



## **ANNUAL FINANCIAL STATEMENTS**

**For the period 15 March 2008 to 30 June 2009**

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**MACKAY REGIONAL COUNCIL**  
**INCOME STATEMENT**  
For the period 15 MARCH 2008 to 30 JUNE 2009

	Note	15 March 08 to 30 June 09 Actual \$
<b>INCOME</b>		
<b>Recurrent Revenue:</b>		
Net rates and utility charges	3 (a)	134,660,465
Fees and charges	3 (b)	19,578,930
Rental income	3 (c)	972,823
Interest received	3 (d)	10,189,140
Sales contracts and recoverable works	3 (e)	9,598,499
Other income	3 (f)	3,701,903
Grants, subsidies, contributions and donations	4 (a)	25,338,041
<b>Total recurrent revenue</b>		<u>204,039,801</u>
<b>Capital Revenue:</b>		
Grants, subsidies, contributions and donations	4 (b)	86,167,606
Profit on the disposal of assets held for sale	5	93,298
<b>Total capital revenue</b>		<u>86,260,904</u>
<b>Gain on restructure of local government:</b>		
Assets and liabilities transferred from abolished Councils	6	1,229,451,606
Adjustments due to accounting policy alignment	6	(15,743,276)
		<u>1,213,708,330</u>
<b>Total Revenue</b>		<u><u>1,504,009,035</u></u>
<b>EXPENDITURE</b>		
<b>Recurrent Expenses:</b>		
Employee benefits	7	67,827,910
Materials and services	8	85,921,964
Finance costs	9	8,485,657
Depreciation & amortisation	10	50,211,950
Other expenses	11	6,371,040
<b>Total recurrent expenses</b>		<u>218,818,521</u>
<b>Capital Costs:</b>		
Loss on the disposal of capital assets	12	14,563,223
Revaluation decrements	13	1,546,729
<b>Total Expenses</b>		<u><u>234,928,473</u></u>
<b>NET RESULT ATTRIBUTABLE TO COUNCIL</b>		<u><u>1,269,080,562</u></u>

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

**MACKAY REGIONAL COUNCIL**  
**BALANCE SHEET**  
As at 30 JUNE 2009

	Note	As at 30 June 09 Actual \$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	14	96,885,233
Trade and other receivables	15	20,130,402
Tax assets	16	3,925,748
Inventories	17	2,327,142
Other	18	1,497,780
Non-current assets classified as held for sale	19	9,982,994
<b>Total Current Assets</b>		<b>134,749,299</b>
<b>Non-Current Assets</b>		
Trade and other receivables	15	5,000
Property, plant and equipment	20	2,182,021,650
Capital works in progress	21	115,645,682
Intangible assets	22	1,658,224
<b>Total Non-Current Assets</b>		<b>2,299,330,556</b>
<b>TOTAL ASSETS</b>		<b>2,434,079,855</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	23	22,986,566
Borrowings	24	7,023,703
Provisions	26	0
Other liabilities	27	3,152,573
<b>Total Current Liabilities</b>		<b>33,162,842</b>
<b>Non-Current Liabilities</b>		
Trade and other payables	23	6,569,254
Borrowings	24	106,438,307
Provisions	26	18,970,918
Other liabilities	27	0
<b>Total Non-Current Liabilities</b>		<b>131,978,479</b>
<b>TOTAL LIABILITIES</b>		<b>165,141,321</b>
<b>NET COMMUNITY ASSETS</b>		<b>2,268,938,534</b>
<b>Community Equity</b>		
Council capital		1,197,639,174
Asset revaluation reserve	28	982,662,537
Other reserves	29	88,636,823
<b>TOTAL COMMUNITY EQUITY</b>		<b>2,268,938,534</b>

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

**MACKAY REGIONAL COUNCIL****CASHFLOW STATEMENT**

For the period 15 MARCH 2008 to 30 JUNE 2009

	Note	15 March 08 to 30 June 09 Actual \$
<b>Cash flows from operating activities:</b>		
Receipts from customers		237,744,472
Payments to suppliers and employees		(151,597,608)
		<u>86,146,864</u>
Interest received		10,174,732
Borrowing costs		(8,277,391)
<b>Net cash inflow/(outflow) from operating activities</b>	36	<u><b>88,044,205</b></u>
<b>Cash flows from investing activities:</b>		
Payments for property, plant and equipment		(177,643,441)
Proceeds from sale of property plant and equipment		5,361,423
Net movement in loans to community organisations		13,600
<b>Net cash inflow/(outflow) from investing activities</b>		<u><b>(172,268,418)</b></u>
<b>Cash flows from financing activities:</b>		
Proceeds from borrowings	25	34,315,888
Repayment of borrowings	25	(11,044,146)
Repayments made on finance leases		0
<b>Net cash inflow/(outflow) from financing activities</b>		<u><b>23,271,742</b></u>
<b>Net increase/(decrease) in cash held</b>		(60,952,471)
Cash at beginning of reporting period		<u>157,837,704</u>
<b>Cash at end of reporting period</b>	14	<u><b>96,885,233</b></u>

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

**MACKAY REGIONAL COUNCIL**  
**STATEMENT OF CHANGES IN EQUITY**  
For the period 15 MARCH 2008 to 30 JUNE 2009

	Capital Account	Asset Revaluation Reserve Note 28	Other Reserves Note 29	TOTAL
<b>Opening Balance</b>				
	2009 \$	2009 \$	2009 \$	2009
Asset revaluation adjustments	-	-	-	-
	-	982,662,537	-	982,662,537
Net income recognised directly through Equity	-	982,662,537	-	982,662,537
Surplus for the period	1,269,080,562	-	-	1,269,080,562
Net assets recognised and liabilities assumed	17,195,435	-	-	17,195,435
<b>Total recognised income and expense</b>	1,286,275,997	982,662,537	-	2,268,938,534
<b>Transfers to and from reserves</b>				
Transfers to/from capital	-	-	-	-
Transfers to capital and other reserves	(210,154,440)	-	210,154,440	-
Transfers from capital and other reserves	121,517,617	-	(121,517,617)	-
<b>Total transfers to and from reserves</b>	(88,636,823)	-	88,636,823	-
<b>Balance at 30 June 2009</b>	1,197,639,174	982,662,537	88,636,823	2,268,938,534

The above statement should be read in conjunction with the accompanying notes and Summary of Significant Accounting Policies.  
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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1 Summary of Significant Accounting Policies

#### (a) Basis of Preparation

This financial report has been prepared as a general purpose financial report in accordance with the Australian Accounting Standards and complies with the requirements of the *Local Government Act 1993*, the *Local Government Reform Implementation Regulation 2008* and the *Local Government Finance Standard 2005*.

The Local Government Reform Commission report to the Minister for Local Government, Planning and Sport on 27 July 2007 recommended that the former Mackay City, Mirani and Sarina Shire Councils be amalgamated to form the Mackay Regional Council. Pursuant to Part 1B of the Local Government Act 1993 and in accordance with the Local Government Reform Implementation Regulation 2008, the Mackay Regional Council was formed on 15 March 2008.

The Local Government Reform Implementation Regulation 2008 and the Local Government Reform Implementation (Transferring Areas) Amendment Regulation (No.1) 2008 transferred the assets and liabilities of the former Mackay City, Mirani and Sarina Shire Councils to the Mackay Regional Council as at changeover date.

Pursuant to section 159YQ of the Local Government Act 1993 and sections 26 and 35 of the Local Government Reform Implementation Regulation 2008, financial statements have been prepared for the period starting on 15 March 2008 and ending on 30 June 2009. Future periods will be for twelve month periods starting 1 July and ending on 30 June.

Assets and liabilities of the former councils have been recognised by Mackay Regional Council on 15 March 2008 at the previous book values of the transferor local governments. This is shown as income in the Income Statement and details are disclosed in note 6.

Mackay Regional Council adopted consistent accounting policies from its commencement date of 15 March 2008. In some cases, this resulted in adjustments to the measurement of assets and liabilities transferred from former councils as at 15 March 2008. These accounting policy alignment adjustments are shown in the Income Statement and details are disclosed in note 6.

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

#### (b) Statement of Compliance

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). 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 this Report does not comply with IFRS. The main impact is in the offsetting of revaluation and impairment gains and losses within a class of assets and the recognition of assets and liabilities of the former councils at the amounts at which they were recognised by the transferor local governments.

#### (c) Early adoption of new Accounting Standards

The following Australian Accounting Standards, issued on the dates shown, are not mandatory for the period ending 30 June 2009 but, as permitted, have been applied in preparing this report where applicable:

AASB 1004 Contributions (December 2007)

AASB 1051 Land Under Roads (December 2007)

AASB 1052 Disaggregated Disclosures (December 2007)

AASB 2007-9 Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31

AASB Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

The following Australian Accounting Standards, issued on the dates shown, are not mandatory for the period ending 30 June 2009 and have not been applied.

AASB3 Business Combinations (March 2008)

AASB8 Operating Segments (Feb 2007)

AASB101 Presentation of Financial Statements (September 2007)

AASB123 Borrowing Costs (June 2007)

AASB127 Consolidated and Separate Financial Statements (March 2008)

AASB 1039 Concise Financial Reports (August 2008)

AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB8 (February 2007)

AASB2007-6 Amendments to Australian Accounting Standards arising from AASB123 (June 2007)

## **1 Summary of Significant Accounting Policies (cont)**

AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB101 (September 2007)  
AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101  
AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations (February 2008)  
AASB2008-2 Amendments to Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation (March 2008)  
AASB2008-3 Amendments to Accounting Standards arising from AASB3 and AASB127 (March 2008)  
AASB2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008)  
AASB2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project  
AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (July 2008)  
AASB2008-8 Amendments to Australian Accounting Standards - Eligible Hedged Items [AASB 139] (August 2008)  
  
AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101 (September 2008)  
AASB 2008-11 Amendments to Australian Accounting Standard – Business Combinations Among Not-for-Profit Entities [AASB 3] (November 2008)  
AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners (December 2008) [AASB 5 & AASB 110]  
Interpretation 15 - Agreements for the Construction of Real Estate (August 2008)  
Interpretation 16 - Hedges of a Net Investment in a Foreign Operation (August 2008)  
Interpretation 17 – Distributions of Non-cash Assets to Owners (December 2008)

It is not expected that the new standards would have made a substantial difference to the results if they had applied to this accounting period. Most of the changes are matters of presentation.

### **(d) Critical accounting estimates**

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

The estimates and assumptions that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are referred to in the appropriate notes to the financial statements.



## 1 Summary of Significant Accounting Policies (cont)

### (e) Currency

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

### (f) Constitution

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

### (g) Date of authorisation

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

The Local Government has the power to amend the Financial Report after it is authorised for issue until the adoption of the report by the Local Government as part of the Annual Report.

### (h) Changes to Accounting Policies

Unless otherwise stated, accounting policies are the same as for previous Councils and are consistently applied throughout the period.

### (i) Rates, Grants and Other Revenue

Rates, grants and other revenue are recognised as revenue on receipt of funds or earlier unconditional entitlement to the funds. Receivables are recorded at nominal amounts less any provision for doubtful debts. Credit terms are 30 days.

#### (i) Rates

Control over assets acquired from rates is obtained at the commencement of the rating period. 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.

#### (ii) Grants and Subsidies

Control over granted assets is normally obtained upon their receipt or upon prior notification that a grant has been secured. An equivalent amount is placed in the Constrained Works Reserve until the obligation is satisfied.

#### (iii) Non-Cash Contributions

All non-cash contributions are recognised as revenue and as non-current assets.

#### (iv) Other Revenue including Contributions

Other revenue is recognised as a receivable when it is probable that the receipt will occur and it can be measured reliably, otherwise the amount is recognised upon receipt.

### (j) Cash and Cash Equivalents

For the purposes of the Balance Sheet and the Cash Flow Statement, cash assets include all cash and cheques receipted but not banked as well as deposits at call with financial institutions. It also includes bank overdrafts and liquid investments with short periods to maturity that are readily convertible to cash at the Council's option without penalty and that are subject to a low risk of changes in value.

The Council considers all its term deposits, being for periods of less than one year to be cash equivalents.

### (k) Receivables

#### (i) Rates Receivable

Council debtors, consist largely of outstanding rate levies. Credit terms are thirty (30) days. Outstanding rates attract a 11% interest charge. The value of outstanding rates includes interest charged on overdue accounts. Council recognises these as revenue as they are levied. Rates received prior to the commencement of the rating period are recognised as revenue on receipt.

#### (ii) Other

Other debtors consist of works performed for rate payers and property developers as well as amounts owing to the Mackay Entertainment & Convention Centre outstanding grants and claim amounts are also included. No interest is charged on these amounts.

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts were written-off at 30 June 2009.

Loans and advances are recognised at cost. Terms are usually a maximum of five years with interest charged at commercial rates. Security is not normally obtained.

# 1 Summary of Significant Accounting Policies (cont)

## (I) Other Financial Assets

Other Financial Assets are recognised at cost.

## (m) Inventories

According to AASB 102, inventories held for distribution are valued at the lower of cost and current replacement cost and other inventories are valued at the lower of cost and net realisable value. Stores and stockpile inventory are recorded as assets held for distribution. Treated Water, Mackay Entertainment & Convention Centre, Swimming Pool, Sarina Sugar Shed and the Artspace Gallery inventory are recorded as other inventory.

## (n) Land Held for Resale

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

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

Land acquired for use by the Council which is no longer required is reclassified within property, plant and equipment to land held for development and resale. It continues to be measured at fair value until it is actively being marketed and expected to be sold within one year. When this occurs it is transferred to non-current assets held for resale and revalued at fair value less costs to sell.

## (o) Investments

Financial institution deposits at call and term deposits are treated as cash equivalents.

Interest and dividend revenues are recognised on an accrual basis.

## (p) Investment Property

Investment property, which is property held for the primary purpose of earning rentals and/or capital appreciation, is initially recognised at cost including transaction costs. Where investment property is acquired at no or nominal cost it is recognised at fair value. Investment property is subsequently carried at fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in the income statement for the period in which they arise. Investment property is not depreciated and is not tested for impairment.

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

## (q) Capital Work in Progress

This represents the construction cost of property, plant and equipment under development by Council at balance date and includes materials, labour, plant cost and associated labour oncosts. Refer Note 21.

## (r) Property Plant and Equipment

The following thresholds have been adopted by Council and represent the maximum amount of expenditure that may be expended on any one item without the recognition of an asset:-

Asset Class	Threshold
Land	\$1
Building and Site Improvements	\$5,000
Plant and Equipment - Machinery	\$5,000
Plant and Equipment - Motor Vehicles	\$5,000
Plant and Equipment - Office Equipment	\$5,000
Plant and Equipment - Furniture	\$5,000
Plant and Equipment - I.T. Equipment	\$5,000
Major Plant and Equipment	\$1,000,000
Infrastructure - Road	\$5,000
Infrastructure - Road Other	\$5,000
Infrastructure - Stormwater Drainage	\$5,000
Infrastructure - Sewerage	\$5,000
Infrastructure - Water	\$5,000
Other Assets - Parks and Recreation	\$5,000
Other Assets - Heritage and Cultural	\$5,000
Other Assets - Bus Shelters	\$5,000
Other Assets - Other Miscellaneous	\$5,000

## 1 Summary of Significant Accounting Policies (cont)

### *(i) Acquisition*

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, architects' fees and engineering design fees and all other establishment costs.

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

### *(ii) Capital and Operating Expenditure*

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

### *(iii) Valuation*

Land, buildings, major plant and equipment, infrastructure and heritage and cultural assets are measured on the revaluation basis, at fair value, in accordance with AASB116 Property, Plant and Equipment and the *Local Government Finance Standard 2005*. All other non-current assets, principally plant and equipment and intangibles, 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 revaluation may involve the application of a suitable index to the cost elements of each asset, or may involve an independent assessment of the value. Only those assets, the total values of which are material, compared to the value of the class of assets to which they belong, are comprehensively revalued.

Details of valuers and methods of valuations are disclosed in Note 20.

Plant and equipment, other than major plant and equipment, are measured at depreciated cost. The carrying amounts for plant and equipment measured at depreciated cost should not differ materially from their fair value.

### *(iv) Depreciation*

Land is not depreciated as it has an unlimited useful life. Depreciation on other property, plant and equipment 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.

## 1 Summary of Significant Accounting Policies (cont)

### (v) *Unfunded Depreciation*

Mackay Regional Council has elected not to fund depreciation expenses for assets that will not be replaced or external funding sources other than loans will be obtained to fund their replacement. Depreciation is funded to the extent necessary to meet future replacement capital works.

### (vi) *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.

## (s) Intangible Assets

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

Expenditure on internally generated intangible assets is recognised from the date of the approval by the Council of a capital expenditure authorisation for the acquisition or development of the asset as before approving the expenditure Council requires it to meet conditions which equal or exceed the criteria for recognition in AASB138.57.

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

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

## (t) Impairment of Non-current Assets

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. For the current year, no assets have been identified as impaired.

If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount would be recorded as an impairment loss. The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

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

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

## 1 Summary of Significant Accounting Policies (cont)

### (u) Leases

Leases of plant and equipment under which the Council assumes substantially all the risks and benefits of ownerships are classified as finance leases. Other leases are classified as operating leases.

#### *(i) Finance Lease*

Leases identified as being finance leases are capitalised: a lease asset and a liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense in the accounting period they are incurred. Lease liabilities are reduced by repayment of principal. The asset is amortised on a straight line basis over the term of the lease or where it is likely the Council will obtain ownership of the asset, the life of the asset.

#### *(ii) Operating Lease*

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

### (v) Payables

Creditor amounts are recognised where goods or services have been performed or delivered. No payment is required in order to recognise these amounts which are based on agreed purchase/contract costs at their nominal amounts. Accounts owing are unsecured and generally settled in thirty (30) days.

### (w) Liabilities - Employee Benefits

Employee benefits are accrued for such items 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 entitlements are assessed at each reporting date. Where it is expected that the leave will be taken in the next twelve months the liability is treated as a current liability. Otherwise the liability is treated as non-current.

#### *(i) 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 is treated as a payable and not as a provision.

#### *(ii) Annual Leave*

A liability for annual leave is recognised. The current portion is based on current wage and salary levels and includes related employee on-costs. The non current portion is based on projected future wage and salary levels and related employee on-costs discounted to present values. This liability is treated as a payable and not as a provision.

#### *(iii) Sick Leave*

Sick leave taken in the future will be met by future entitlements and hence no recognition of sick leave has been made in these financial statements.

#### *(iv) Superannuation*

The superannuation expense for the reporting period is the amount of the contribution the local government makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 33.

#### *(v) 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 interest rates attaching as at the reporting date, to Commonwealth Government guaranteed securities are used to discount the estimated future cash outflows to their present value. The value of the liability was calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. This liability is treated as a payable and not a provision.

#### *(vi) Time Owing in Lieu*

A liability for time owing in lieu is recognised. The current portion is and based on current wage and salary levels and includes related employee on-costs. This liability is treated as a payable and not as a provision.

#### *(vii) Rostered Days Off (RDO)*

A liability for RDO's is recognised. The current portion is and based on current wage and salary levels and includes related employee on-costs. This liability is treated as a payable and not as a provision.

## **1 Summary of Significant Accounting Policies (cont)**

### **(x) Borrowings**

Loans payable are measured at amortised cost using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

Borrowing costs, which includes interest calculated using the effective interest method and administration fees, are expensed in the period in which they arise. Costs that are not settled in the period in which they arise are added to the carrying amount of the borrowing.

Borrowing costs are treated as an expense, as assets constructed by the council are generally completed within one year and therefore are not considered to be qualifying assets.

Gains and losses on the early redemption of borrowings are recorded in other revenue / expense.

Borrowings are classified as current liabilities unless the council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### **(y) Restoration Provision**

A provision is made for the cost of restoration of assets and other future restoration costs where it is probable the Council will be liable, or required, to incur such a cost on the cessation of use of the facility. This liability is provided in respect of Refuse dumps and Gravel Quarries.

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

Refuse dumps and most Gravel Quarries are on State reserves which the council does not control. The cost of the provisions for restoration of these is therefore be treated as an expense in the year the provision is first recognised. Changes in the provision not arising from the passing of time are treated as an expense or income.

The other Gravel Quarry is land. The cost of the restoration provision is therefore to be added to the cost of the land as an improvement and amortised over the expected useful life of the pit. Changes in the provision not arising from the passing of time are added to or deducted from the asset revaluation reserve for land. If there is no available reserve 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.

### **(z) Asset Revaluation Reserve**

The asset revaluation reserve 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 this reserve.

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 reserve in respect of that class. Any excess is treated as an expense.

When an asset is disposed of, the amount in the reserve in respect of that asset is retained in the reserve.

## **1 Summary of Significant Accounting Policies (cont)**

### **(aa) Reserves**

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

#### *(i) Constrained Works Reserve*

This reserve represents amounts funds received from developers that are required to be spent on particular asset acquisitions.

#### *(ii) Capital Improvements Reserve*

This reserve represents funds held for upgrade of council assets.

#### *(iii) Carry Forward Works Reserve*

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

#### *(iv) NCP Financial Incentives Reserve*

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

#### *(v) Offstreet Parking Reserve*

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

#### *(vi) Pensioner Housing Reserve*

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

#### *(vii) Cleansing Reserve*

This reserve represents funds relating to Refuse facilities.

#### *(viii) Strategic Land Purchases Reserve*

This reserve represents funds allocated for the purchase of strategic land.

#### *(ix) Natural Environment Levy Reserve*

This reserve represents unspent funds from the natural environmental levy.

#### *(x) Water Reserve*

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

#### *(xi) Sewerage Reserve*

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

#### *(xii) Constrained Recurrent Reserve*

This reserve represents contributions received for capital works where the required works have not yet been carried out.

### **(ab) Retained Surplus**

This represents the amount of Council's net funds not set aside in reserves to meet specific future needs. The main part of this amount is not available for Council to spend as it has already been invested in assets used to provide services.

### **(ac) National Competition Policy**

The Council has reviewed its activities and has identified four activities that are business activities. Details of these activities can be found in Note 37.

### **(ad) Rounding and Comparatives**

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

Comparatives have not been provided as Mackay Regional Council commenced operation on 15 March 2008 and the financial statements cover the period 15 March 2008 to 30 June 2009.

## **1 Summary of Significant Accounting Policies (cont)**

### **(ae) Financial Risk Management**

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

Investments in financial assets are only made where those assets are with a bank or other financial institution in Australia and are for a period of less than one year. The Council does not invest in derivatives or other risky investments.

When the Council borrows, it borrows from the Queensland Treasury Corporation unless another financial institution can offer a more beneficial rate, taking into account any risk.

Details of financial instruments and the associated risks are shown at Note 35.

### **(af) Trust Funds Held for Outside Parties**

Funds held for a third party where Council does not have control over these funds are shown as a note to the accounts and do not form part of the financial reports.

Trust funds are held in a separate bank account and separate accounting records are kept. They are broadly split as follows:-

#### **(i) Funds held to Meet Council Objectives**

These items have been brought to account as revenue and represent amounts paid in for the benefit of the public generally and are not specifically for the contributor of these funds.

#### **(ii) Funds held for Outside Parties**

Council performs a custodian role in respect of these monies which cannot be used for Council works. These funds are not brought to account in the Financial Statements but are disclosed in the notes for information purposes only.

### **(ag) 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.

Mackay Water is a controlled entity of the Council which pays an income tax equivalent to the Council in accordance with the requirements of the *Local Government Act 1993*.

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

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



## 2 Analysis of results by function

(a) Revenue and expenses, excluding the "Gain on restructure of Local Government", and assets have been attributed to the following functions:

Functions	Revenue		Total Revenue	Total Expenses	Net Result for Period	Assets
	Grants	Other				
	2009 \$	2009 \$				
Corporate Services	8,299,021	70,918,475	79,217,496	37,882,686	41,334,811	500,715,858
Development Services	542,731	9,615,138	10,157,869	15,930,815	(5,772,946)	9,819,555
Community Services	32,362,750	4,296,541	36,659,291	18,876,933	17,782,358	37,943,675
Engineering Services	41,478,599	12,575,436	54,054,035	72,515,287	(18,461,252)	1,151,261,273
Water & Waste Services	28,822,546	81,389,468	110,212,014	89,722,753	20,489,261	734,339,494
<b>TOTAL</b>	<b>111,505,647</b>	<b>178,795,058</b>	<b>290,300,705</b>	<b>234,928,473</b>	<b>55,372,232</b>	<b>2,434,079,855</b>

### (b) Component Programs/Functions

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

#### Corporate Services

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

#### Development Services

Comprises Strategic Planning, Development Assessment, Health and Regulatory Services and Economic Development.

#### Community Services

Comprises Community Development & Libraries, Mackay Convention Precinct & Events, Property Services, Recreation Services.

#### Engineering Services

Comprises Technical Services, Construction, Maintenance and Parks & Environment.

#### Water & Waste Services

Comprises Water, Waste Water, and Waste Services.

	Note	15 March 08 to 30 June 09 Actual \$
<b><u>Notes on the Income Statement</u></b>		
<b>3 Revenue Analysis</b>		
<b>(a) Rates and charges</b>		
General rates		72,305,725
Special rates and charges		4,475,408
Water consumption & charges		32,182,679
Sewerage charges		24,218,871
Sewerage trade waste		1,145,702
Garbage charges		11,857,918
		<u>146,186,303</u>
Less: Discounts	-	10,176,489
Less: Pensioner remissions & other remissions	-	1,349,349
Net rates and utility charges		<u>134,660,465</u>
<b>(b) Fees and charges</b>		
Fees and Charges		<u>19,578,930</u>
<b>(c) Rental income</b>		
Rental income		<u>972,823</u>
<b>(d) Interest received</b>		
Interest received from investments		9,642,000
Penalty interest from overdue rates and utility charges		547,140
		<u>10,189,140</u>
<b>(e) Sales contracts and recoverable works</b>		
Sales contracts and recoverable works		<u>9,598,499</u>
<b>(f) Other income</b>		
Donation		217,019
Gravel royalties		74,572
Mackay Entertainment Centre income		661,063
Lease fees		42,445
Other income		2,706,804
Total other income		<u>3,701,903</u>
<b>4 Grants, subsidies, contributions and donations</b>		
<b>(a) Operational grants, contributions and donations are analysed as follows:</b>		
Donations		1,250
Contributions		156,832
Non-government grants and subsidies		6,500
Government subsidies & grants		17,499,726
General Purpose Grants		7,673,733
Total operational grants, subsidies and contributions		<u>25,338,041</u>
<b>(b) Capital grants and contributions are analysed as follows:</b>		
<b>(i) Monetary revenue constrained for capital purposes:</b>		
Government grants and subsidies		35,237,735
Non-Government grants and subsidies		-
Contributions		17,694,999
Total constrained revenue		<u>52,932,734</u>
<b>(ii) Non-monetary revenue received is analysed as follows:</b>		
Plant & Equipment		34,885
Road and Drainage Infrastructure		18,220,536
Water Infrastructure		3,826,994
Sewerage Infrastructure		11,152,457
Total non-monetary revenue		<u>33,234,872</u>
<b>Total capital grants, subsidies and contributions</b>		<u>86,167,606</u>
<b>5 Profit on the disposal of assets held for sale</b>		
Proceeds from the sale of land		113,298
Less: Book value of land sold		20,000
Less: Cost of Sale Expenditure		-
		<u>93,298</u>

**MACKAY REGIONAL COUNCIL**  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the period 15 March 2008 to 30 June 2009

**6 Gain on restructure of local government**

The Local Government Reform Commission report to the Minister for Local Government, Planning and Sport on 27 July 2007 recommended that the former Sarina Shire Council, Mirani Shire Council and Mackay City Council be amalgamated to form the Mackay Regional Council. Pursuant to Part 1B of the Local Government Act 1993 and in accordance with the Local Government Reform Implementation Regulation 2008 the amalgamation was effective from the changeover date of 15 March 2008.

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

The assets and liabilities of the former councils have been recognised at the amounts at which they were recognised by the transferor local governments as at the changeover day.

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

Details are as follows:

	Sarina Shire Council	Mirani Shire Council	Mackay City Council	Total assets and liabilities recognised by Mackay Regional Council	Adjustments due to accounting policy alignment	Gain on restructure of local government (Council)
	14 March 2008	14 March 2008	14 March 2008	15 March 2008	2009	2009
	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	9,068,005	9,496,728	139,272,971	157,837,704	-	157,837,704
Trade and other receivables	1,463,711	516,202	13,115,268	15,095,181	-	15,095,181
Inventories	38,686	404,298	1,132,202	1,575,186	-	1,575,186
Other financial assets	49,172	26,835	1,046,638	1,122,645	-	1,122,645
Non-current assets classified as held for sale	10,619,574	10,444,063	154,567,079	175,630,716	-	175,630,716
Total current assets	20,000	-	-	20,000	-	20,000
Non-current assets	10,639,574	10,444,063	154,567,079	175,650,716	-	175,650,716
<b>Non-current Assets</b>						
Receivables	-	4,000	14,600	18,600	-	18,600
Property, plant and equipment	117,680,098	85,915,412	814,670,929	1,018,266,439	(15,743,276)	1,002,523,163
Capital works in progress	2,169,505	7,022,875	148,547,695	157,740,075	-	157,740,075
Total non-current assets	119,849,603	92,942,287	963,233,224	1,175,025,114	(15,743,276)	1,160,281,838
<b>TOTAL ASSETS</b>	130,489,177	103,386,350	1,117,800,303	1,351,675,830	(15,743,276)	1,335,932,554
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Trade and other payables	1,750,880	1,359,175	17,225,242	20,335,297	-	20,335,297
Borrowings	1,862,556	240,946	5,738,497	7,841,999	-	7,841,999
Provisions	-	-	1,433,296	1,433,296	-	1,433,296
Other	-	-	2,054,485	2,054,485	-	2,054,485
Total current liabilities	3,613,436	1,600,121	26,451,520	31,665,077	-	31,665,077
<b>Non-current Liabilities</b>						
Trade and other payables	90,726	62,203	3,684,232	3,837,161	-	3,837,161
Borrowings	2,380,392	2,341,022	77,619,523	82,340,937	-	82,340,937
Provisions	-	164,698	4,216,351	4,381,049	-	4,381,049
Total non-current liabilities	2,471,118	2,567,923	85,520,106	90,559,147	-	90,559,147
<b>TOTAL LIABILITIES</b>	6,084,554	4,168,044	111,971,626	122,224,224	-	122,224,224
<b>NET ASSETS TRANSFERRED FROM ABOLISHED COUNCILS</b>	124,404,623	99,218,306	1,005,828,677	1,229,451,606	(15,743,276)	1,213,708,330

**(b) Adjustments due to accounting policy alignment**

Property, Plant and Equipment- Mackay Regional Council adopted an asset recognition threshold for assets other than land and plant and equipment, of \$10,000. This resulted in the derecognition of assets transferred from the former Councils where the gross value fell below the asset recognition threshold.

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

**(c) Net result attributable to Council before net assets transferred from abolished Councils**

Net result attributable to Council

Gain on restructure of local government

Net result attributable to Council before Gain on restructure of local government

	2009	Note
	\$	
	(6,087,071)	
	(9,656,205)	
\$	1,269,080,562	
\$	1,213,708,330	
\$	55,372,232	

MACKAY REGIONAL COUNCIL  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the period 15 March 2008 to 30 June 2009

	Note	15 March 08 to 30 June 09 Actual \$
<b><u>Notes on the Income Statement</u></b>		
<b>7 Employee benefits</b>		
Total wages and salaries		54,413,655
Councillor's remuneration (representing salary and allowances)		1,376,871
Annual, sick and long service leave entitlements		11,361,629
Superannuation		6,192,018
		<u>73,344,173</u>
Other employee related expenses		245,077
		<u>73,589,250</u>
Less: Capitalised employee costs	-	5,761,340
		<u>67,827,910</u>
<b>8 Materials and services</b>		
Materials and services		<u>85,921,964</u>
<b>9 Finance costs</b>		
Finance costs charged by the Queensland Treasury Corporation		8,284,722
Quarry and Refuse Restoration		200,935
<b>Total finance costs</b>		<u>8,485,657</u>
<b>10 Depreciation and amortisation</b>		
Depreciation and amortisation was charged in respect of:		
Land		1,270
Buildings		2,545,576
Plant and equipment		6,732,926
Roads, Bridges & Drainage Network		26,783,756
Water		6,684,272
Sewerage		6,518,185
Other Assets		945,965
<b>Total depreciation expense</b>	20 (a)	<u>50,211,950</u>
Adjustment for unfunded depreciation:	-	5,886,914
<b>Total funded depreciation</b>		<u>44,325,036</u>
<b>11 Other expenses</b>		
Audit services		192,455
Bank charges		530,707
Bad and doubtful debts		25,183
Elections		305,368
Councillor's conferences, deputations and other expenses		166,804
Precepts & Contributions (PRIT)		694,571
Donations, grants and subsidies		1,229,778
Legal fees		1,693,219
Insurance		1,532,955
<b>Total operating expenses</b>		<u>6,371,040</u>
<b>12 Gain/(loss) on the disposal of non-current assets</b>		
(i) Proceeds from the sale of property, plant & equipment		2,753,507
		-
Less: Book value of property, plant & equipment sold		<u>3,576,669</u>
		<u>(823,162)</u>
(ii) Proceeds from the sale of land		2,494,618
		-
Less: Book value of land sold		<u>2,463,540</u>
		<u>31,078</u>
(iii) Proceeds from disposal of infrastructure assets		-
		-
Less: Book value of infrastructure assets disposed		<u>13,771,139</u>
		<u>(13,771,139)</u>
<b>Total gain/(loss) on the disposal of non-current assets</b>		<u>(14,563,223)</u>
<b>13 Revaluation decrement</b>		
Revaluation decrement on other infrastructure assets		1,546,729
		<u>1,546,729</u>

MACKAY REGIONAL COUNCIL  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the period 15 March 2008 to 30 June 2009

	Note	15 March 08 to 30 June 09 Actual \$
<b><u>Notes on the Balance Sheet</u></b>		
<b>14 Cash and cash equivalents</b>		
Cash at bank and on hand		6,283,279
Short term money market instruments		90,601,954
		<u>96,885,233</u>
<b>Reconciliation to the Cash Flow Statement</b>		
Cash at the end of the period as shown in the Cash Flow Statement is reconciled to the Balance Sheet as follows:		
Balances as above		96,885,233
Balance per Cash Flow Statement		<u>96,885,233</u>
<b>Assets subject to a restriction</b>		
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:		
Unspent government grants and subsidies		8,854,650
Unspent loan monies		5,309,031
Total unspent restricted cash for specific projects		<u>14,163,681</u>
<b>15 Trade and other receivables</b>		
<b>Current</b>		
Rates and utility charges *		7,451,828
Interest receivable - rates *		593,541
Interest receivable - investments		0
Government grants and subsidies receivable		3,280
Loans and advances to community organisations***		11,600
Other debtors **		12,070,153
		<u>20,130,402</u>
<b>Non-Current</b>		
Loans and advances to community organisations***		5,000
		<u>20,135,402</u>
<b>Total Receivables</b>		<u>20,135,402</u>
<b>* Receivables - Rate Arrears</b>		
The above values represent outstanding rate payments and interest charged on these outstanding amounts. Rate arrears are not considered a large credit risk as Mackay Regional Council has the right to sell the property on which rate levies are owed to recover these outstanding amounts, in accordance with the provisions of the <i>Local Government Act 1993</i> .		
Fixed annual effective interest rates are charged on the value of outstanding rates.		11%
<b>** Other Debtors</b>		12,070,153
These amounts are owed to Council as a result of works performed for property owners, contractors and the normal trading activities of Council operations. They are recognised upon delivery of goods or provision of services to customers. The value recorded for private works is actual cost plus additional amounts to cover overheads.		
No interest is charged on outstanding amounts and no provision is made for bad debts.		
Other Debtors includes private works carried out by Council, emergency call-out work performed after hours, rentals and once off projects.		
Largest 10 Debtor amounts		10,776,399
Percentage of Total Receivables		54%
Largest Debtor		3,814,662
Percentage of Total Receivables		19%

**MACKAY REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the period 15 March 2008 to 30 June 2009

	Note	15 March 08 to 30 June 09 Actual \$
<b>15 Trade and other receivables (cont)</b>		
*** <u>Loans and advances to community organisations.</u>		
<u>Kookaburra Child Care Centre</u>		13,000
The original loan of \$140,000 was made in 1994 on interest free terms to be paid over 10 years with equal quarterly instalments of \$3,500. During the 1997/98 financial year the repayment terms were varied with the quarterly repayments reduced to \$2,000. As a result the debt will now be extinguished in March 2011.		
<u>Pioneer Swimming Club</u>		1,600
Mackay Regional Council advanced the club \$13,500 in 2000 to assist with the completion of a new clubhouse at the Pioneer Swim Centre on interest free terms. The agreement provides for payment of \$1,100 per annum for the first five years with payment of \$1,600 per annum for the next five years with the final payment to be made by 1 March 2010.		
<u>Eungella CDA</u>		2,000
The original loan of \$20,000 was made in 2000 on interest free terms to be paid over 10 years with annual instalments of \$2,000. The debt will be extinguished in March 2010.		
<b>16 Tax Assets</b>		
<b>Current</b>		
GST recoverable		4,241,112
Less GST payable		(315,364)
		<u>3,925,748</u>
<b>17 Inventories</b>		
<b>Current</b>		
<i>Inventories for distribution:</i>		
Stores and raw materials		270,568
Stockpile inventory		1,734,464
Valued at the lower of cost and current replacement cost.		<u>2,005,032</u>
<i>Other inventories:</i>		
Treated water		200,643
MEC, Pools, Sugarshed & Artspace inventory		121,467
Valued at the lower of cost and net realisable value.		<u>322,110</u>
<b>Total Inventories</b>		<u>2,327,142</u>
<b>18 Other</b>		
<b>Current</b>		
Prepayments		1,497,780
		<u>1,497,780</u>
<b>19 Non-current assets classified as held for sale</b>		
Internal transfer from land and improvements		9,982,994
		<u>9,982,994</u>
The following land is being held for sale as at 30th June 2009. Settlement of these disposals would be expected to occur within the next year.		
- Caneland Lend/Lease		
- Shinn/Hamilton Streets		
- Ex Pioneer Shire Council Building and Surrounds		
The land would be valued at the lower of cost and selling price less cost to sell.		

# **MACKAY REGIONAL COUNCIL**

## **Notes to the Financial Statements**

For the period 15 March 2008 to 30 June 2009

### **20 Property, plant and equipment**

#### **(a) Consolidated**

Land	Buildings	Site Improvements	Heritage & Cultural Assets	Plant and Equipment	Road, Bridges & Drainage Network	Water	Sewerage	Waste Infrastructure	Other Infrastructure Assets	Total
Revaluation 2009	Revaluation 2009	Revaluation 2009	Revaluation 2009	Cost 2009	Revaluation 2009	Revaluation 2009	Revaluation 2009	Revaluation 2009	Revaluation 2009	2009
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
98,942,145	76,883,782	-	-	38,759,933	524,980,118	169,148,622	90,355,902	-	19,193,947	1,018,266,449
2,046,593	8,540,893	-	-	17,193,199	18,986,787	8,042,533	153,552,524	-	8,849,343	217,211,672
-	-	-	-	-	18,710,237	3,917,119	11,801,037	-	-	34,428,393
20,404,274	-	-	-	-	21,524,179	399,047	2,796,393	-	1,449,731	46,573,624
-	-	-	-	(5,358,670)	-	-	-	-	(934,765)	(6,293,435)
(1,185,500)	(2,403,972)	-	-	(2,880,691)	(12,591,534)	(848,157)	(16,213,992)	-	(34,314)	(36,158,160)
154,509,335	42,997,435	3,049,118	66,548	-	663,660,605	285,904,018	268,858,265	51,759	-	1,419,097,083
-	-	-	-	-	-	-	-	-	(1,546,729)	(1,546,729)
(9,982,994)	-	-	-	-	-	-	-	-	-	(9,982,994)
(18,949,216)	(262,411)	28,760,366	448,376	(15,188,315)	8,452,714	229,795	53,458	21,062,001	(26,264,993)	(1,658,225)
245,784,637	125,755,737	31,809,484	514,924	32,525,456	1,243,723,106	466,792,977	511,203,387	21,113,760	714,220	2,679,937,678

Basis of measurement

#### **Asset Values**

Net value of assets transferred from abolished Councils

Additions at cost

Contributed assets at valuation

Assets not previously recognised

Derecognition due to change in asset recognition threshold

Disposals

Revaluation adjustment to the ARR

Revaluation adjustment to Expense

Assets classified as held for sale

Internal transfers

Closing gross value

#### **Accumulated Depreciation and Impairment**

Depreciation provided in period

Depreciation on disposals

Change in accounting policy (depreciation)

Depreciation on assets not previously recognised

Depreciation on assets derecognised

Revaluation adjustment to the ARR

Internal transfers

Accumulated depreciation at period end

Consolidated book value at period end

Residual value

Range of estimated useful life in years

1,270	2,545,576	-	-	6,732,926	26,783,756	6,684,272	6,518,185	-	945,965	50,211,950
-	(1,125,932)	-	-	-	(6,512,793)	(483,208)	(8,063,916)	-	(24,381)	(16,211,230)
-	-	-	-	-	-	9,656,205	-	-	-	9,656,205
-	-	-	-	-	16,246,721	86,703	1,697,498	-	-	18,030,922
-	-	-	-	-	-	-	-	-	(206,364)	(206,364)
8,920	13,548,249	-	-	-	114,525,698	163,349,875	145,001,803	-	-	436,434,545
-	-	-	-	-	-	-	-	-	-	-
10,190	14,967,893	-	-	6,732,926	151,043,382	179,293,847	145,153,570	-	714,220	497,916,028
245,774,447	110,787,834	31,809,484	514,924	25,792,550	1,092,679,724	287,499,130	366,049,817	21,113,760	-	2,182,021,650
-	63,020,636	4,701,497	-	12,982,052	435,920,487	-	-	-	-	516,624,672
ND	20 - 100	5 - 100	20 - ND	3 - 20	12 - 80	15 - 80	15 - 80	30 - 100	-	-

ND - Not Depreciated

15 March 08 to  
 30 June 09  
 Actual  
 \$

**20 (b) Property, Plant and Equipment (cont)**

Property, Plant and Equipment valuations were determined by reference to the following:-

**Land**

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

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

**Buildings**

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

**Plant & Equipment**

Plant & Equipment is measured at deemed cost less accumulated depreciation

**Site Improvements**

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

**Hertigate & Cultural Assets**

**Artworks (Paintings)-**

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

**Art Other (Sculptures, Street Art)-**

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

**Infrastructure**

**Road, Bridges and Drainage Infrastructure -**

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

**Water and Sewerage Infrastructure -**

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

**Waste Infrastructure-**

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

**21 Capital work in progress (at cost)**

115,645,682

**22 Intangible assets**

Software

3,478,714

Accumulated depreciation

(1,820,490)

Net carrying value at the period end

1,658,224

The software has a finite life estimated at 5 years.

Straight line depreciation has been used with no residual value.



MACKAY REGIONAL COUNCIL  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the period 15 March 2008 to 30 June 2009

	15 March 08 to 30 June 09 Actual \$
<b>23 Trade and other payables</b>	
Current	
Creditors and accruals	18,149,495
Annual leave	3,667,400
Long service leave	618,874
Time owing in lieu	164,548
Rostered day off	386,249
	<u>22,966,566</u>
Non-Current	
Annual leave	1,990,126
Long service leave	4,579,128
	<u>6,569,254</u>
<b>Total payables</b>	<u><u>29,555,820</u></u>
Employee benefit entitlements are calculated at current pay levels as adjusted for inflation and likely future changes in salary level.	
These entitlements are then 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.	
<b>24 Borrowings</b>	
Current	
Loans	<u>7,023,703</u>
	<u>7,023,703</u>
Non-Current	
Loans	<u>106,438,307</u>
	<u>106,438,307</u>
<b>Total interest bearing liabilities</b>	<u><u>113,462,010</u></u>
<b>25 Loans</b>	
Queensland Treasury Corporation	
Opening balance transferred from Mackay City and Mirani and Sarina Shire Councils as part of government restructure	90,182,937
Loans raised	34,315,888
Principal repayments	(11,044,146)
Interest accrued	7,331
Book value at period end	<u>113,462,010</u>
Classified as:	
Current	7,023,703
Non-current	<u>106,438,307</u>
	<u><u>113,462,010</u></u>
The loan market value at 30 June 2009 is \$115,098,848. This represents the value of the debt if the Council repaid it at that date. As it is the intention of the Council to hold the debt for its term, no provision is required to be made in these accounts.	
<b>26 Provisions</b>	
Current	
Refuse restoration	0
Sewerage treatment plant restoration	0
Quarry restoration	0
	<u>0</u>
Non-Current	
Refuse restoration	18,931,611
Sewerage treatment plant restoration	0
Quarry restoration	39,307
	<u>18,970,918</u>
<b>Total provisions</b>	<u><u>18,970,918</u></u>

15 March 08 to  
 30 June 09  
 Actual  
 \$

**26 Provisions (cont)**

**Details of movements in provisions:**

**(a) Refuse restoration**

Opening balance transferred from Mackay City and Mirani and Sarina Shire Councils as part of government restructure	4,825,747
Increase/(decrease) in provision	14,105,864
Balance at the end of the period	<u>18,931,611</u>

This is the present value of the estimated cost of restoring the Refuse disposal sites to a useable state at the end of their useful lives. The projected cost is \$22,585,084 and this cost is expected to be incurred between 2010 to 2020 after closing the sites and allowing a period for settlement.

**(b) Mt Bassett Waste Water Treatment Plant**

Opening balance transferred from Mackay City and Mirani and Sarina Shire Councils as part of government restructure	951,516
Increase/(decrease) in provision due to incurring restoration costs	(951,516)
Balance at the end of the period	<u>0</u>

This is the present value of the estimated cost of restoring the Treatment Plant disposal sites to a useable state at the end of its useful life. The projected cost is \$1,027,000 and this cost is expected to be incurred between 2008 to 2009 after closing the sites in 2009 and allowing a period for settlement.

**(c) Quarry restoration**

Opening balance transferred from Mackay City and Mirani and Sarina Shire Councils as part of government restructure	37,082
Increase/(decrease) in provision due to change in discount rate and amount being discounted	2,225
Balance at the end of the period	<u>39,307</u>

This is the present value of the estimate cost of restoring the Quarry sites to a useable state at the end of their useful life. The projected cost is \$170,561 and is expected to be incurred in 2029 and 2044.

**27 Other liabilities**

**Current**

Unearned revenue	3,152,573
	<u>3,152,573</u>

**Non-Current**

0

**Total Other Liabilities**

3,152,573

15 March 08 to  
30 June 09  
Actual  
\$

28 Asset revaluation reserve

(a) Movements in the asset revaluation reserve were as follows:

Balance at beginning of period	0
Net adjustment to non-current assets at end of the period to reflect a change in current fair value:	
Land	140,593,109
Buildings	29,449,186
Site Improvements	3,049,118
Heritage & Cultural Assets	66,548
Road, Bridges & Drainage Network	549,134,907
Water	122,554,143
Sewerage	124,180,812
Waste Infrastructure	51,758
Change in value of future rehabilitation cost:	
Land and improvements	13,907,306
Sewerage	- 324,350
Balance at end of period	<u>982,662,537</u>

(b) Asset revaluation reserve analysis

The closing balance of the asset revaluation reserve is comprised of the following asset categories:

Land & Improvements	154,500,415
Buildings	29,449,186
Site Improvements	3,049,118
Heritage & Cultural Assets	66,548
Plant & Equipment	-
Roads, Bridges and drainage network	549,134,907
Water	122,554,143
Sewerage	123,856,462
Waste infrastructure	51,758
	<u>982,662,537</u>

29 Other reserves

(a) Reserves held for future capital expenditure:

Constrained Works Reserve	11,305,740
Capital Improvements Reserve	19,120,563
Carry Forward Works Reserve	19,507,288
NCP Financial Incentives Reserve	7,873
Offstreet Parking Reserve	434,540
Pensioner Housing Reserve	121,411
Cleansing Reserve	2,088,893
Strategic Land Purchases Reserve	0
Natural Environment Levy Reserve	1,906,346
Water Reserve	22,147,692
Sewerage Reserve	10,633,324
	<u>87,273,670</u>

(b) Reserves held for future recurrent expenditure:

Constrained Recurrent Reserve	<u>1,363,152</u>
	<u>1,363,152</u>

Total Reserves 88,636,823

15 March 08 to  
30 June 09  
Actual  
\$

(c) Movements in Reserves are analysed as follows:

(i) Constrained Works Reserve

Balance at beginning of period	0
Transfers from the retained surplus grants and subsidies received in the period, constrained for capital purposes	25,356,977
Transfer from capital account for future expenditure	8,769,430
Transfers to capital account amount expended in the period	(23,694,292)
Transfer to retained surplus operating amount expended in the period	873,625
Balance at the reporting date	<u>11,305,740</u>

Represented by:-

Sarina Parks	33,643
Queens Park Development	2,663
Illuka Park Recreational Play Facilities	319,290
Field of Dreams Shade Cover	4,729
West Street Park Shade Cover	19,388
Brownsey Court Park Picnic Setting	763
Broad Street Rotunda Refurbishment	7,325
Botanic Gardens - Plant Purchases	29,604
Botanic Gardens - Bitumen Path Repairs	40,134
QT Bus Shelter Capital	6,381
Interest	60,681
Library Books	53,175
RLCIP Funds	901,119
Sarina Coastal Sustainable Lands	48,686
Connors Road Upgrade	1,175,482
Sarina Primary School Set Down	13,022
Sarina Beach Boatramp Upgrade	74,957
Sarina Kindergarten Car Park	64,499
Kennys Road - Railway Crossing F	4,797
Devereux Creek Road	357,259
Freshwater Point Dual Boat Ramp	210,589
Roads - Flood Damage	160,713
Mirani Treatment Plant Access Ro	66,820
Blue River Trail Hospital Bridge	1,454,525
Shoal Point Road Construction	815,974
City Centre Works	78,040
Mackay Convention Precinct	702,356
Blue Water Quay	535,864
Q150 Project - Artistic Infrastr	999,823
Greenmount Homestead Capital Exp	2,000
Artspace - Air Conditioner Upgra	14,000
Aquatic Facilities - Lagoon Asso	1,447,648
Interest - Convention Centre	1,563,212
Environmental Protected Grant Area	25,002
Counter Disaster	11,577
	<u>11,305,740</u>

MACKAY REGIONAL COUNCIL  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the period 15 March 2008 to 30 June 2009

	15 March 08 to 30 June 09 Actual \$
(ii) Capital Improvements Reserve	
Balance at beginning of period	0
Reserves Appropriation	0
Transfer contributions received in the period	1,975,961
Transfer from retained surplus amount for future expenditure	39,246,125
Transfer from reserve to another reserve	(656,002)
Transfer from capital account for future expenditure	260,000
Transfers to capital account amount expended in the period	(8,705,619)
Transfer to retained surplus operating amount expended in the period	(15,069,379)
Capital Reserve Contributions	2,069,479
Balance at the reporting date	<u>19,120,563</u>
(iii) Carry Forward Works Reserve	
Balance at beginning of period	0
Transfer from retained surplus amount for future expenditure	49,792,003
Transfer from capital account for future expenditure	23,794,529
Transfer to capital account expended in the period	(50,422,900)
Transfer to retained surplus operating amount expended in the period	(1,834,024)
Transfer from reserve to another reserve	(1,822,320)
Balance at the reporting date	<u>19,507,288</u>
(iv) NCP Financial Incentives Reserve	
Balance at beginning of period	0
Transfer from retained surplus amount for future expenditure	7,873
Transfers to capital account amount expended in the period	0
Transfer to retained surplus amount expended in the period	0
Balance at the reporting date	<u>7,873</u>
(v) Offstreet Parking Reserve	
Balance at beginning of period	0
Transfer from retained surplus amount for future expenditure	309,814
Transfer from reserve to another reserve	0
Transfer to retained surplus amount expended in the period	(7,274)
Capital Reserve Contributions	132,000
Balance at the reporting date	<u>434,540</u>
(vi) Pensioner Housing Reserve	
Balance at beginning of period	0
Transfer from retained surplus amount for future expenditure	144,737
Transfer from reserve to another reserve	0
Transfers to capital account amount expended in the period	(23,326)
Transfers to capital account amount expended in the period	0
Capital Reserve Contributions	0
Balance at the reporting date	<u>121,411</u>
(vii) Cleansing Reserve	
Balance at beginning of period	0
Transfer from retained surplus amount for future expenditure	2,740,876
Transfer from capital account for future expenditure	0
Transfers to capital account amount expended in the period	(693,549)
	41,566
Balance at the reporting date	<u>2,088,893</u>
(viii) Strategic Land Purchases Reserve	
Balance at beginning of period	0
Transfer from retained surplus amount for future expenditure	0
Transfers to capital account amount expended in the period	0
Transfers between Reserve to Capital Improvements Reserve	0
Balance at the reporting date	<u>0</u>
(ix) Natural Environment Levy Reserve	
Balance at beginning of period	0
Transfer from retained surplus amount for future expenditure	2,421,001
Transfer from reserve to another reserve	0
Transfers to capital account amount expended in the period	(133,885)
Transfer to retained surplus operating amount expended in the period	(380,770)
Balance at the reporting date	<u>1,906,345</u>
(x) Water Reserve	
Balance at beginning of period	0
Transfer contributions received in the period	3,029,371
Transfer from retained surplus amount for future expenditure	21,491,314
Transfer from capital account for future expenditure	2,000,000
Transfers to capital account amount expended in the period	(4,315,446)
Transfer to retained surplus operating amount expended in the period	(858,197)
Transfer from reserve to another reserve	800,650
Balance at the reporting date	<u>22,147,692</u>

MACKAY REGIONAL COUNCIL  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the period 15 March 2008 to 30 June 2009

	15 March 08 to 30 June 09 Actual \$
(xi) Sewerage Reserve	
Balance at beginning of period	0
Transfer contributions received in the period	2,004,044
Transfer from retained surplus amount for future expenditure	21,546,787
Transfer from capital account for future expenditure	0
Transfer to capital amount expended in the period	(5,752,127)
Transfer to retained surplus operating amount expended in the period	(7,927,861)
Transfer from reserve to another reserve	762,481
Balance at the reporting date	<u>10,633,325</u>
(b)(i) Constrained Recurrent Reserve	
Balance at beginning of period	0
Transfer from retained surplus amount for future expenditure	2,257,384
Transfer from capital account for future expenditure	0
Transfers to capital account amount expended in the period	0
Transfer to retained surplus operating amount expended in the period	(894,232)
Transfer from reserve to another reserve	0
Balance at the reporting date	<u>1,363,152</u>
30 Commitments	
(i) Finance leases	
As at 30 June 2009, there were no finance leases recognised as a liability by Mackay Regional Council.	
(ii) Contractual commitments	
Contractual commitments not recognised in the accounts, as at 30 June 2009 are:	
Disposal of garbage and solid waste	53,933,505
These expenditures are payable	
No later than 1 year	10,761,433
Later than 1 year but not later than 2 years	9,960,375
Later than 2 years but not later than 5 years	28,679,538
Later than 5 years	4,532,159
Total contractual commitments	<u>53,933,505</u>
(iii) Capital commitments	
Capital contractual commitments at the reporting date but not recognised in the balance sheet:	
Buildings	271,774
Sewerage infrastructure	1,842,218
Water infrastructure	138,064
Road infrastructure	2,472,050
Other assets	889,364
Total capital contracts - payable within 12 months	<u>5,613,470</u>

15 March 08 to  
 30 June 09  
 Actual  
 \$

### 31 Contingent liabilities

- (a) Various liability claims are pending against the Council. Council's public liability insurers advise that the potential loss on all claims at 30 June 2009 should not exceed:

1,829,455  
1,829,455

#### Local Government Workcare

- (b) Mackay Regional Council is a member of the Local Government Self-Insurance Scheme, Local Government Workcare. As a member of the scheme, the Council has provided a Bank Guarantee in the amount of \$1,623,084 to cover any bad debts which may remain should the self insurance licence be cancelled or sufficient funds are not available to cover outstanding liabilities. Workcare Queensland is the only organisation which can call on the guarantee should the above circumstances arise.

#### Local Government Mutual Liability Self Insurance Pool

- (c) Mackay Regional Council is a member of the Local Government Mutual Liability Self Insurance Pool, LGM Queensland. The Trust Deed and Scheme Rules of the Pool provide that any accumulated deficit will be met by individual Pool Members in the same proportion to the contribution of all other Pool Members as the initial contribution by the Pool Members to all other Pool Members for that Fund year. As at 30 June 2008, the Fund reported a surplus of funds of \$10,053,438. It is anticipated that a further increased accumulated surplus will be reported for the period ending 30 June 2009. As at 30 June 2009, Council's share of the surplus cannot be reliably estimated.

### 32 Events after balance date

There were no material adjusting events after the balance date.

### 33 Superannuation

The Mackay Regional Council contributes to the Local Government Superannuation Scheme (Old) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB119 Employee Benefits. The scheme has two elements referred to as the Defined Benefits Fund (DBF) and the Accumulation Benefits Fund (ABF).

The ABF is a defined contribution scheme as defined in AASB119. 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.

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

Under amendments to the Local Government Act 1993 passed in June 2009, the trustee of the scheme has the power to levy additional contributions on councils which have employees in the DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits. Clause 56(e) of the scheme's Trust Deed indicates that any increase in the contributions is limited to 6% of the relevant employee's salary.

In this letter to Council dated 5 June 2009 the trustee advised that "At this stage, there is no requirement for Councils to contribute any additional contributions." The letter further states that "any additional contributions above 12% (standard rate of contribution) that may be required would be on a temporary basis only, and would be requested based on independent actuarial advice. When possible, the contribution rate would reduce at a later date to offset additional costs - for example, councils may be asked to pay 18% contributions instead of 12% for a period, the contributions may reduce to 6% for a compensatory period before returning to the regular 12% contribution rate".

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

The audited general purpose financial report of the scheme as at 30 June 2008 (the most recent available) which was not subject to any audit qualifications, indicates that the assets of the scheme are sufficient to meet the vested benefits.

The general purpose financial report discloses that the most recent actuarial assessment of the scheme was undertaken as at 1 July 2006. The actuary indicated that without improvements to benefit conditions, or other unanticipated events, current contribution rates would be sufficient to meet members benefits as they accrue. The next actuarial investigation will be made as at 1 July 2009.

The amount of superannuation contributions paid by Mackay Regional Council to the Superannuation Fund in this period for the benefit of employees was:

4,974,075

The Queensland Local Government Superannuation Board, the trustee of the Scheme, has advised that the Local Government Superannuation Scheme is a regulated superannuation fund under the provisions of Commonwealth Superannuation Industry Supervision Legislation.

### 34 Trust funds

- Security deposits  
 Mackay Artspace gift fund

5,570,138  
 2,154  
5,572,292

The Mackay Artspace Gift Fund is a separate bank account designed for Artspace Mackay to hold a Deductible Gift Recipient (DGR) status. This enables donors to receive tax benefits from donating artworks or funds through the Cultural Gifts Program.

### 35 Financial Instruments

#### (a) Credit risk exposures

The credit risk on financial assets of the Council which have been recognised in the Balance Sheet, is generally the carrying amount, net of provision for doubtful debts. The Council has no major concentration of credit risk to any single debtor or group of debtors.

#### (b) Interest rate risk

The Council's exposure to interest rate risk, which is the risk that the value of a financial instrument will fluctuate as a result of changes in market rates and the weighted average interest rate by maturity periods is set out in the table below. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

#### (c) Sensitivity

If market interest rates increased or decreased by 1% the net result attributable to the council in respect of cash assets and cash equivalents would be increased or decreased by \$906,019. Because of the structure of the QTC long term debt pool the impact of a change in market interest rates on the net result would not be material.

Financial Instruments	Note	Floating interest rate	Fixed Interest rate	Non interest bearing	Total
		30/06/2009	30/06/2009	30/06/2009	30/06/2009
		\$	\$	\$	\$
<b>Financial assets</b>					
Cash assets	14	90,601,954	6,263,154	20,125	96,885,233
Receivables	15		7,451,828	12,683,574	20,135,402
Tax assets	16			3,925,748	3,925,748
		90,601,954	13,714,982	16,629,447	120,946,383
Weighted average interest rate		4.66%	6.48%		
<b>Financial Liabilities</b>					
Payables	23			18,149,495	18,149,495
Loans - QTC*	25		113,462,010		113,462,010
		0	113,462,010	18,149,495	131,611,505
Weighted average interest rate			6.46%		
Net financial assets		90,601,954	(99,747,028)	(1,520,048)	(10,665,122)

\*QTC - denotes Queensland Treasury Corporation

#### (d) Net fair value of financial assets and liabilities

The net fair value of cash, cash equivalents and non-interest bearing monetary financial assets and liabilities of the Council, approximates their carrying amounts.

The net fair value of other monetary financial assets and liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

The net fair value of non-traded equity investments is an assessment by the Council based on the underlying net assets, future maintainable earnings any special circumstances pertaining to a particular investment.

### 36 Reconciliation of result from ordinary activities to net cash inflow/(outflow) from operating activities

	Note	15 March 08 30 June 09 Actual \$
<b>Net Result from ordinary activities</b>		<u>1,269,080,562</u>
<b>Result from ordinary activities</b>		
Non-cash operating items:		
Depreciation and amortisation	10	50,211,950
Non-cash donations subsidies and contributions	4 (b)(ii)	(33,234,872)
Provision for doubtful debts		0
Accrued Interest on Loans Payable	25	7,331
		<u>16,984,409</u>
<b>Investing and development activities:</b>		
Net (profit) loss on disposal of non current assets		<u>14,563,223</u>
		<u>14,563,223</u>
<b>Changes in operating assets and liabilities:</b>		
(Increase)/decrease in receivables		(9,975,567)
(Increase)/decrease in tax assets		(760,163)
(Increase)/decrease in inventory assets		(1,336,064)
(Increase)/decrease in other operating assets		1,078,297
Increase/(decrease) in payables		12,117,838
		<u>1,124,341</u>
<b>Net cash inflow from operating activities</b>		<u>1,301,762,535</u>
Less: Gain on restructure through amalgamation		(1,213,708,330)
<b>Net cash inflow from operating activities including amalgamation adjustment</b>		<u>88,044,205</u>



37 National competition policy

(a) Activities to which the code of competitive conduct applies

A "business activity" of a local government is divided into two (2) categories:

Road business activity means:-

- (i) the construction or maintenance of State controlled roads for which the local government submits an offer to carry out work in response to a tender invitation other than through a sole supplier arrangement; or
- (ii) submission of a competitive tender for construction or road maintenance on the local government's roads which the local government has put out to tender, or called for by other local government.

Business activity means:-

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

These business activities are referred to as type 3 activities. The threshold for type 3 activities remains at \$200,000 and is based on expenditure including depreciation.

Local Government may elect to apply a Code of Competitive Conduct (CCC) to their identified type 3(b) business activities. This requires the application of full cost pricing, identifying the cost of community service obligations (CSO) and eliminating the advantages and disadvantages of public ownership within that activity. The application of the CCC to the roads business activity is compulsory.

\* The CSO value is determined by Council, and represents an activities cost(s) which would not be incurred if the activities primary objective 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.

The Council has resolved to commercialise the combined water and sewerage activities.

<b>Mackay Water</b>	<b>15 March 08 - 30 June 09</b>
Operating revenue	
Rates & utility charges	57,252,508
Less: discounts and remissions	(3,202,868)
Fees & charges	995,806
Sales - contract & recoverable work	2,637,038
Operating Grants & Subsidies	(128,188)
Interest on investments	3,391,316
Other revenue	137,583
Community services obligations	463,710
Internal transfer - income	326,157
	<b>61,873,062</b>
Less: Operating expenses	
Employee cost	11,635,218
Goods, services & other operational costs	15,231,106
Transfer from capital re: loss on sale on disposal of assets	1,143,166
Finance costs (incl interest expense)	4,460,070
Other expenses	427,837
Depreciation	13,219,766
Corporate overheads & competitive neutrality costs	2,712,685
Internal transfer - expenses	2,206,060
	<b>51,035,908</b>
Less: Transfers	
Transfer from capital re loss on disposal of assets	(1,143,166)
Inter-function dividends & return on capital	11,337,480
Transfers to and from reserves	(636,589)
	<b>9,557,725</b>
<b>Operating surplus (deficit)</b>	<b>1,279,429</b>

(b) Financial performance of activities subject to the National Competition Policy Reforms

The type 3 activities listed below are those to which the Council has resolved to apply the CCC.

Mackay Entertainment & Convention Centre

Swimming Pools

Complete Approval Service

	15 March 08 to 30 June 09	15 March 08 to 30 June 09	15 March 08 to 30 June 09
	<b>Mackay Entertainment &amp; Convention Centre</b>	<b>Aquatic Facilities</b>	<b>Complete Approval Service</b>
	\$	\$	\$
Revenue for services provided to external clients	2,422,826	519,343	2,542,953
Revenue for services provided to internal clients	87,083	1,200	300,712
Community service obligations (Council Operating Contrib)	738,290	1,044,535	0
	<u>3,248,199</u>	<u>1,565,078</u>	<u>2,843,665</u>
Less: Expenditure	<u>5,411,120</u>	<u>2,682,613</u>	<u>2,542,854</u>
Surplus/(Deficiency)	<u>(2,162,921)</u>	<u>(1,117,535)</u>	<u>300,811</u>

The other business activities listed below are those to which the Council has resolved to apply the CCC.

	15 March 08 to 30 June 09	15 March 08 to 30 June 09	15 March 08 to 30 June 09
	<b>Cleansing</b>	<b>Public Conveniences</b>	<b>Cemeteries</b>
	\$	\$	\$
Revenue for services provided to external clients	20,319,068	0	379,759
Revenue for services provided to internal clients	137,988	0	-
Community service obligations (Council Operating Contrib)	0	0	862,199
	<u>20,457,056</u>	<u>0</u>	<u>1,241,958</u>
Less: Expenditure	<u>20,141,665</u>	<u>782,076</u>	<u>1,237,221</u>
Surplus/(Deficiency)	<u>315,391</u>	<u>(782,076)</u>	<u>4,737</u>

	15 March 08 to 30 June 09	15 March 08 to 30 June 09	15 March 08 to 30 June 09
	<b>Roads - (including Roads, Bridges &amp; Street Sweeping)</b>	<b>Main Roads Contract</b>	<b>Plant Operations</b>
	\$	\$	\$
Revenue for services provided to external clients	814,029	5,135,396	199,481
Revenue for services provided to internal clients	13,540	3,396	14,795,270
Community service obligations (Council Operating Contrib)	0	0	0
	<u>827,569</u>	<u>5,138,792</u>	<u>14,994,751</u>
Less: Expenditure	<u>19,211,860</u>	<u>4,436,479</u>	<u>8,719,053</u>
Surplus/(Deficiency)	<u>(18,384,291)</u>	<u>702,313</u>	<u>6,275,698</u>

	15 March 08 to 30 June 09	15 March 08 to 30 June 09
	<b>Workshop Operations</b>	<b>Development Assessment</b>
	\$	\$
Revenue for services provided to external clients	0	3,073,665
Revenue for services provided to internal clients	2,027,398	8,955
Community service obligations (Council Operating Contrib)	0	0
	<u>2,027,398</u>	<u>3,082,620</u>
Less: Expenditure	<u>2,507,002</u>	<u>2,690,040</u>
Surplus/(Deficiency)	<u>(479,604)</u>	<u>392,580</u>

**MACKAY REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the period 15 March 2008 to 30 June 2009

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Details of community service obligations provided to business activities are:-

Activities	Actual
Type 1 and 2 activities:-	
<b>CSO Description</b>	
<b>Mackay Water</b>	
In terms of Financial Services Policy FIN01 - 'Community Services Obligations' Council will provide a CSO for Rebates to Community/Sporting Bodies & a revenue supplement to offset tax equivalents.	
	\$ 463,710
<b>Mackay Entertainment &amp; Convention Centre</b>	
In terms of Financial Services Policy FIN01 - 'Community Services Obligations, Council has determined that this service should be provided to all users at an affordable price. This decision recognises an active role undertaken by Council in encouraging the artistic and cultural development of the region. All steps are taken to ensure that the business operations are undertaken efficiently and effectively in terms of National Competition Policy aims. As the community benefit is largely intangible, Council will fund the residual cost of provision of the service with a CSO.	
	\$ 738,290
<b>Aquatic Facilities</b>	
In terms of Financial Services Policy FIN01 - 'Community Services Obligations' Council has determined that this service should be provided to all users at an affordable price. This decision recognises the community and health benefits of encouraging recreational pursuits. All steps are taken to ensure that the business operations are undertaken efficiently and effectively in terms of National Competition Policy aims. As the community benefit is largely intangible, Council will fund the residual cost of provision of the service with a CSO.	
	\$ 1,044,535
<b>Cemeteries</b>	
In terms of Financial Services Policy FIN01 - 'Community Services Obligations' Council has determined that this service should be provided to all users at an affordable price. This decision recognises an active role undertaken by Councils in the maintenance of Public Health standards within our boundaries. Maintenance of the historical nature of public cemeteries is also funded within the business operation. All steps are taken to ensure that the business operations are undertaken efficiently and effectively in terms of National Competition Policy aims. As the community benefit is largely intangible, Council will fund the residual cost of provision of the service with a CSO.	
	\$ 862,199
<b>Total CSO's</b>	<b>\$ 3,108,734</b>

MACKAY REGIONAL COUNCIL

FINANCIAL STATEMENTS

For the period 15 March 2008 to 30 June 2009

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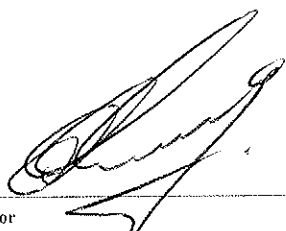
MANAGEMENT CERTIFICATE

For the period 15 March 2008 to 30 June 2009

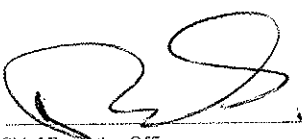
This general purpose financial report has been prepared pursuant to Section 532 of the Local Government Act 1993, Section 35 of the Local Government Reform Implementation Regulation 2008, the Local Government Finance Standard 2005 ( the Standard ) and other prescribed requirements.

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

- (i) the relevant recording and reporting procedures have been complied with in the preparation of the financial statements; and
- (ii) the financial statements for the period ended 30 June 2009 and supporting notes present the Mackay Regional Council's income, equity, balances and cash flows as required by the *Local Government Act 1993*.

  
\_\_\_\_\_  
Mayor  
Mackay Regional Council

Date: 25 / 11 / 09

  
\_\_\_\_\_  
Chief Executive Officer  
Mackay Regional Council

Date: 25 / 11 / 09

## **INDEPENDENT AUDITOR'S REPORT**

To the Mayor of Mackay Regional Council

### **Matters Relating to the Electronic Presentation of the Audited Financial Report**

The auditor's report relates to the financial report of Mackay Regional Council for the financial period ended 30 June 2009 included on Mackay Regional Council's website. The Council is responsible for the integrity of the Mackay Regional Council's website. I have not been engaged to report on the integrity of the Mackay Regional Council's website. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from Mackay Regional Council, to confirm the information included in the audited financial report presented on this website.

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

### **Report on the Financial Report**

I have audited the accompanying financial report of Mackay Regional Council, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the period ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Mayor and Chief Executive Officer.

#### *The Council's Responsibility for the Financial Report*

The Council is responsible for the preparation and fair presentation of the financial report in accordance with the Local Government Act 1993, Local Government Finance Standard 2005 and the Local Government Reform Implementation Regulation 2008 including compliance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

My responsibility to express an opinion on the financial report based on the audit is prescribed in the Auditor-General Act 2009. This Act, including transitional provisions, came into operation on 1 July 2009 and replaces the previous requirements contained in the Financial Administration and Audit Act 1977.

The audit was conducted in accordance with the Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to

audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free of material misstatement.

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

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

#### *Independence*

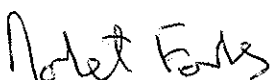
The Auditor-General Act 2009 promotes the independence of the Auditor-General and QAO authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

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

#### *Auditor's Opinion*

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

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
  - (iii) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
  - (iv) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of the Mackay Regional Council for the financial period 15 March 2008 to 30 June 2009 and of the financial position as at the end of that period.



**R J Forbes FCA**

as Delegate of the Auditor-General of Queensland

Dated this 26 November 2009  
Brisbane