,893	235,370,949	375,047,553	236,059,410

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

Market risk

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

Interest rate risk

Mackay Regional Council is exposed to interest rate risk through investments and borrowings with QTC.

The Council has access to a mix of variable and fixed rate funding options through QTC so that interest rate risk exposure can be minimised.

Sensitivity

Sensitivity to interest rate movements is shown for variable financial assets and liabilities based on the carrying amount at reporting date.

The following interest rate sensitivity analysis depicts what effect a reasonably possible change in interest rates (assumed to be 1%) would have on the profit and equity, based on the carrying values at the end of the reporting period. The calculation assumes that the change in interest rates would be held constant over the period.

	Net carrying amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
	$	$	$	$	$
2015					
QTC cash fund	141,627,508	1,416,275	(1,416,275)	1,416,275	(1,416,275)
Loans - QTC	194,238,071	1,942,381	(1,942,381)	1,942,381	(1,942,381)
Loans - DLGCRR	1,848,000	-	-	-	-
Net total	337,713,579	3,358,656	(3,358,656)	3,358,656	(3,358,656)
2014					
QTC cash fund	149,468,258	1,494,683	(1,494,683)	1,494,683	(1,494,683)
Loans - QTC	233,903,410	2,339,034	(2,339,034)	2,339,034	(2,339,034)
Loans - DLGCRR	2,156,000	-	-	-	-
Net total	385,527,668	3,833,717	(3,833,717)	3,833,717	(3,833,717)

In relation to the QTC loans held by the Council, the following combination has been applied:

QTC Generic Debt Pool - the generic debt pool products approximate a fixed rate loan. There is a negligible impact on interest sensitivity from changes in interest rates for generic debt pool borrowings.

QTC Client Specific Pool - client specific pool products are often rebalanced to a target benchmark duration. This partially exposes clients to the level of interest rates at the time of rebalancing. Sensitivity on these products is provided by QTC through calculating the interest effect over the period.

Fair value

The fair value of trade and other receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is disclosed in note 15.

24 National competition policy

Business activities to which the code of competitive conduct is applied

Mackay Regional Council applies the competitive code of conduct to the following activities:
- Water and Waste Water
- Waste Services

This requires the application of full cost pricing, identifying the cost of community service obligations (CSO) and eliminating the advantages and disadvantages of public ownership within that activity.

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

Details of community service obligations are:

Activities	CSO description	Actual
		$
Water and Waste Water	Rebates to Community / Sporting Bodies	183,134
Waste Services	Rebates to Community / Sporting Bodies	139,324

24 National competition policy (Continued)

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

	Water & Waste Water		Waste Services	
	2015 Actual $	2014 Actual $	2015 Actual $	2014 Actual $
Operating revenue				
Rates and utility charges	89,242,321	86,572,261	21,226,883	20,610,969
Less: discounts and remissions	(5,613,842)	(5,544,097)	(2,044,710)	(1,092,607)
Fees and charges	2,699,768	3,662,729	6,560,511	8,520,728
Sales contract and recoverable work	2,311,244	3,245,986	-	-
Grants, subsidies and contributions and donations	-	-	-	4,425
Interest received	2,134,590	2,614,632	430,477	396,133
Other recurrent income	204,647	168,965	429,883	312,135
Community service obligations	183,134	177,800	139,324	135,266
Internal transfers	1,683,307	1,433,430	673,860	584,226
	92,845,169	92,331,706	27,416,228	29,471,275
Less: operating expenses				
Employee benefits	13,279,011	14,099,439	1,482,133	1,231,256
Materials and services	20,915,185	21,517,338	15,488,351	15,373,164
Finance costs	6,066,770	6,341,862	1,697,521	1,874,870
Depreciation and amortisation	20,136,116	19,748,053	4,637,242	1,165,349
Transfer from capital (loss on disposal of assets)	2,539,795	6,316,303	26,302	2,607,018
Competitive neutrality costs	6,846,497	6,647,085	1,397,491	1,356,787
Internal transfers	3,427,597	3,312,454	465,278	458,959
	73,210,971	77,982,534	25,194,318	24,067,403
Less: transfers				
Transfer from capital (loss on disposal of assets)	(2,539,795)	(6,316,303)	(26,302)	(2,607,018)
Retained (surplus) / deficit brought forward from prior year	(2,414,605)	(7,660,864)	(873,427)	(1,442,040)
Transfer to capital (general revenue expended)	(1,620,797)	1,816,082	(956,057)	3,942,226
Inter-function dividends and return on capital	43,415,000	17,310,000	5,133,000	2,410,000
Transfer from reserves	(29,244,978)	(7,039,444)	(3,105,813)	(1,345,757)
Transfers to reserves	7,501,798	13,825,097	1,863,514	3,573,034
	15,096,623	11,934,568	2,034,915	4,530,445
Operating surplus / (deficit)	4,537,575	2,414,604	186,995	873,427

25 Events after the reporting period

There were no material adjusting events after the balance date.

QAO
certified statements

MACKAY REGIONAL COUNCIL

Financial Statements
For the year ended 30 June 2015

Management certificate
For the year ended 30 June 2015

These general purpose financial statements have been prepared pursuant to Section 176 and 177 of the *Local Government Regulation 2012 (the Regulation)* and other prescribed requirements.

In accordance with Section 212(5) of the Regulation we certify that:

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

(ii) the general purpose financial statements, as set out on pages 1 to 42, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.

Mayor	Chief Executive Officer
Deirdre Comerford	Brett Heyward
Date: 6 / 10 / 15	Date: 6 / 10 / 15

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Mackay Regional Council

Report on the Financial Report

I have audited the accompanying financial report of Mackay Regional Council, which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Financial Report

The Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Local Government Act 2009* and *Local Government Regulation 2012*, including compliance with Australian Accounting Standards. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free 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 the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

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

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

(b) in my opinion -

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

  (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of Mackay Regional Council for the financial year 1 July 2014 to 30 June 2015 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

JWelsh

QUEENSLAND
2 1 OCT 2015
AUDIT OFFICE

J F Welsh FCPA
as Delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane

QAO
certified statements

MACKAY REGIONAL COUNCIL

Current-year Financial Sustainability Statement

For the year ended 30 June 2015

Measures of Financial Sustainability	How the measure is calculated	Actual	Target
Council's performance at 30 June 2015 against key financial ratios and targets:			
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	1%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	69%	Greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	35%	Not greater than 60%

Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the *Financial Management (Sustainability) Guideline 2013*. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2015.

QAO certified statements

Certificate of Accuracy
For the year ended 30 June 2015

This current-year financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012.*

In accordance with Section 212(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.

Mayor
Deirdre Comerford
Date: 6/10/15

Chief Executive Officer
Brett Heyward
Date: 6/10/15

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Mackay Regional Council

Report on the Current-Year Financial Sustainability Statement

I have audited the accompanying current-year financial sustainability statement, which is a special purpose financial report of Mackay Regional Council for the year ended 30 June 2015, comprising the statement and explanatory notes, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Current-Year Financial Sustainability Statement

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

Auditor's Responsibility

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

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

My responsibility is to form an opinion as to whether the statement has been accurately calculated based on the Council's general purpose financial report. My responsibility does not extend to forming an opinion on the appropriateness or relevance of the reported ratios, nor on the Council's future sustainability.

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

Independence

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

Opinion

In accordance with s.212 of the *Local Government Regulation 2012*, in my opinion, in all material respects, the current-year financial sustainability statement of Mackay Regional Council, for the year ended 30 June 2015, has been accurately calculated.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, attention is drawn to Note 1 which describes the basis of accounting. The current-year financial sustainability statement has been prepared in accordance with the *Financial Management (Sustainability) Guideline 2013* for the purpose of fulfilling the Council's reporting responsibilities under the *Local Government Regulation 2012*. As a result, the statement may not be suitable for another purpose.

Other Matters - Electronic Presentation of the Audited Statement

Those viewing an electronic presentation of this special purpose financial report should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

JWelsh

QUEENSLAND
2 1 OCT 2015
AUDIT OFFICE

J F Welsh FCPA
as Delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane

Long-Term Financial Sustainability Statement
For the year ended 30 June 2015

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2015	Projected for the Years Ended 30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Council												
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	1%	1%	3%	4%	5%	5%	7%	7%	6%	7%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	69%	80%	60%	42%	63%	57%	82%	72%	58%	55%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	35%	45%	38%	33%	28%	25%	34%	42%	37%	31%

Mackay Regional Council's Financial Management Strategy

Operating Surplus Ratio

Council's forecast operating surplus ratio is within the benchmark set for the life of the plan. This indicates that Council is in a sound financial position and reinforces Council's continuing commitment to fund additional capital expenditure. This results in less reliance on borrowed funds and reduces Council's debt. A positive operating surplus ratio is a strong indicator of long term sustainability.

Asset Sustainability Ratio

The above ratio is calculated based on the planned capital expenditure on the renewal of assets included in Council's Long Term Financial Forecast. Council is confident that this expenditure although it does not reach the set target, contributes to sustainable asset replacement and renewal for the forecast period. Continuing refinement of Council's asset management plans and regional sustainability strategy will only improve Council's ability to make informed decisions regarding asset management into the future.

Net Financial Liabilities Ratio

This is an indicator of the extent to which the net financial liabilities of Council can be serviced by its operating revenues. Council's net financial liabilities ratio is within acceptable limits for the life of the plan, indicating that Council has the capacity to fund liabilities and a capacity to increase loan borrowings if required. Council has made a concerted effort to reduce debt and borrowings over the life of the plan.

MACKAY REGIONAL COUNCIL

Long-Term Financial Sustainability Statement

For the year ended 30 June 2015

Certificate of Accuracy

For the long-term financial sustainability statement prepared as at 30 June 2015

This long-term financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012.*

In accordance with Section 212(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated.

Mayor	**Chief Executive Officer**
Deirdre Comerford	**Brett Heyward**
Date: 6 / 10 / 15	Date: 6 / 10 / 15