Mackay REGIONAL COUNCIL

# ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2023

**Mackay Regional Council**
**Financial Statements**
**For the year ended 30 June 2023**

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**Mackay Regional Council**
**Statement of Comprehensive Income**
**For the year ended 30 June 2023**

| | Note | 2023 $000's | 2022 $000's Restated |
|---|---|---|---|
| **Income** | | | |
| **Recurrent revenue** | | | |
| Rates and charges | 3(a) | 231,141 | 225,147 |
| Fees and charges | 3(b) | 19,447 | 21,819 |
| Rental income | 3(c) | 1,187 | 1,226 |
| Interest income | 3(d) | 6,188 | 1,741 |
| Sales contracts and recoverable works | 3(e) | 8,244 | 8,474 |
| Other recurrent income | | 6,007 | 5,892 |
| Grants, subsidies, contributions and donations | 4(a) | 12,029 | 13,421 |
| **Total recurrent revenue** | | 284,243 | 277,719 |
| **Capital revenue** | | | |
| Grants, subsidies, contributions and donations | 4(b) | 48,120 | 42,082 |
| Other capital income | 5 | 477 | 1,597 |
| **Total capital revenue** | | 48,597 | 43,679 |
| **Total income** | | 332,841 | 321,398 |
| **Expenses** | | | |
| **Recurrent expenses** | | | |
| Employee costs | 6 | 91,857 | 89,754 |
| Materials and services | 7 | 107,969 | 100,839 |
| Finance costs | 8(a) | 5,413 | 11,103 |
| Depreciation and amortisation | 14,15,17(a) | 83,333 | 75,075 |
| **Total recurrent expenses** | | 288,572 | 276,771 |
| **Capital expenses** | | | |
| Finance costs | 8(b) | - | 328 |
| Loss on disposal of non-current assets | 9(a) | 5,666 | 5,080 |
| Other capital expenses | 9(b) | 1,933 | (201) |
| **Total capital expenses** | | 7,599 | 5,207 |
| **Total expenses** | | 296,171 | 281,978 |
| **Net result** | | 36,670 | 39,420 |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified to net result** | | | |
| Increase or (decrease) in asset revaluation surplus | 23 | 221,674 | 220,228 |
| **Total other comprehensive income for the year** | | 221,674 | 220,228 |
| **Total comprehensive income for the year** | | 258,344 | 259,648 |

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

**Mackay Regional Council**
**Statement of Financial Position**
**As at 30 June 2023**

| | Note | 2023 $000's | 2022 $000's Restated |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 10 | 95,165 | 99,104 |
| Trade and other receivables | 11 | 23,005 | 24,027 |
| Financial assets | 12 | 55,000 | 70,000 |
| Contract assets | 16(a) | 3,323 | 2,552 |
| Other assets | | 4,506 | 3,216 |
| Inventories | | 3,136 | 2,988 |
| Non-current assets held for sale | | - | 79 |
| **Total current assets** | | 184,135 | 201,966 |
| | | | |
| **Non-current assets** | | | |
| Trade and other receivables | 11 | 1,676 | 1,676 |
| Financial assets | 12 | - | 2 |
| Investment property | 13 | 5,580 | 5,275 |
| Property, plant and equipment | 14 | 3,938,870 | 3,669,726 |
| Intangible assets | 15 | 4,138 | 3,970 |
| Right of use assets | 17(a) | 1,223 | 1,303 |
| **Total non-current assets** | | 3,951,487 | 3,681,952 |
| **Total assets** | | 4,135,622 | 3,883,918 |
| | | | |
| **Current liabilities** | | | |
| Contract liabilities | 16(b) | 6,207 | 10,417 |
| Lease liabilities | 17(b) | 68 | 66 |
| Trade and other payables | 18 | 17,078 | 16,459 |
| Employee entitlements | 19 | 21,387 | 22,309 |
| Borrowings | 20 | 14,143 | 13,292 |
| Provisions | 21 | 60,685 | 59,127 |
| Other liabilities | 22 | 18,821 | 20,044 |
| **Total current liabilities** | | 138,389 | 141,714 |
| | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | 17(b) | 1,230 | 1,299 |
| Employee entitlements | 19 | 1,601 | 1,699 |
| Borrowings | 20 | 38,755 | 52,771 |
| Provisions | 21 | 21,685 | 13,268 |
| Other liabilities | 22 | 9,684 | 11,219 |
| **Total non-current liabilities** | | 72,955 | 80,256 |
| **Total liabilities** | | 211,344 | 221,970 |
| **Net community assets** | | 3,924,278 | 3,661,948 |
| | | | |
| **Community equity** | | | |
| Retained surplus | | 2,313,188 | 2,272,532 |
| Asset revaluation surplus | 23 | 1,611,090 | 1,389,416 |
| **Total community equity** | | 3,924,278 | 3,661,948 |

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

## Mackay Regional Council
## Statement of Changes in Equity
## For the year ended 30 June 2023

| | Note | Retained surplus $000's | Asset revaluation surplus $000's | Total $000's |
|---|---|---|---|---|
| **Restated balance as at 1 July 2022** | 1(f) | 2,272,532 | 1,389,416 | 3,661,948 |
| Adjustment to opening values of property, plant and equipment | 14f | 3,986 | - | 3,986 |
| **Restated balance as at 1 July 2022** | | 2,276,518 | 1,389,416 | 3,665,934 |
| Net result | | 36,670 | - | 36,670 |
| Increase or (decrease) in asset revaluation surplus | 23 | - | 221,674 | 221,674 |
| **Total comprehensive income for the year** | | 36,670 | 221,674 | 258,344 |
| **Balance as at 30 June 2023** | | 2,313,188 | 1,611,090 | 3,924,278 |
| **Balance as at 1 July 2021** | | 2,237,858 | 1,169,188 | 3,407,047 |
| Adjustment to opening value | | 3,554 | - | 3,554 |
| **Restated balance as at 1 July 2021** | | 2,241,412 | 1,169,188 | 3,410,601 |
| Adjustment due to provision for aftercare management costs for closed sites as the result of a legal obligation as set out in environmental guidance | 1(f) | (8,299) | - | (8,299) |
| **Restated balance as 1 July 2021** | | 2,233,112 | 1,169,188 | 3,402,300 |
| Restated net result | 1(f) | 39,420 | - | 39,420 |
| Increase or (decrease) in asset revaluation surplus | | - | 220,228 | 220,228 |
| **Total comprehensive income for the year** | | 39,420 | 220,228 | 259,648 |
| **Restated balance as at 30 June 2022** | | 2,272,532 | 1,389,416 | 3,661,948 |

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

**Mackay Regional Council**
**Statement of Cash Flows**
**For the year ended 30 June 2023**

| | Note | 2023 $000's | 2022 $000's |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 260,959 | 290,892 |
| Payments to suppliers and employees | | (202,016) | (196,593) |
| Interest income | | 5,713 | 2,069 |
| Recurrent grants, subsidies, contributions and donations | 4(a) | 12,029 | 13,421 |
| Borrowing costs | | (3,644) | (10,533) |
| **Net cash inflow from operating activities** | 27 | 73,041 | 99,256 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (103,694) | (91,545) |
| Payments for other non-current assets | | (496) | (234) |
| Payments for investments | | 15,002 | - |
| Other capital income | | 288 | 260 |
| Capital project costs expensed | | (2,652) | (739) |
| Proceeds from sale of property, plant and equipment | | 2,268 | 1,392 |
| Capital grants, subsidies, contributions and donations | | 25,562 | 18,242 |
| **Net cash outflow from investing activities** | | (63,722) | (72,623) |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | (13,164) | (51,521) |
| Principal lease repayments | | (94) | (62) |
| **Net cash outflow from financing activities** | | (13,258) | (51,583) |
| **Net increase or (decrease) in cash and cash equivalents** | | (3,939) | (24,950) |
| **Cash and cash equivalents at beginning of the period** | | 99,104 | 124,056 |
| **Cash and cash equivalents at end of the period** | 10 | 95,165 | 99,104 |

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

## 1) Summary of significant accounting policies

### a) Basis of preparation

These general purpose financial statements are for the period 1 July 2022 to 30 June 2023. They are prepared in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*. They comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Mackay Regional Council (MRC) is a not-for-profit entity for financial reporting purposes and these financial statements comply with Australian Accounting Standards and Interpretations as applicable to not-for-profit entities.

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

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

### b) Basis of consolidation

Up to the date of its dissolution on 11 April 2023, Mackay Region Enterprises Pty Ltd (MRE) was a controlled entity of MRC. On this date all liabilities were discharged and net assets were transferred to MRC.

### c) Rounding and comparatives

Amounts included in the financial statements have been rounded to the nearest one thousand dollars or, where the amount is $500 or less, to zero, unless otherwise stated. Consequently, rounded balances in the notes to the financial statements may not exactly agree to the amounts reported in the primary statements.

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

### d) New and revised accounting standards adopted during the year

MRC adopted all Australian Accounting Standards which became effective for annual reporting periods beginning on 1 July 2022. None of the standards had a material impact on reported position, performance and cash flows.

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

The AASB has issued Australian Accounting Standards and Interpretations which are not yet effective at 30 June 2023. These standards have not yet been adopted by MRC and will be included within the financial statements on their effective date. At this time, it is not anticipated that these standards will have a material impact upon MRC's future financial statements.

### f) Estimates, judgements and errors

#### (i) Estimates and judgements

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

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

- note 3 revenue analysis – revenue recognition
- note 4 grants, subsidies, contributions and donations – revenue recognition
- note 9 capital expenses – fair value measurement
- note 13 investment property – valuation of investment property
- note 14 property, plant and equipment – valuation of property, plant and equipment, depreciation, asset useful lives and residual values
- note 15 intangible assets – valuation of intangibles, amortisation and asset useful lives
- note 19 employee entitlements
- note 21 provisions
- note 22 other liabilities – revenue recognition
- note 25 contingencies

**(ii) Correction of Provisions**

As stated in Guideline – Landfill siting, design, operation and rehabilitation (ESR/2015/1627) a council must manage the landfill site to prevent any environmental impact until the landfill has sufficiently decomposed or stabilised such that it no longer presents a risk to the environment. This includes the development of an aftercare management plan that proposes frequency of monitoring and inspection of the landfill and infrastructure.

In the calculation of the provision for Waste Restoration for closed sites the costs for aftercare management have been excluded in prior years, MRC has a legal obligation to develop an aftercare management plan and to incur the associated costs, meeting the criteria of *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*. As per AASB Interpretation 1 para.07 where the related asset has reached the end of its useful life, subsequent changes in the provision are recognised in profit or loss as they occur. This resulted in a material understatement of operational costs recognised for the prior financial years.

This has been corrected by restating each of the affected financial statement line items for the period as follows:

| | Closing balance at 30 June 2022 | | | Opening balance at 1 July 2021 | | |
|---|---|---|---|---|---|---|
| **Statement of Financial Position** | **30 June 2022** | **Increase or (Decrease)** | **30 June 2022 (Restated)** | **1 July 2021** | **Increase or (Decrease)** | **1 July 2021 (Restated)** |
| | **$000's** | **$000's** | **$000's** | **$000's** | **$000's** | **$000's** |
| Provisions | 51,203 | 7,924 | 59,127 | 51,540 | 8,299 | 59,839 |
| **Total current liabilities** | **133,790** | **7,924** | **141,714** | **127,950** | **8,299** | **136,249** |
| **Total liabilities** | **214,046** | **7,924** | **221,970** | **248,106** | **8,299** | **256,405** |
| **Net community assets** | **3,669,872** | **(7,924)** | **3,661,948** | **3,410,601** | **(8,299)** | **3,402,302** |
| | | | | | | |
| Retained surplus | 2,280,456 | (7,924) | 2,272,532 | 2,237,858 | (8,299) | 2,229,559 |
| **Total community equity** | **3,669,872** | **(7,924)** | **3,661,948** | **3,410,601** | **(8,299)** | **3,402,302** |

| | Closing balance at 30 June 2022 | | |
|---|---|---|---|
| **Statement of Comprehensive Income** | **30 June 2022** | **Increase or (Decrease)** | **30 June 2022 (Restated)** |
| | **$000's** | **$000's** | **$000's** |
| Materials and services | 101,214 | (375) | 100,839 |
| **Total recurrent expenses** | **277,147** | **(375)** | **276,772** |
| **Total expenses** | **282,353** | **(375)** | **281,978** |
| **Net result** | **39,045** | **375** | **39,420** |
| **Total comprehensive income for the year** | **259,273** | **375** | **259,648** |

**g) Volunteer services**

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

**h) Taxation**

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

## 2) Analysis of results by function

### a) Components of Mackay Regional Council by function

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

**Office of the Mayor and Chief Executive Officer**
The purpose of the Office of the Mayor and Chief Executive Officer (CEO) is to support MRC to be open, accountable and transparent and to deliver value for money community outcomes. This function includes legal and administrative support for the Mayor, Councillors and CEO and the functions of workplace health and safety, governance, performance and risk and internal audit.

**Development Services**
The purpose of Development Services is to facilitate the liveability, growth, and prosperity of the region, through planning for our communities, ensuring quality development outcomes, and promoting the economic development of the area. This ensures that the Mackay region is liveable, efficiently serviced and economically sustainable. This function cares for our natural areas and ensures our recreational open spaces are accessible and effectively managed.

**Organisational Services**
The purpose of Organisational Services is to provide enterprise-wide support services employing specialist knowledge, best practices and technology enablers. A key outcome is the provision of accurate, timely and appropriate information to support sound decision making and meet statutory requirements. This includes advice and support to other departments particularly in areas of people and culture, financial information and information technology needs, and customer service support to Mackay’s residents. Organisational Services also manages MRC’s extensive fleet, contract and procurement activities as well as managing and maintaining all MRC owned land and buildings.

**Community and Client Services**
The purpose of Community and Client Services is to provide opportunities for all residents, workers and visitors to participate in cultural and recreational activities which foster inclusion and stronger communities, as well as keeping our community safe through the coordination of emergency management activities and the provision of compliance and regulatory services. The department includes libraries, entertainment venues, art galleries and museums, community development, sport and recreation programs, corporate communications and marketing, emergency management and health and regulatory services.

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

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

**Capital Works**
The purpose of the Capital Works Directorate is to deliver Council’s annual Capital Program through a centralised service. This function includes providing overall governance and portfolio management, field services through staff crews and managing contracted works through Contract Services and Major Projects.

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

| | Income | | | | Total income | Expenses | | Total expenses | Net result | Total assets |
|---|---|---|---|---|---|---|---|---|---|---|
| | Recurrent | | Capital | | | Recurrent | Capital | | | |
| | Grants | Other | Grants | Other | | | | | | |
| | | | | | $000's | | | | | |
| Office of the Mayor and CEO | - | 9 | - | - | 9 | 9,436 | - | 9,436 | (9,427) | - |
| Development Services | 1,100 | 6,193 | 4,117 | - | 11,410 | 33,505 | - | 33,505 | (22,095) | 124 |
| Organisational Services | 8,265 | 116,021 | - | 246 | 124,532 | 84,416 | 3,082 | 87,498 | 37,034 | 516,223 |
| Community and Client Services | 1,700 | 9,153 | - | - | 10,853 | 26,701 | - | 26,701 | (15,848) | 3,689 |
| Engineering | 27 | 8,115 | 6,991 | - | 15,133 | 31,672 | 2,240 | 33,912 | (18,779) | 2,111,138 |
| Commercial Infrastructure | 197 | 132,552 | 6,540 | 198 | 139,487 | 102,015 | 2,276 | 104,291 | 35,196 | 1,504,449 |
| Capital Works | 740 | 171 | 30,472 | 33 | 31,416 | 828 | - | 828 | 30,588 | - |
| **Total at 30 June 2023** | **12,029** | **272,214** | **48,120** | **477** | **332,840** | **288,573** | **7,598** | **296,171** | **36,669** | **4,135,623** |
| Office of the Mayor and CEO | - | 1 | - | - | 1 | 9,647 | - | 9,647 | (9,646) | - |
| Development Services | 505 | 6,856 | 5,061 | - | 12,422 | 32,099 | - | 32,099 | (19,677) | 85 |
| Organisational Services | 10,665 | 112,387 | - | 1,367 | 124,419 | 76,652 | 1,665 | 78,317 | 46,102 | 557,786 |
| Community and Client Services | 1,575 | 9,878 | - | - | 11,453 | 26,057 | - | 26,057 | (14,604) | 3,652 |
| Engineering | 65 | 8,059 | 4,627 | - | 12,751 | 32,783 | 3,157 | 35,940 | (23,189) | 1,972,010 |
| Commercial Infrastructure (restated) | 473 | 126,962 | 9,657 | 199 | 137,291 | 96,357 | 389 | 96,746 | 40,545 | 1,350,383 |
| Capital Works | 138 | 154 | 22,738 | 31 | 23,061 | 3,177 | (5) | 3,172 | 19,889 | - |
| **Total at 30 June 2022** | **13,421** | **264,297** | **42,083** | **1,597** | **321,398** | **276,772** | **5,206** | **281,978** | **39,420** | **3,883,916** |

## 3) Revenue analysis

### a) Rates and charges

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

| | Note | 2023 $000's | 2022 $000's |
|---|---|---|---|
| General rates | | 125,992 | 122,641 |
| Separate and special rates and charges | | 3,789 | 3,734 |
| Water consumption and utility charges | | 45,788 | 44,958 |
| Sewerage utility charges | | 53,520 | 51,844 |
| Waste management utility charges | | 23,717 | 22,952 |
| Less: discounts and remissions | | (21,665) | (20,982) |
| | | **231,141** | **225,147** |

### b) Fees and charges

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

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

A small quantity of low value and short-term fees and charges are recognised at the time of receipt.

| | Note | 2023 $000's | 2022 $000's |
|---|---|---|---|
| Application fees | | 2,269 | 2,896 |
| Licence fees and registrations | | 2,426 | 2,514 |
| Fines and penalties | | 393 | 526 |
| Venues, events and cultural fees | | 1,549 | 2,544 |
| Waste and recycling fees | | 7,003 | 7,045 |
| Other fees and charges | | 5,807 | 6,295 |
| | | **19,447** | **21,820** |

### c) Rental income

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

| | Note | 2023 $000's | 2022 $000's |
|---|---|---|---|
| Investment property | | 441 | 436 |
| Other property | | 746 | 790 |
| | | **1,187** | **1,226** |

**d) Interest income**

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

| | Note | 2023<br>$000's | 2022<br>$000's |
|---|---|---|---|
| Interest on deposits | | 5,818 | 1,306 |
| Interest on debtor arrears | | 370 | 435 |
| | | **6,188** | **1,741** |

**e) Sales contracts and recoverable works**

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

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

| | Note | 2023<br>$000's | 2022<br>$000's |
|---|---|---|---|
| Roads recoverable works | | 6,820 | 6,712 |
| Water operations | | 526 | 938 |
| Sewer operations | | 680 | 507 |
| Other sales contracts and recoverable works | | 218 | 317 |
| | | **8,244** | **8,474** |

## 4) Grants, subsidies, contributions and donations

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

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

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

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

**a) Recurrent**

| | Note | 2023 $000's | 2022 $000's |
|---|---|---|---|
| General purpose grants* | | 5,213 | 8,015 |
| Government grants and subsidies | | 5,486 | 4,679 |
| Non-government grants and subsidies | | 387 | 252 |
| Contributions and donations | | 943 | 476 |
| | | **12,029** | **13,422** |

*Payment of the Financial Assistance Grant from the Department of State Development, Infrastructure, Local Government and Planning has been determined in line with a revised three-year calculation methodology that commenced in 2022. As a result, MRC expects to receive a reduced allocation into the future. The Financial Assistance Grant ($5.2M) is recognised at a point in time with all other grants recognised over time.

**b) Capital**

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

Developers also pay infrastructure charges for trunk infrastructure such as pump stations, treatment works, mains, sewers and water pollution control works. There is no associated enforceable performance obligation in relation to these charges and as such, they are recognised upon receipt.

Non-cash contributions with a value in excess of MRC's non-current asset recognition threshold of $5,000, are recognised by increasing non-current assets and capital revenue. When the threshold is not met, an operating revenue and operating expense are recorded.

| | Note | 2023 $000's | 2022 $000's |
|---|---|---|---|
| Government grants and subsidies | | 19,680 | 10,646 |
| Contributions and donations | | 7,424 | 7,607 |
| Contributed non-current assets at fair value | | 22,559 | 23,840 |
| Less: discounts allowed on developer contributions | | (1,543) | (11) |
| | | **48,120** | **42,082** |

## 5) Other capital income

| | Note | 2023 $000's | 2022 $000's |
|---|---|---|---|
| Fair value increase of investment property | | 189 | 95 |
| Reversal of revaluation decrements previously expensed | | - | 1,242 |
| Other income | | 288 | 260 |
| | | **477** | **1,597** |

## 6) Employee costs

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

| | Note | 2023 $000's | 2022 $000's |
|---|---|---|---|
| Wages and salaries | | 62,459 | 60,940 |
| Annual, sick and long service leave | | 17,507 | 17,388 |
| Superannuation | 26 | 10,252 | 9,820 |
| Other employee costs | | 175 | 171 |
| | | **90,393** | **88,319** |
| Councillor remuneration | | 1,465 | 1,436 |
| | | **91,857** | **89,755** |

## 7) Materials and services

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

| | Note | 2023 $000's | 2022 $000's Restated |
|---|---|---|---|
| Advertising and marketing | | 870 | 886 |
| Audit of financial statements by the Auditor-General* | | 162 | 155 |
| Capital project costs expensed | | 817 | 410 |
| Communications and IT | | 7,203 | 6,337 |
| Community facilities and entertainment | | 4,274 | 3,624 |
| Consultants and services | | 9,544 | 9,699 |
| Contractors | | 30,899 | 29,681 |
| Donations, grants, subsidies and contributions | | 2,877 | 3,555 |
| Electricity and public utilities | | 8,686 | 7,470 |
| Equipment and hire fees | | 4,684 | 5,054 |
| Fees and charges | | 2,532 | 2,354 |
| Fuel and chemicals | | 6,218 | 5,461 |
| Insurance | | 4,562 | 4,162 |
| Registrations and subscriptions | | 2,594 | 2,172 |
| Repairs and maintenance | | 16,493 | 15,124 |
| Waste Levy payment | | 4,242 | 4,080 |
| Waste Levy refund** | | (4,242) | (3,820) |
| Other materials and services | | 5,556 | 4,434 |
| | | **107,969** | **100,839** |

*The total fee quoted by the Queensland Audit Office in the external audit plan, for the audit of the 2023 annual financial statements, was $162K (2022: $155.2K).

**The State Government rebated $4.2M (2022: $3.8M) to mitigate the direct impact of the Waste Levy on households. Any portion of the refund not applied to the Waste Levy payment is reported in note 4 grants, subsidies, contributions and donations as government grants and subsidies.

## 8) Finance costs

### a) Recurrent

| | Note | 2023 $000's | 2022 $000's |
|---|---|---|---|
| Borrowing costs - Queensland Treasury Corporation | | 3,644 | 6,766 |
| Market realisation expense* | | - | 3,768 |
| Bank charges | | 438 | 488 |
| Interest on lease liabilities | | 28 | 21 |
| Unwinding of the discount | | 1,370 | - |
| Impairment of receivables | | (67) | 62 |
| | | **5,413** | **11,104** |

*In June 2022, MRC repaid $40.7M in QTC borrowings ahead of the scheduled repayment date in 2029.

### b) Capital

| | Note | 2023 $000's | 2022 $000's |
|---|---|---|---|
| Unwinding of discounted provisions | | **-** | **328** |

## 9) Capital expenses

### a) Loss on disposal of non-current assets

| | Note | 2023 $000's | 2022 $000's |
|---|---|---|---|
| Property, plant and equipment | | 5,587 | 5,074 |
| Non-current assets held for sale | | 79 | - |
| Intangible assets | | - | 6 |
| | | **5,666** | **5,080** |

### b) Other capital expenses

| | Note | 2023 $000's | 2022 $000's |
|---|---|---|---|
| Capital project costs expensed | | 2,652 | 739 |
| Adjustments to remediation provisions | | (832) | (940) |
| Other expenses | | 113 | - |
| | | **1,933** | **(201)** |

## 10) Cash and cash equivalents

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

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

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

| | Note | 2023<br>$000's | 2022<br>$000's |
|---|---|---|---|
| Cash at bank and on hand | | 11,472 | 9,058 |
| Deposits at call | | 83,693 | 90,046 |
| | | **95,165** | **99,104** |

MRC's cash balance is subject to internal and external restrictions that limit amounts available for discretionary or future use. Expenditure restrictions at the reporting date relate to:

| | Note | 2023<br>$000's | 2022<br>$000's |
|---|---|---|---|
| **Externally restricted** | | | |
| Unspent grants and subsidies | | 6,207 | 10,417 |
| Waste Levy refund paid in advance | | 13,286 | 14,911 |
| | | **19,493** | **25,328** |
| **Internally restricted** | | | |
| Separate and special rates and charges | | 4,410 | 4,261 |
| Capital reserves | | 71,876 | 69,708 |
| Donations | | 252 | 284 |
| | | **76,538** | **74,253** |

**Funds held on behalf of other parties**

Funds held in trust on behalf of other parties include security deposits lodged to guarantee performance, bonds and unclaimed monies paid into the trust account by MRC. MRC performs a custodian role only in respect of these monies. As these funds are for a specific purpose and cannot be used by MRC, they are not brought to account in these financial statements, as MRC has no rights over the assets. The amount held in trust by MRC is $2.4M (2022: $2.7M).

## 11) Trade and other receivables

Trade receivables are recognised at the amounts due at the time of sale or service delivery. MRC's standard settlement terms are 30 days from invoice date. No significant concentration of credit risk has been identified, as exposure is spread over a large number of counterparties and customers.

MRC used an allowance matrix to measure the expected credit losses of trade and other receivables from individual customers, which comprise a large number of small balances. Loss rates are calculated, based on the probability of the receivable progressing to write-off. The rates were derived using both observable historic default rates and assumptions of forward-looking market and economic conditions applied against like debtor segments where similar loss patterns exist or could be expected to exist.

Interest is charged on overdue rates and other receivables at 8.17% per annum (2022: 8.03%), compounding monthly. MRC is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover rates arrears. For this reason, MRC does not generally impair any rates receivables. However, in the case of rates on state leased land, where the lease has been cancelled or land leased by MRC, the right to sell is forfeit. In addition to this and where other avenues to pursue the debt are doubtful, a provision for impairment will be made, pending the exhaustion of all legal options.

| | Note | 2023<br>$000's | 2022<br>$000's |
|---|---|---|---|
| **Current** | | | |
| Rates and utility charges | | 7,237 | 7,672 |
| Interest receivable | | 1,273 | 798 |
| GST recoverable | | 3,646 | 2,168 |
| Developer contributions | | 6,219 | 7,286 |
| Other debtors | | 4,967 | 6,507 |
| Less: loss allowance | | (337) | (404) |
| | | **23,004** | **24,027** |
| **Non-current** | | | |
| Other debtors | | **1,676** | **1,676** |

## 12) Financial assets

Financial assets are recognised in when the entity becomes a party to the contractual provisions to the financial instrument. Financial assets are initially measured at fair value plus transaction costs. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit and loss is recognised immediately in profit or loss. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

| | Note | 2023 $000's | 2022 $000's |
|---|---|---|---|
| **Current** | | | |
| Term deposits | | **55,000** | **70,000** |
| **Non-current** | | | |
| Equity instruments at fair value through profit or loss | | **-** | **2** |

**a) Term deposits**
In accordance with the *Statutory Bodies Financial Arrangements Act 1982*, MRC has category 1 investment power and currently holds term deposits with various financial institutions; all of which are considered to be low risk with fixed rates and fixed original terms to maturity greater than 3 months, but less than 12. All term deposits are intended to be held to maturity.

**b) Equity instruments at fair value through profit or loss**
MRC holds 1 fully paid share at $1 in Mackay Regional Housing Company Limited (trading as Connect Housing Group); as this is not listed on any stock exchange and there is no active market, fair value cannot be reliably measured and therefore it is reported as cost. Due to rounding this amount is reported as $0 for 2023.

## 13) Investment property

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

Revaluations are conducted annually at 30 June by an independent, registered valuer. This was last conducted by Jones Lang La Salle Public Sector Valuations Pty Ltd (JLL). JLL is a leading professional services firm with highly skilled valuers, experienced in the valuation of local government and public sector assets across Australia.

The carrying value of investment property is assessed annually for impairment indicators.

| | Note | 2023 $000's | 2022 $000's |
|---|---|---|---|
| Opening balance at 1 July | | 5,275 | 5,100 |
| Transfers to or from property, plant and equipment | | 116 | 80 |
| Fair value increase or (decrease) | | 189 | 95 |
| **Closing balance at 30 June** | | **5,580** | **5,275** |

## 14) Property, plant and equipment

### Current year movements:

| Asset Class | Opening written down value 1 July 2022 | Adjustment to opening value | Additions | Transfers | Disposals and write offs | Revaluation | Depreciation expense | Closing written down value 30 June 2023 |
|---|---|---|---|---|---|---|---|---|
| | $000's | $000's | $000's | $000's | $000's | $000's | $000's | $000's |
| Land | 162,555 | 77 | (17) | 1,765 | (486) | 17,038 | - | 180,932 |
| Site improvements | 144,122 | (883) | 4 | (12,942) | (524) | (6,473) | (5,973) | 117,329 |
| Buildings | 170,344 | (166) | - | 15,830 | (1,080) | 726 | (7,701) | 177,955 |
| Roads, bridges and drainage network | 1,920,848 | 5,303 | 17,034 | 75,787 | (2,219) | 68,401 | (31,245) | 2,053,910 |
| Water | 468,412 | (80) | 1,537 | 19,265 | (1,729) | 64,776 | (15,397) | 536,784 |
| Sewerage | 658,978 | (265) | 3,084 | 7,290 | (519) | 77,555 | (15,527) | 730,595 |
| Plant and equipment | 43,361 | - | - | 10,990 | (1,299) | - | (7,371) | 45,681 |
| Capital work in progress | 101,106 | - | 107,076 | (112,498) | - | - | - | 95,684 |
| | **3,669,726** | **3,986** | **128,718** | **5,487** | **(7,856)** | **222,023** | **(83,214)** | **3,938,870** |

### Prior year movements:

| Asset Class | Opening written down value 1 July 2021 | Adjustment to opening value | Additions | Transfers | Disposals and write offs | Revaluation | Depreciation expense | Closing written down value 30 June 2022 |
|---|---|---|---|---|---|---|---|---|
| | $000's | $000's | $000's | $000's | $000's | $000's | $000's | $000's |
| Land | 153,787 | - | 17 | - | (485) | 9,236 | - | 162,555 |
| Site improvements | 137,105 | - | 60 | 2,454 | (183) | 10,081 | (5,394) | 144,122 |
| Buildings | 151,486 | - | 118 | 933 | (1,534) | 25,978 | (6,638) | 170,344 |
| Roads, bridges and drainage network | 1,725,579 | 1,224 | 17,048 | 34,423 | (2,934) | 173,978 | (28,470) | 1,920,848 |
| Water | 513,632 | 3,639 | 2,104 | 8,735 | (282) | (45,048) | (14,369) | 468,412 |
| Sewerage | 612,958 | 1,532 | 4,515 | 7,181 | (108) | 45,796 | (12,895) | 658,978 |
| Plant and equipment | 42,784 | - | - | 8,649 | (940) | - | (7,131) | 43,361 |
| Capital work in progress | 72,032 | - | 93,065 | (63,991) | - | - | - | 101,106 |
| | **3,409,363** | **6,395** | **116,927** | **(1,616)** | **(6,466)** | **220,021** | **(74,897)** | **3,669,726** |

Additions include contributed assets and developer offsets. Transfers comprise capitalised expenditure on constructed or purchased assets transferred out of capital work in progress, transfers between asset classes, other non-current assets, and to the Statement of Comprehensive Income. Amounts expensed to the Statement of Comprehensive Income are reported in note 7 materials and services and note 9 capital expenses.

## Gross asset cost and accumulated depreciation by asset class:

| Asset Class | Closing balance at 30 June 2023 | | | Opening balance at 1 July 2022 | | | Closing balance at 30 June 2022 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross asset value | Accumulated depreciation | Written down value | Gross asset value | Accumulated depreciation | Written down value | Gross asset value | Accumulated depreciation | Written down value |
| | $000's | $000's | $000's | $000's | $000's | $000's | $000's | $000's | $000's |
| Land | 180,932 | - | 180,932 | 162,632 | - | 162,632 | 162,555 | - | 162,555 |
| Site improvements | 203,946 | (86,617) | 117,329 | 228,020 | (84,781) | 143,239 | 229,866 | (85,744) | 144,122 |
| Buildings | 312,657 | (134,702) | 177,955 | 282,858 | (112,680) | 170,178 | 283,910 | (113,566) | 170,344 |
| Roads, bridges and drainage network | 3,180,814 | (1,126,903) | 2,053,910 | 2,911,163 | (985,012) | 1,926,151 | 2,901,300 | (980,452) | 1,920,848 |
| Water | 955,808 | (419,024) | 536,784 | 878,772 | (410,440) | 468,332 | 878,761 | (410,349) | 468,412 |
| Sewerage | 1,090,977 | (360,382) | 730,595 | 1,004,273 | (345,560) | 658,713 | 1,004,908 | (345,930) | 658,978 |
| Plant and equipment | 87,976 | (42,295) | 45,681 | 81,396 | (38,034) | 43,361 | 81,396 | (38,034) | 43,361 |
| Capital work in progress | 95,684 | - | 95,684 | 101,106 | - | 101,106 | 101,106 | - | 101,106 |
| | **6,108,794** | **(2,169,923)** | **3,938,870** | **5,650,220** | **(1,976,507)** | **3,673,712** | **5,643,802** | **(1,974,075)** | **3,669,726** |

Reported values include adjustments relating to ongoing data validations taken to the opening value at 1 July.

## Key valuation information:

| Asset class | Useful life (years) | Basis of measurement | Level | 2023 valuation type | 2023 valuation performed by | Last comprehensive valuation | Last comprehensive valuation performed by | Next comprehensive valuation planned |
|---|---|---|---|---|---|---|---|---|
| Land | Indefinite | Valuation | 2 or 3 | Comprehensive | JLL | 2023 | JLL | 2026 |
| Site improvements | 5 - indefinite | Valuation | 2 or 3 | Comprehensive | JLL | 2023 | JLL | 2026 |
| Buildings | 10 - 100 | Valuation | 2 or 3 | Comprehensive | JLL | 2023 | JLL | 2026 |
| Roads, bridges and drainage network | 5 - indefinite | Valuation | 3 | Desktop - 8.0% | JLL | 2020 | JLL | 2024 |
| Water | 5 - 150 | Valuation | 3 | Index - 7.9% | JLL | 2022 | JLL | 2025 |
| Sewerage | 7 - 160 | Valuation | 3 | Index - 7.9% | JLL | 2022 | JLL | 2025 |
| Plant and equipment | 2 - 50 | Cost | | | | | | |

**a) Recognition**

Items of property, plant and equipment with a total value of less than $5,000 except for land which has a recognition threshold of $1, are treated as an expense in the year of acquisition. Individual assets valued below the asset recognition threshold are recognised as an asset if connected to a larger network. All other items of property, plant and equipment are capitalised to the relevant asset class.

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

**b) Measurement of assets acquired during the period**

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

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

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

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

**c) Valuation**

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

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

Materiality concepts are considered in determining whether the difference between the carrying amount and the fair value of an asset is significant or experienced a volatile change, in which case a revaluation is undertaken. Upon revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life. Separately identified components of assets are measured on the same basis as the assets to which they relate.

**d) Depreciation**

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the date noted on the relevant source documents; at which time they are capitalised and transferred from work in progress to the appropriate property, plant and equipment class.

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

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

Depreciation methodology, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions.

**e) Impairment**

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

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

**f) Fair value measurement**

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

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

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

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

**i) Land**

Fair value of land at 30 June 2023 was determined by comprehensive revaluation processes, performed by professional valuers Jones Lange La Salle Public Sector Valuations (JLL).

Sales evidence across the relevant local markets was researched. Value adjustments for considerations such as location, development potential, aspect, size and date of sale were made to the most appropriate evidence to determine fair value. This is referred to as the market approach. All land assets have been valued according to this methodology.

Fair value measurements developed utilising the market approach are generally classified as either level 2 or 3 in the fair value hierarchy depending on the volume of market transactions; the level of judgement required to adjust for differences in characteristics between the subject asset and sales evidence; and the sensitivity of those adjustments to the fair value measurement.

| | Note | 2023<br>$000's | 2022<br>$000's |
|---|---|---|---|
| Non-specialised (level 2) | | 29,692 | 47,739 |
| Specialised (level 3) | | 151,240 | 114,815 |
| **Total written down value at 30 June** | | **180,932** | **162,554** |

**ii) Site improvements**

The site improvements class was subject to comprehensive valuation at 30 June 2023. This was performed by professional valuers JLL.

Both the cost approach and market approach were utilised to determine the fair value of assets. The selection of the most appropriate technique was dependent on the nature of the asset being measured and the exit market within which the asset would transact.

Fair values are benchmarked by the valuer to externally available published rates and internally generated data for similar works performed by MRC and contractors. Where an active market exists, such as for certain artworks, fair value was measured in accordance with the market approach. This is derived by reference to market-based evidence, including observable historical sales data. Assets valued according to this methodology are classified as level 2 per the fair value measurement hierarchy.

For most site improvement assets, fair value was determined on the basis of replacement with a new asset having similar service potential. A sample of assets were physically inspected to determine asset attributes and conditions, else existing asset register data was relied upon. These conditions are in turn used to reflect the remaining life of the assets. This is referred to as the cost approach. Asset are attributed a fair value hierarchy of level 3 if valued according to this methodology.

| | Note | 2023<br>$000's | 2022<br>$000's |
|---|---|---|---|
| Non-specialised (level 2) | | 704 | 943 |
| Specialised (level 3) | | 116,625 | 143,179 |
| **Total written down value at 30 June** | | **117,329** | **144,122** |

**iii) Buildings**

MRC engaged independent valuers, JLL to perform a comprehensive valuation of buildings assets, as at 30 June 2023. The valuation methodology included a review of the financial hierarchy and componentisation attributes of assets recorded within the class.

Where MRC buildings are of a specialised nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential. This is known as the cost approach and was utilised for all buildings assets, with the exception of one location.

The fair value measurement of all assets in this class has been deemed level 3, with the exception of the above noted building, measured using the market approach and is classified with a fair value hierarchy of level 2.

A sample of assets were physically inspected to determine asset attributes and condition. Allowances for physical depreciation and obsolescence were made and systematically categorised. The final determination of condition assessments was based on JLL's onsite condition assessments, in discussion with appropriate staff. Assets were rated using a scale with a range between 1 and 5, where 1 indicates brand new and 5 represents an asset near the end of its useful life.

In establishing fair value using the cost approach, it was necessary to determine the current gross replacement cost to construct a modern equivalent asset. The main sources of data included:

- Cost guides such as Rawlinsons and Cordells which provide indicative unit rates for a variety of building and infrastructure assets.
- Recent MRC project costs were utilised where the asset cost is readily identifiable.
- JLL database of building asset costs.

| | Note | 2023<br>$000's | 2022<br>$000's |
|---|---|---|---|
| Non-specialised (level 2) | | 1,991 | 6,563 |
| Specialised (level 3) | | 175,963 | 163,781 |
| **Total written down value at 30 June** | | **177,954** | **170,344** |

**iv) Roads, bridges and drainage network**

In the 12 months ended 30 June 2023, JLL reported a cost movement increase for the class of 8%. Professional valuation services of this provider were also engaged to perform a desktop valuation to bring to account new information in respect to certain subcategories of assets.

MRC continues to undertake significant multi-year asset data improvement initiatives, intended to validate, standardise and enhance the classification and attribute accuracy of infrastructure assets recorded within the class. These processes incorporate separate operational phases which are categorised by asset sub-class and geographical location. The current year outcomes of these initiatives are reported within these financial statements.

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

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

The last comprehensive revaluation for this class was completed in 2020. The unit rates applied were based on project costs and include materials, labour and overheads. Fair values are benchmarked by the valuer to externally available published rates and internally generated data for similar works performed by MRC and contractors.

The desktop valuation methodology was performed on the basis inputs utilised for the last comprehensive revaluation remain valid. Unit rates were reviewed and updated where appropriate, including application of the 8% cost movement increase.

**v) Water and sewerage**

For the 12 months ended 30 June 2023, JLL determined a 6% increase in cost movement across the classes. Since the last comprehensive valuation undertaken in the 2022 financial year, a cumulative cost movement of 7.9% for both water and sewer is evident. This being due movement in the final quarter of which the valuation was performed, with consideration to the timing of unit rate development. This was determined to be material by internal stakeholders and as such, a commensurate adjustment was applied to the fair value of water and sewer asset in the current financial year.

The 2022 valuation methodology determined that water and sewer assets can be broken into 2 broad groups, active and passive assets. Active assets include pump stations, bore fields, reservoirs and treatment plants, while passive assets primarily comprise network assets such as water and sewerage mains and manholes.

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

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

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

## 15) Intangible assets

Intangible assets with a total value of more than $5,000 are capitalised at cost and then amortised on a straight-line basis to best represent the pattern of consumption over the expected period of benefit. Where the capitalisation threshold is not met, items are expensed in the year of acquisition.

Intangible assets include land easements and software in use. Software as a service arrangements are expensed in the period in which the service is provided. Easements have indefinite useful lives and are not amortised, while software assets have a useful life of 5 years. Capital work in progress is recorded at cost and not amortised.

| | Note | Intangible assets | Capital work in progress |
|---|---|---|---|
| | | $000's | |
| Opening written down value at 1 July 2022 | | 3,883 | 87 |
| Additions | | - | 208 |
| Transfers | | 295 | (295) |
| Amortisation expense | | (40) | - |
| **Closing written down value at 30 June 2023** | | **4,138** | **-** |
| **Closing accumulated amortisation at 30 June 2023** | | **4,739** | **-** |
| **Closing gross asset value at 30 June 2023** | | **8,877** | **-** |
| Opening written down value at 1 July 2021 | | 6,173 | 7 |
| Opening value adjustment | | (2,345) | - |
| Additions | | - | 238 |
| Transfers | | 169 | (159) |
| Disposals and write offs | | (6) | - |
| Amortisation expense | | (108) | - |
| **Closing written down value at 30 June 2022** | | **3,883** | **87** |
| **Closing accumulated amortisation at 30 June 2022** | | **4,699** | **-** |
| **Closing gross asset value at 30 June 2022** | | **8,582** | **87** |

Transfers comprise capitalised expenditure transferred out of work in progress, transfers to or from other non-current assets and transfers to the Statement of Comprehensive Income. Amounts expensed to the Statement of Comprehensive Income are reported in note 7 materials and services and note 9 capital expenses.

## 16) Contract balances

| | Note | 2023 $000's | 2022 $000's |
|---|---|---|---|
| Contract assets | | **3,323** | **2,552** |
| Contract liabilities | | **6,207** | **10,417** |

### a) Contract assets

Where work has been performed but a contract milestone is not yet met, the amount is recognised as a contract asset. This means amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

### b) Contract liabilities

The reported contract liabilities received includes advanced consideration from funding providers for construction projects in total of $5.8M for which revenue will be recognised over time as the performance obligations are met. MRC expects to recognise the reported contract liabilities as revenue in the next 12 months.

| | 2023 $000's | 2022 $000's |
|---|---|---|
| Funds received upfront to construct Council controlled assets | 5,835 | 9,993 |
| Non-capital performance obligations not yet satisfied | 372 | 424 |
| | 6,207 | 10,417 |

| | 2023 $000's | 2022 $000's |
|---|---|---|
| Revenue recognised that was included in the contract liability balance at the beginning of the year | | |
| Funds to construct Council controlled assets | 6,143 | 4,054 |
| Non-capital performance obligations | 422 | 407 |
| | 6,565 | 4,461 |

## 17) Leases

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

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

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

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

### a) Right of use assets

| | Buildings | Other $000's | Total |
|---|---|---|---|
| Opening balance at 1 July 2022 | 521 | 782 | 1,303 |
| Amortisation expense | (50) | (30) | (80) |
| **Closing balance at 30 June 2023** | **471** | **752** | **1,223** |
| Opening balance at 1 July 2021 | 10 | 812 | 822 |
| Additions | 550 | - | 550 |
| Amortisation expense | (38) | (30) | (69) |
| **Closing balance at 30 June 2022** | **521** | **782** | **1,303** |

**b) Lease liabilities**

At each reporting date, MRC assesses whether it is reasonably certain that the extension options will be exercised based on current operations and corporate strategy. As at 30 June 2023, extension options are available.

| | Note | 2023<br>$000's | 2022<br>$000's |
|---|---|---|---|
| Within one year | | 92 | 91 |
| Later than one year but not later than five years | | 476 | 471 |
| Later than five years | | 987 | 1,084 |
| **Total contractual cash flows** | | **1,555** | **1,646** |
| **Carrying amount** | | **1,298** | **1,365** |

## 18) Trade and other payables

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

| | Note | 2023<br>$000's | 2022<br>$000's |
|---|---|---|---|
| Creditors | | 726 | 659 |
| Accruals | | 16,353 | 15,800 |
| | | **17,079** | **16,459** |

## 19) Employee entitlements

Employee entitlements are measured at 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 estimated future cash outflows have been discounted to their present value based on interest rates on Australian Government bond yields as at the reporting date. The value of the liability was calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. Long service leave entitlements have been adjusted for the probability of the employees remaining in MRC's employment.

Where employees have met the prerequisite length of service and MRC does not have an unconditional right to defer this liability beyond 12 months, long service leave is classified as a current liability. Otherwise, it is classified as non-current. Annual leave is classified as a current liability as MRC considers there is no right to defer settlement. Further information is available in note 6 employee costs.

| | Note | 2023<br>$000's | 2022<br>$000's |
|---|---|---|---|
| **Current** | | | |
| Annual leave | | 8,616 | 9,217 |
| Long service leave | | 11,975 | 12,226 |
| Other entitlements | | 796 | 866 |
| | | **21,387** | **22,309** |
| **Non-current** | | | |
| Long service leave | | **1,601** | **1,699** |

## 20) Borrowings

All MRC borrowings are held with QTC. Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost, with interest expensed as it accrues. Principal and interest repayments are made quarterly in arrears for all borrowings.

All borrowing costs are expensed in the period in which they are incurred. No interest has been capitalised during the current or comparative reporting period. There have been no defaults or breaches of loan agreements during the period.

Final payment dates vary from 2024 to 2033 for all borrowings. The market value of borrowings at the reporting date was $54.1M. This represents the value of the debt if MRC repaid it all on that date. At the reporting date, it is the intention of MRC to hold the debt for its full term, as such no provision is required to be made in these accounts.

**Reconciliation of liabilities arising from financing activities:**

| | Note | 2023<br>$000's | 2022<br>$000's |
|---|---|---|---|
| Opening balance at 1 July | | 66,063 | 117,583 |
| Cash flows | | (13,164) | (51,521) |
| **Closing balance at 30 June** | | **52,898** | **66,063** |

In June 2022, MRC repaid $40.7M in QTC borrowings ahead of the scheduled repayment date in 2029.

The following table sets out the liquidity risk in relation to borrowings held with QTC. It represents the remaining undiscounted contractual cashflows (principal and interest) of financial liabilities at the end of the reporting period.

| | Note | 2023<br>$000's | 2022<br>$000's |
|---|---|---|---|
| Within one year | | 16,808 | 16,808 |
| Later than one year but not later than five years | | 34,034 | 44,717 |
| Later than five years | | 10,601 | 16,726 |
| **Total contractual cash flows** | | **61,443** | **78,251** |
| **Carrying amount** | | **52,898** | **66,063** |

The outflows of the liabilities in the above table are not expected to occur significantly earlier or for significantly different amounts than indicated. MRC borrows using fixed rate loan products to limit exposure to interest rate risk and reduce the risk of adverse effects on future cash flows. To further manage exposure to the risk of not being able to meet financial obligations as they fall due, MRC maintains sufficient cash deposits at call to cater for unexpected volatility in cash flows. Further details of cash deposits are disclosed in note 10 cash and cash equivalents.

## 21) Provisions

A provision is made for the cost of restoring waste and quarry sites where it is probable MRC will be liable or required to complete restoration works when the use of the facilities is complete. Refuse restoration provision represents the present value of anticipated future costs associated with the closure of the dump site, decontamination and monitoring of historical residues and leaching on these sites. Quarry rehabilitation provision represents the present value of the anticipated future costs associated with the closure of the quarries, refiling the basin, and reclamation and rehabilitation of these sites.

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

| | Note | 2023<br>$000's | 2022<br>$000's<br>Restated |
|---|---|---|---|
| **Current** | | | |
| Waste restoration | | 60,054 | 56,307 |
| Quarry rehabilitation | | 631 | 2,820 |
| | | **60,685** | **59,127** |
| **Non-current** | | | |
| Waste restoration | | 20,486 | 10,459 |
| Quarry rehabilitation | | 1,177 | 2,787 |
| Other | | 22 | 22 |
| | | **21,685** | **13,268** |

The cost of restoring waste sites is expected to be incurred between 2024 and 2038, after site closure and allowing a period for settlement. No works are identified for completion within the next 12 months.

Golder Associates Pty Ltd (Golder) were engaged in 2022 to determine landfill provision cost estimates. Golder are a leading consultant, with highly skilled engineers and scientists who provide specialist services in the area of earth and environment, including remediation. The estimates reflect Golder's review of site-specific data including; geo-technical information, size, existing conditions, unique environmental and human health risks that require site specific closure works, long-term management strategies and current legislative obligations.

The cost of rehabilitating quarry sites is expected to be incurred between 2024 and 2033, after site closure and allowing a period for settlement. The portion estimated to be payable during the next 12 months is $1.4M based on the current schedule of works.

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

| | Waste restoration | Quarry rehabilitation<br>$000's | Other |
|---|---|---|---|
| Opening balance at 1 July 2022 | 58,841 | 5,608 | 22 |
| Restatement of the provision due to the inclusion of aftercare management costs for closed sites, refer note 1(f) | 7,924 | - | - |
| Provisions recognised or (derecognised) | 9,302 | (1,201) | - |
| Amounts used or (paid) | (583) | (108) | - |
| Unwinding of discount | 2,076 | 180 | - |
| Change due to escalation rates | 1,543 | 139 | - |
| Change in the estimate of forecast expenses | 3,570 | (2,556) | - |
| Change due to discount rates | (2,133) | (254) | - |
| **Closing balance at 30 June 2023** | **80,540** | **1,808** | **22** |

Restatement of opening balance at 1 July 2022:
The costs for aftercare management of closed sites have not been previously included in the provision for waste site restoration. This has been corrected by restating operational expenses for the prior years. Further information on the correction of the opening balance of provisions is set out in note 1(f).

**22) Other liabilities**

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

| | Note | 2023<br>$000's | 2022<br>$000's |
|---|---|---|---|
| **Current** | | | |
| Infrastructure charges offsets | | 278 | 969 |
| Prepaid rates and charges | | 11,875 | 10,563 |
| Waste Levy refund paid in advance | | 3,874 | 4,382 |
| Other liabilities | | 2,794 | 4,129 |
| | | **18,821** | **20,043** |
| **Non-current** | | | |
| Infrastructure charges offsets | | 273 | 691 |
| Waste Levy refund paid in advance | | 9,412 | 10,528 |
| | | **9,685** | **11,219** |

## 23) Asset revaluation surplus

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

Where a class of assets is decreased on revaluation, that decrease is offset first against the amount remaining in the asset revaluation surplus in respect of that class. Any excess is treated as a capital expense. When an asset is disposed of, the amount reported in surplus in respect of that asset, is retained in the asset revaluation surplus and not transferred to retained surplus.

| | Balance at 1 July 2022 | Movement | Balance at 30 June 2023 |
|---|---|---|---|
| | | $000's | |
| Land | 8,048 | 17,038 | 25,086 |
| Site improvements | 36,958 | (6,822) | 30,136 |
| Buildings | 31,762 | 726 | 32,488 |
| Roads, bridge and drainage network | 792,775 | 68,401 | 861,176 |
| Water | 188,398 | 64,776 | 253,174 |
| Sewerage | 331,475 | 77,555 | 409,030 |
| | **1,389,416** | **221,674** | **1,611,090** |

## 24) Commitments for expenditure

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

| | Note | 2023 $000's | 2022 $000's |
|---|---|---|---|
| Waste operational commitments | | 33,122 | 27,432 |
| Other operational commitments | | 7,914 | 3,746 |
| Capital commitments | | 26,840 | 17,220 |
| | | **67,876** | **48,399** |
| **This expenditure is payable:** | | | |
| Within one year | | 44,029 | 35,077 |
| Later than one year but not later than five years | | 23,847 | 13,322 |
| | | **67,876** | **48,399** |

## 25) Contingencies

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

**Legal matters**

As at 30 June, various cases filed in the Courts naming MRC as defendant and other formal requests or demands for financial compensation, for which no fault or liability is admitted, were pending.

The outcomes of many of these disputes are uncertain and as such it is not possible to make a reliable estimate of any potential financial liability. However, for matters where a financial liability is probable and can be reasonably estimated, the potential liability has been determined by MRC’s legal Counsel as $2M (2022: $0).

**Local Government Mutual**

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

As at 30 June 2023, the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

**Local Government WorkCare**

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

MRC's maximum exposure to the bank guarantee is $1.8M (2022: $1.7M).

## 26) Superannuation

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

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

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

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

The last completed actuarial assessment of the scheme as required under *Superannuation Prudential Standard 160* was undertaken as at 1 July 2021. The actuary indicated that "at the valuation date of 1 July 2021, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." The measure of vested benefits represents the value of benefit entitlements should all participating employees voluntarily exit the scheme. MRC is not aware of anything that has happened since that time that indicated the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

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

The next triennial actuarial review is not due until 1 July 2024.

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

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

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

| | Note | 2023<br>$000's | 2022<br>$000's |
|---|---|---|---|
| Superannuation contributions to the scheme | | 304 | 345 |
| Other superannuation contributions for employees | | 9,949 | 9,475 |
| | 6 | **10,253** | **9,820** |

## 27) Reconciliation of net result to net cash inflow from operating activities

| | Note | 2023<br>$000's | 2022<br>$000's |
|---|---|---|---|
| **Net result** | | 36,670 | 39,045 |
| **Non-cash items** | | | |
| Depreciation and amortisation | | 83,333 | 75,075 |
| Interest on lease liabilities | | 25 | 20 |
| Finance costs on lease liabilities | | 1,373 | 1 |
| Unwinding of discounted provisions | | - | 328 |
| Prior year adjustments | | 87 | - |
| | | **84,818** | **75,423** |
| **Investing and development activities** | | | |
| Grants, subsidies, contributions and donations | 4(b) | (48,120) | (42,082) |
| Other capital income | 5 | (477) | (1,597) |
| Capital expenses | 9 | 7,598 | 4,880 |
| | | **(40,999)** | **(38,800)** |
| **Movement in operating assets and liabilities** | | | |
| Trade and other receivables | | 1,021 | 4,309 |
| Other assets | | (1,290) | (506) |
| Contract assets | | (771) | 1,533 |
| Inventories | | (148) | (243) |
| Trade and other payables | | 619 | (5,200) |
| Employee entitlements | | (1,020) | 813 |
| Other liabilities | | (1,648) | 16,950 |
| Contract liabilities | | (4,211) | 5,932 |
| | | **(7,448)** | **23,588** |
| **Net cash inflow from operating activities** | | **73,041** | **99,256** |

## 28) National Competition Policy

MRC applies the competitive code of conduct to:

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

The following operating statement is for activities subject to the code of competitive conduct for the period ended 30 June 2023:

| | Note | Mackay Water Services | Mackay Waste Services |
|---|---|---|---|
| | | $000's | |
| Revenue for services provided to MRC | | 4,289 | 955 |
| Revenue for services provided to external clients | | 100,697 | 32,020 |
| Community service obligations (community or sporting rebates) | | 205 | 36 |
| Less: Expenditure | | (75,725) | (29,915) |
| **Operating result before tax and dividend** | | **29,466** | **3,096** |

**29) Transactions with related parties**

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

**a) Transactions with key management personnel**

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

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

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | $000's | $000's |
| Short term employee entitlements | | 3,591 | 3,552 |
| Post employee entitlements | | 377 | 415 |
| Long term entitlements | | 72 | 8 |
| Termination benefits | | 90 | 284 |
| | | **4,130** | **4,259** |

**b) Transactions with other related parties**

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

MRC employs a total of 1142 staff (2022: 1,109), of which only 2 (2022: 1) are close family members of KMP. All close family members of KMP were employed through an arm's length process. They are paid in accordance with the Award for the job they perform. Employee expenses for those staff members amounted to $55.6K (2022: $45.3K). In some instances, these amounts do not represent a full financial year, but rather the actual period of employment. Further details are disclosed in note 6 employee costs.

**30) Events after the reporting period**

MRC continues to undertake significant asset data improvement processes to enhance the classification and attribute accuracy of assets recorded on corporate asset registers. The impact of this body of work is not yet known and the effects on future reporting periods cannot yet be reasonably estimated. Management will conduct assessments through the period to determine at the earliest opportunity any financial impacts arising from this comprehensive project.

There are no known further matters or circumstances which have arisen since the report date which have affected the financial position of MRC.

## Management Certificate

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

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

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

b) the general purpose financial statements, as set out on pages 1 to 35, present a true and fair view, in accordance with Australian Accounting Standards, of MRC's transactions for the financial year and financial position at the end of the year.

| | |
|---|---|
| **Mayor Mackay Regional Council**<br>**Cr Greg Williamson** | **Chief Executive Officer**<br>**Scott Owen** |
| 13.10.23 | 17.10.23 |
| Date | Date |

Queensland
Audit Office
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# INDEPENDENT AUDITOR'S REPORT

To the Councillors of Mackay Regional Council

## Report on the audit of the financial report

### Opinion

I have audited the financial report of Mackay Regional Council.

In my opinion, the financial report:

a) gives a true and fair view of the council's financial position as at 30 June 2023, and of its financial performance and cash flows for the year then ended

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

The financial report comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including material accounting policy information, and the certificate given by the Mayor and Chief Executive Officer.

### Basis for opinion

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

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

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

### Other information

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

At the date of this auditor's report, the available other information in Mackay Regional Council's annual report for the year ended 30 June 2023 was the current year financial sustainability statement and long-term financial sustainability statement.

The councillors are responsible for the other information.

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

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

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

**Responsibilities of the councillors for the financial report**

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

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

**Auditor's responsibilities for the audit of the financial report**

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

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

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

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

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

## Report on other legal and regulatory requirements

In accordance with s. 40 of the *Auditor-General Act 2009*, for the year ended 30 June 2023:

a) I received all the information and explanations I required

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

## Prescribed requirements scope

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

M. Claydon

18 October 2023

Michael Claydon
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

## Current Year Financial Sustainability Statement

MRC's performance at 30 June 2023, against key financial ratios and targets:

| Key financial sustainability metrics | Target | Actual |
|---|---|---|
| **Operating surplus ratio (%)**<br>Net result (excluding capital items) divided by total operating revenue (excluding capital items) | 0% - 10% | -1.5% |
| **Asset sustainability ratio (%)**<br>Capital expenditure on renewals divided by depreciation expense | > 90% | 63.6% |
| **Net financial liabilities ratio (%)**<br>(Total liabilities less current assets) divided by total operating revenue (excluding capital items) | < 60% | 9.6% |

**1 a) Basis of preparation**

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

The amounts used to calculate the 3 reported measures are prepared on an accrual basis and are drawn from MRC's audited general purpose financial statements for the year ended 30 June 2023.

**Mackay Regional Council**
**Financial Statements**
**For the year ended 30 June 2023**

**Certificate of Accuracy**
**Current Year Financial Sustainability Statement**

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

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

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|---|---|
| **Mayor Mackay Regional Council**<br>**Cr Greg Williamson** | **Chief Executive Officer**<br>**Scott Owen** |
| 13.10.23<br>Date | 17.10.23<br>Date |

Queensland Audit Office
Better public services

# INDEPENDENT AUDITOR'S REPORT

To the Councillors of Mackay Regional Council

## Report on the Current-Year Financial Sustainability Statement

### Opinion

I have audited the accompanying current year financial sustainability statement of Mackay Regional Council for the year ended 30 June 2023, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with s. 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Mackay Regional Council for the year ended 30 June 2023 has been accurately calculated.

### Basis of opinion

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

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

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

### Emphasis of matter – basis of accounting

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

### Other information

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

At the date of this auditor's report, the available other information in Mackay Regional Council's annual report for the year ended 30 June 2023 was the general purpose financial report and long-term financial sustainability statement.

The councillors are responsible for the other information.

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

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

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

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

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

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

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

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

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

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

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

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

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

M. Claydon

18 October 2023

Michael Claydon
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

## Long Term Financial Sustainability Statement (Unaudited)

| Key financial sustainability metrics | Target | Actual | Projection for the financial year ended 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Operating surplus ratio (%)**<br>Net result (excluding capital items) divided by total operating revenue (excluding capital items) | 0% - 10% | -1.5% | 0.2% | 1.3% | 1.3% | 2.4% | 3.0% | 2.8% | 3.3% | 3.5% | 3.1% |
| **Asset sustainability ratio (%)**<br>Capital expenditure on renewals divided by depreciation expense | > 90% | 63.6% | 67.9% | 98.4% | 98.3% | 88.5% | 88.9% | 99.0% | 94.0% | 92.4% | 97.1% |
| **Net financial liabilities ratio (%)**<br>(Total liabilities less current assets) divided by total operating revenue (excluding capital items) | < 60% | 9.6% | 3.6% | 5.7% | 9.1% | 12.6% | 15.0% | 19.5% | 29.6% | 39.2% | 45.6% |

### Mackay Regional Council's financial management strategy

**Operating surplus ratio**
Council is within the benchmark range for the long term financial forecast. Council is forecasting minor operating surpluses for the forecast period available for capital funding, to service long-term debt required to fund the capital program and allows scope to absorb financial shocks.

**Asset sustainability ratio**
Council is forecasting a sustainable asset replacement and renewal program for the forecast period. A number of asset groups are reaching an age requiring rehabilitation, renewal or replacement which will result in higher investment in existing assets in certain years. An increased focus on asset management and long-term capital planning will further improve council's ability to make informed decisions regarding asset management into the future.

**Net financial liabilities ratio**
The financial liabilities ratio is within acceptable limits for the life of the 10-year plan, indicating that council has the capacity to fund liabilities and capacity to increase loan borrowings if required. Council's debt reduction strategy in recent years now allows scope to increase borrowings to fund an increased capital projects program.

**Mackay Regional Council**
**Financial Statements**
**For the year ended 30 June 2023**

**Certificate of Accuracy**
**Long Term Financial Sustainability Statement (Unaudited)**

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

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

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| **Mayor Mackay Regional Council**<br>**Cr Greg Williamson** | **Chief Executive Officer**<br>**Scott Owen** |
| 13.10.23 | 17.10.23 |
| Date | Date |