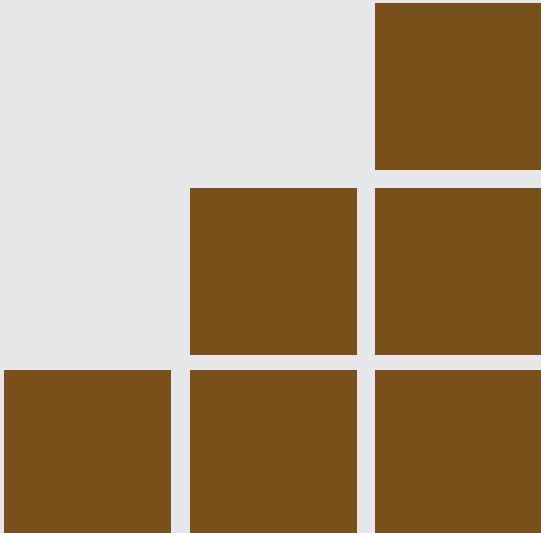


our FINANCIALS



Community Financial Report



This section of the annual report is aimed at providing a reader-friendly understanding of Moreton Bay Regional Council's financial performance and position for the year ended 30 June 2010.

As anyone managing a household budget will know, there are day-to-day expenses to meet, bills to be paid, loans, and money that has to be put aside for the future.

The council manages its finances in much the same way but on a broader scale, so in this report we'll be examining where our money comes from, where it is spent, what we own, what we owe, what we have left over, and what we need to set aside for the future.

There are four key statements which form the basis of analysing the council's financial performance and position.

These are:

- **Statement of Comprehensive Income**
- **Statement of Financial Position**
- **Statement of Changes in Equity**
- **Statement of Cash Flows**

The **Statement of Comprehensive Income** shows how we take the money we receive in our day-to-day operations and how we spend it on providing services to the community. It also shows the difference between what we've earned (our revenue) and what we've spent (our expenses).

| Statement of Comprehensive Income for the year ended 30 June 2010 | | \$'000 |
|--------------------------------------------------------------------------|--|----------------|
| Total Operating Revenue | | 425,546 |
| Total Capital Revenue | | 142,463 |
| Total Operating Expenses | | (444,270) |
| NET OPERATING SURPLUS | | 123,739 |
| Total Other Comprehensive Income for the year | | 177,135 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 300,874 |

The money council earns comes from a variety of sources which are broken up into three major components – operating revenue, capital revenue and other comprehensive income.

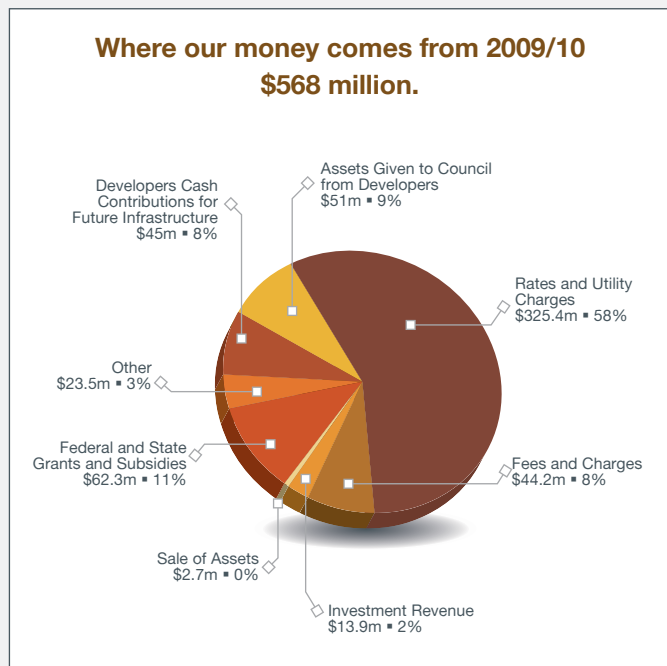
Our operating revenue is the money we receive from general operations and the majority of this comes from rates and utility charges. It is used to help provide many essential community services such as waste facilities, roads, water and sewerage, and stormwater drainage as well as to fund operations such as libraries, swimming pools, and recreational facilities.

Our capital revenue is income received by council that is used to provide for current or future assets of the council. The majority of council's capital revenue is derived from grants and subsidies provided by the State and Federal Government to assist in building new infrastructure, and infrastructure contributions provided by developers across the region.

Other comprehensive income covers the revaluation of council's non-current assets, such as infrastructure and other assets. For the 2009/10 financial year the revaluations applied resulted in an increase of \$177.1 million to its revenue.

Details of this form of revenue can be found in the notes to the financial statements (note 29).

The major sources of operating and capital revenue are shown in the graph below.



The **Statement of Financial Position** reflects the 'net worth' of council by comparing the total value of what we own (our assets) with what we owe (our liabilities). The difference between the two is known as our community equity.

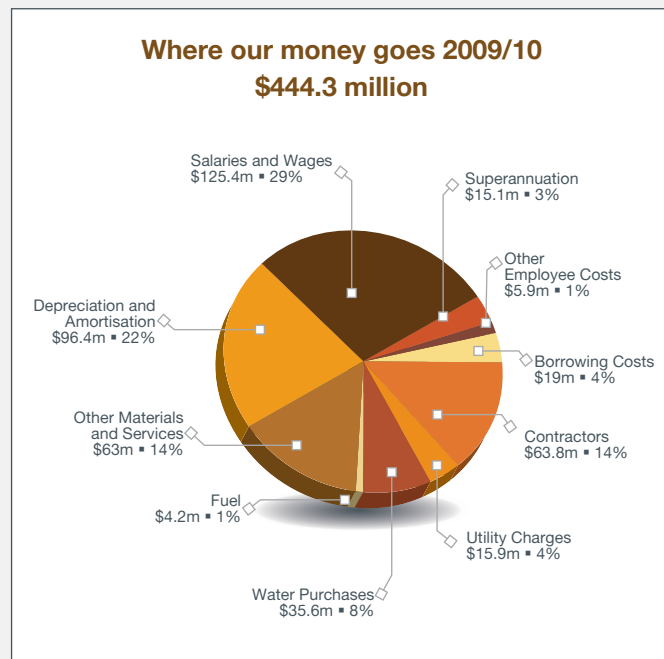
Council continues to be in a strong financial position because the value of what we own continues to increase by more than the amount we owe.

At the end of 2009/10 council had \$5.1 billion in assets and only \$439.1 million in liabilities. Our community equity had increased by \$300.9 million to a total of \$4.7 billion.

| Statement of Financial Position as at 30 June 2010 | |
|-------------------------------------------------------|------------------|
| | \$'000 |
| Total Current Assets | 331,315 |
| Total Non-Current Assets | 4,777,484 |
| Total Assets | 5,108,799 |
| Total Current Liabilities | 85,701 |
| Total Non-Current Liabilities | 353,400 |
| Total Liabilities | 439,101 |
| NET COMMUNITY ASSETS | 4,669,698 |
| Retained Surplus | 3,717,161 |
| Assets Revaluation Surplus | 738,078 |
| Reserves | 214,459 |
| TOTAL COMMUNITY EQUITY | 4,669,698 |

Our operating expenses are the expenses incurred in the day-to-day operations of council. This figure includes salaries and wages of employees, materials and services costs including what we pay contractors, utility charges, water purchases and fuel.

Council's operating expenses are detailed in notes 11 to 14 of the notes to the financial statements.

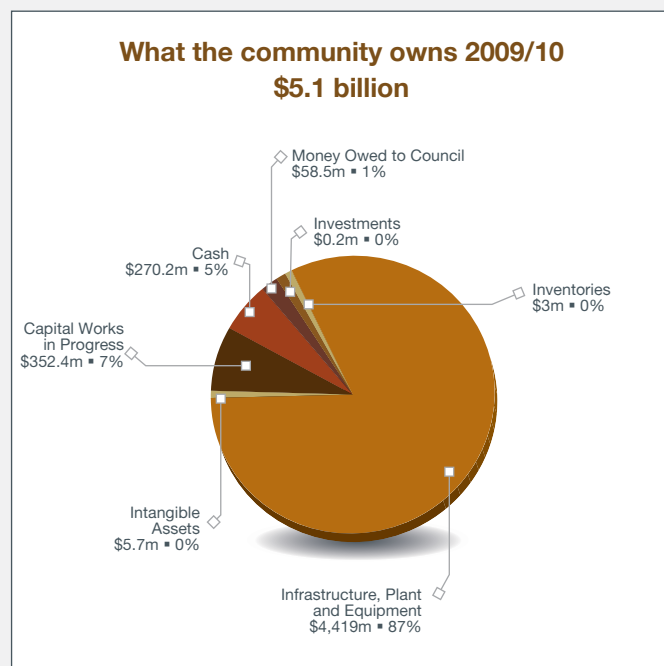


Council's total assets (\$5.1 billion) are categorised as either current assets or non-current assets.

The vast majority of council's assets are non-current assets (\$4.8 billion), which includes items like infrastructure, plant and equipment, investments and capital work in progress. Current assets are items like cash, items that can be easily converted into cash and money owed to council which is expected to be received within the next 12 months.

Council's current assets are detailed in notes 16 to 18 and non-current assets are detailed in notes 17, 19, 20, 21 and 22 of the notes to the financial statements.

The major classes of assets are shown in the graph below.

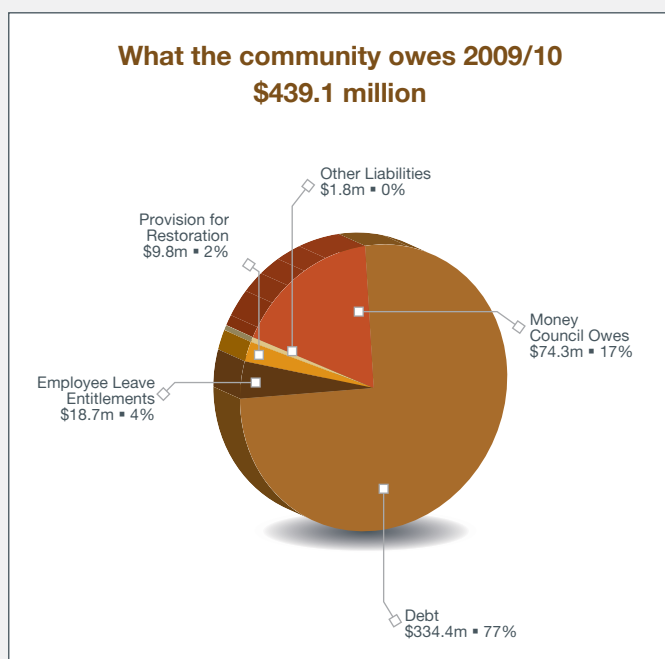


Council's liabilities totalled \$439.1 million at the end of 2009/10 and included \$85.7 million of current liabilities which are due to be paid within 12 months and \$353.4 million of non-current liabilities.

Liabilities are mainly debt, amounts owing to suppliers and amounts owing to employees for leave entitlements.

Council's current liabilities are detailed in notes 23, 24, 26 and 27 of the notes to the financial statements, while non-current liabilities are detailed in notes 23, 24 and 26.

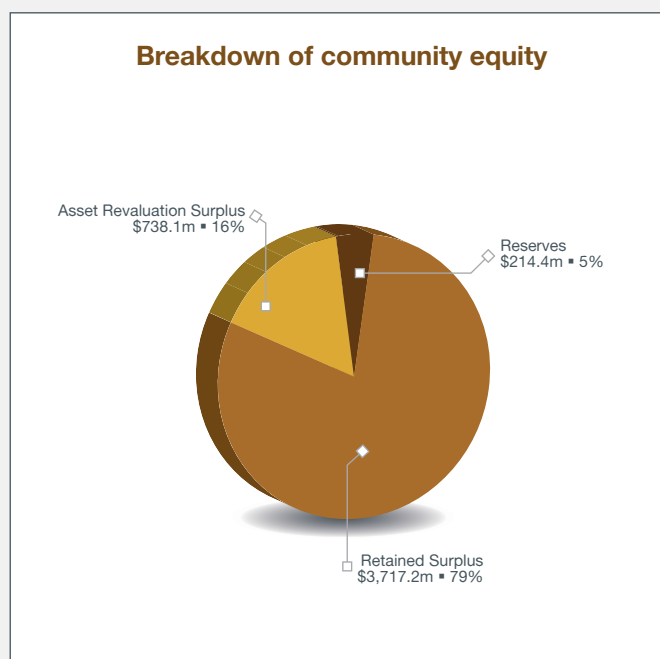
The major classes of liabilities are shown in the graph below.



The **Statement of Changes in Equity** measures the change in council's net wealth. Community equity is equal to total assets (what we own) minus total liabilities (what we owe). Community equity is broken up into three categories:

- retained surplus (the net amount of community wealth that is not yet allocated to meet specific needs)
- asset revaluation surplus (the net amounts council's fixed assets have increased over the years as market values have increased)
- reserves (represents funds constrained for future use)

The graph below shows the breakdown of community equity.



The **Statement of Changes in Equity** below shows a summary of transfers to and from the equity accounts. The table also shows that council's total wealth has increased by \$300.9 million to \$4.7 billion in the 12 months to 30 June 2010.

Statement of Changes in Equity for the year ended 30 June 2010

| | Retained Surplus | Assets Revaluation Surplus | Other Reserves | Total Community Equity |
|------------------------------------------------|------------------|----------------------------|----------------|------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance as at 1 July 2009 | 3,569,525 | 560,943 | 238,356 | 4,368,824 |
| Net Operating Surplus | 123,739 | | | 123,739 |
| Other Comprehensive Income for the year | | 177,135 | | 177,135 |
| Total Comprehensive Income for the year | 123,739 | 177,135 | | 300,874 |
| Total transfer to and from reserve | 23,897 | | (23,897) | |
| Balance at 30 June 2010 | 3,717,161 | 738,078 | 214,459 | 4,669,698 |

Further details and a breakdown of the community equity can be found in notes 28 to 30 of the notes to the financial statements.

The **Statement of Cash Flows** identifies how council received and spent money during the year, and what cash is available at the end of the year.

It shows the movement of cash based on the operating activities (which generate cash from normal operations), investing activities (which relate to the purchasing and disposal of long-term assets) and financing activities (which relate to the receipt and repayment of debt) of council.

Statement of Cash Flows for the year ended 30 June 2010

| | \$'000 |
|--------------------------------------------|---------------|
| Cash at beginning of the financial year | 317,160 |
| Net cash inflow from operating activities | 89,298 |
| Net cash outflow from investing activities | (210,232) |
| Net cash inflow from financing activities | 73,931 |
| Cash at end of the financial year | 270,157 |

Council ended the year with \$270.2 million in cash. This is a very strong cash position and council holds a large portion of cash with various banks where it earns income through interest gained on term deposits.

Cash Holdings for the year ended 30 June 2010

| | \$'000 |
|---------------------------------------------------------------------------------|---------------|
| Cash at beginning of the financial year | 317,160 |
| Plus increased cash from operations | 89,298 |
| Plus increased cash from external loans | 85,000 |
| Plus increased cash from the sale of assets | 6,010 |
| Plus increased cash from capital grants, subsidies, contributions and donations | 88,878 |
| Less cash spent on the repayment of external loans | (11,069) |
| Less net movement in loans to community organisations | (15) |
| Less payments for infrastructure, plant and equipment | (305,105) |
| Cash at end of the financial year | 270,157 |

Summing it up

Responsible Financial Management

In a period of continued growth and expansion, responsible financial management is crucial for council to continue to provide key services and strike the balance between meeting the needs of the community today and providing a solid financial future for the Moreton Bay region.

This Community Financial Report contains four measures of financial sustainability. These measures, on the next page, are designed to demonstrate that council is operating in a prudent financial manner and ensuring council's long-term financial sustainability and viability.

| | 2009/2010 Budget | 2009/2010 Actual | Target * | Analysis |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Interest coverage ratio Demonstrates the extent to which operating revenues are being used to meet the financing charges associated with debt servicing obligations. | 0.6% | 1.0% | 0% to 10% (the lower the better) | Council's interest coverage ratio is being maintained at a healthy level. This ratio sits comfortably between the target range and indicates that the percentage of operating revenues covering financing charges associated with debt obligations is relatively small. |
| Net financial liabilities ratio Demonstrates the extent to which the net financial liabilities of council can be serviced by its operating revenues. | 48.6% | 25.3% | 60% (the lower the better) | This ratio indicates that council has the capacity to fund the liabilities. The ratio remains well under the 60% target. |
| Operating surplus ratio This is an indicator of the extent to which operating revenues cover operating expenses only, or are available for capital purposes. | -3.7% | -4.4% | 0% to 15% | This ratio indicates the council has an operating deficit. Council is forecasting a small operating deficit in 2010/11. Council is committed to achieving strong operating surplus ratios into the future to ensure long-term financial sustainability. |
| Working capital ratio Demonstrates the extent to which council has liquid assets available to meet short term financial obligations. | 4.28 | 3.87 | 1.0 (the higher the better) | This ratio shows that council has maintained a strong capacity to meet short term obligations. |

* The targets are Queensland Treasury Corporation (QTC) suggested targets for local government.

For the 2010/11 financial year, the Community Financial report will feature six measures of financial sustainability as required under the Local Government (Finance, Plans and Reporting) Regulation 2010.

The year to 30 June 2010 is council's first 12-month reporting period.

The financial snapshot table below compares key financial information at the end of the current reporting period with the previous one, which spanned more than 15 months from the date of the amalgamation of Caboolture Shire, Pine Rivers Shire and Redcliffe City councils as Moreton Bay Regional Council in March 2008.

| Financial Snapshot | | |
|--------------------------------------------|----------------------------|-----------------|
| | 15 Mar 2008 to 30 Jun 2009 | 2009/2010 |
| Net rate revenue | 327.1m | 325.4m |
| Fees and charges revenue | 55.3m | 44.2m |
| Total operating revenue | 458.4m | 425.5m |
| Total capital revenue | 3,872.7m | 142.5m |
| Operating expenses | 522.1m | 444.3m |
| Borrowing costs | 11.8m | 17.3m |
| Increase in operating capability | 3,807.9m | 123.7m |
| Operating result | (63.7m) | (18.7m) |
| Capital project expenditure | 408.1m | 305.1m |
| Net cash generated by operating activities | 47.1m | 89.3m |
| Total assets | 4,729.2m | 5,108.8m |
| Total liabilities | 360.4m | 439.1m |
| Total equity | 4,368.8m | 4,669.7m |
| Reserves | 238.4m | 214.5m |

Feedback

If you have any feedback or wish to contact us in relation to any of the information contained in this report please send an email to mbrc@moretonbay.qld.gov.au

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