MORETON BAY REGIONAL COUNCIL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 June 2014

Moreton Bay

Financial Statements

For the year ended 30 June 2014

TABLE OF CONTENTS

Statement of Comprehensive Income		1
Statement of Financial Position		2
Statement of Changes in Equity		3
Statement of Cash Flows		4
Notes to the financial statements		
1	Significant accounting policies	5
2	Analysis of results by function	21
3	Rates and utility charges	23
4	Fees and charges	23
5	Rental income	23
6	Grants, subsidies and contributions	23
7	Interest revenue	24
8	Sales revenue	24
9	Other revenue	24
10	Capital income	24
11	Employee benefits	25
12	Material and services	25
13	Depreciation and amortisation	26
14	Finance costs	26
15	Capital expenses	26
16	Cash and cash equivalents	27
17	Trade and other receivables	27
18	Inventories	28
19	Investments	28
20	Investment property	28
21	Investment in associate	29
22	Property, plant and equipment	30
23	Fair value measurements	32
24	Intangible assets	39
25	Trade and other payables	39
26	Borrowings	40
27	Provisions	40
28	Other liabilities	42
29	Retained surplus	42
30	Asset revaluation surplus	42
31	Commitments for expenditure	43
32	Contingent liabilities	44
33	Superannuation	45
34	Operating lease income	46
35	Trust funds	46
36	Reconciliation of net result for the year to net cash inflow from operating activities	46
37	Correction of prior period adjustments	47
38	Financial instruments	52
39	National competition policy	56
40	Events subsequent to balance date	56
Management Certificate		57
Independent Auditor's Report		58

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STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2014

	Note	2014 $'000	Restated 2013 $'000
Income			
Revenue			
Operating Revenue			
Rates and utility charges	3	**238,973**	226,641
Fees and charges	4	**32,391**	27,213
Rental income	5	**6,934**	6,796
Grants, subsidies and contributions	6(a)	**18,807**	29,408
Interest revenue	7	**46,287**	59,520
Sales revenue	8	**4,088**	4,192
Other revenue	9	**18,302**	11,828
Share of profit of associate	21	50,092	39,571
		415,874	405,169
Capital Revenue			
Grants, subsidies and contributions	6(b)	**81,523**	82,286
Total Revenue		497,397	487,455
Capital Income	10	**353**	13
Total Income		**497,750**	487,468
Expenses			
Operating Expenses			
Employee benefits	11	**(123,480)**	(121,829)
Materials and services	12	**(130,755)**	(154,770)
Depreciation and amortisation	13	**(82,783)**	**(83,714)**
Finance costs	14	**(24,588)**	(23,224)
		(361,606)	(383,537)
Capital Expenses	15	**(30,334)**	(39,002)
Total Expenses		**(391,940)**	(422,539)
NET RESULT		**105,810**	64,929
Other Comprehensive Income			
Items that will not be reclassified to net result			
Decrease in asset revaluation surplus	30	**(7,843)**	(199,722)
Total other comprehensive income for the year		**(7,843)**	(199,722)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**97,967**	(134,793)

The above statement should be read in conjunction with the accompanying notes and Significant Accounting Policies.
Comparative figures have been restated. Refer to Note 37 for details.

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Moreton Bay

STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Note	2014 $'000	Restated 2013 $'000	Restated 2012 $'000
Assets				
Current Assets				
Cash and cash equivalents	16	205,080	201,285	205,349
Trade and other receivables	17	54,578	56,075	55,715
Inventories	18	919	948	1,009
Total Current Assets		260,577	258,308	262,073
Non-Current Assets				
Trade and other receivables	17	695,839	683,369	687,686
Investments	19	15	15	15
Investment property	20	46,310	45,721	47,320
Investment in associate	21	892,636	870,659	858,779
Property, plant and equipment	22	4,088,760	4,005,727	4,110,233
Intangible assets	24	3,147	3,139	3,815
Total Non-Current Assets		5,726,707	5,608,630	5,707,848
Total Assets		5,987,284	5,866,938	5,969,921
Liabilities				
Current Liabilities				
Trade and other payables	25	50,705	46,525	44,992
Borrowings	26	21,054	18,221	15,282
Provisions	27	3,322	3,112	2,025
Other	28	1,088	3,099	477
Total Current Liabilities		76,169	70,957	62,776
Non-Current Liabilities				
Trade and other payables	25	4,048	4,417	4,265
Borrowings	26	374,915	364,908	341,112
Provisions	27	30,651	23,122	23,441
Total Non-Current Liabilities		409,614	392,447	368,818
Total Liabilities		485,783	463,404	431,594
NET COMMUNITY ASSETS		5,501,501	5,403,534	5,538,327
Community Equity				
Retained surplus	29	4,972,715	4,866,905	4,801,976
Asset revaluation surplus	30	528,786	536,629	736,351
TOTAL COMMUNITY EQUITY		5,501,501	5,403,534	5,538,327

The above statement should be read in conjunction with the accompanying notes and Significant Accounting Policies. Comparative figures have been restated. Refer to Note 37 for details.

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STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2014

	Note	Retained Surplus	Asset Revaluation Surplus	Total Community Equity
		29	30	
		$'000	$'000	$'000
Balance as at 1 July 2013		4,866,905	536,629	5,403,534
Net result		105,810	-	105,810
Other comprehensive income for the year				
Decrease in asset revaluation surplus		-	(7,843)	(7,843)
Total comprehensive income for the year		105,810	(7,843)	97,967
Balance at 30 June 2014		4,972,715	528,786	5,501,501
Balance as at 1 July 2012 (Restated)		4,801,976	736,351	5,538,327
Net result		64,929	-	64,929
Other comprehensive income for the year				
Decrease in asset revaluation surplus		-	(199,722)	(199,722)
Total comprehensive income for the year		64,929	(199,722)	(134,793)
Balance at 30 June 2013		4,866,905	536,629	5,403,534

The above statement should be read in conjunction with the accompanying notes and Significant Accounting Policies. Comparative figures have been restated. Refer to Note 37 for details.

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Moreton Bay

STATEMENT OF CASH FLOWS
For the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers		**317,504**	293,033
Payments to suppliers and employees		**(284,243)**	(301,243)
Interest received		**46,287**	59,520
Rental income		**6,934**	6,796
Non capital grants and contributions		**18,807**	29,408
Tax equivalent received		**4,511**	6,109
Borrowing costs		**(23,263)**	(22,307)
Net cash inflow from operating activities	**36**	**86,537**	71,316
Cash flows from investing activities			
Payments for property, plant and equipment		**(175,736)**	(174,159)
Payments for intangible assets		**(939)**	(226)
Payments for investment property		**(321)**	(58)
Proceeds from sale of property, plant and equipment		**4,234**	3,821
Net movement in loans to community organisations		**(13)**	(73)
Net movement in loans to Unitywater		**4,396**	4,111
Dividends received from associate		**30,344**	26,902
Other dividends received		**-**	1
Grants, subsidies, contributions and donations		**42,453**	37,566
Net cash outflow from investing activities		**(95,582)**	(102,115)
Cash flows from financing activities			
Proceeds from borrowings		**31,000**	42,000
Repayment of borrowings		**(18,160)**	(15,265)
Net cash inflow from financing activities		**12,840**	26,735
Net increase/(decrease) in cash held		**3,795**	(4,064)
Cash and cash equivalents at the beginning of the financial year		**201,285**	205,349
Cash and cash equivalents at the end of the financial year	**16**	**205,080**	201,285

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

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1 Significant accounting policies

1.A Basis of preparation

These general purpose financial statements are for the period 1 July 2013 to 30 June 2014 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. Consequently, these financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain non-current assets.

1.B Statement of compliance

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board that are relevant to Council's operations and effective for the current reporting period. Because Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS), to the extent these inconsistencies are applied, these financial statements do not comply with IFRS.

The main impacts are:
- the offsetting of revaluation and impairment gains and losses within a class of assets
- the timing of the recognition of non-reciprocal grant revenue

1.C Constitution

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

1.D Date of authorisation

The financial statements were authorised for issue on the date they were submitted to the Auditor-General for final signature. This is the date the management certificate is signed.

1.E Currency

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

1.F Adoption of new and revised Accounting Standards

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies. However the Application of AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 for the first time this year has resulted in greater disclosures.

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

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	Effective for annual report periods beginning on or after:
AASB 9 *Financial Instruments* (December 2009)	1 January 2017
AASB 10 *Consolidated Financial Statements*	1 January 2014
AASB 11 *Joint Arrangements*	1 January 2014
AASB 12 *Disclosure of Interests in Other Entities*	1 January 2014
AASB 127 *Separate Financial Statements* (replaces the exiting standard together with AASB 10)	1 January 2014
AASB 128 *Investments in Associates and Joint Ventures* (replaces the exiting standard)	1 January 2014
AASB 1055 *Budgetary Reporting*	1 July 2014
AASB 1056 *Superannuation Entities*	1 July 2016
2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010)	1 January 2015
2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*	1 January 2014
2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132]*	1 January 2014
2013-1 *Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements*	1 July 2014
2013-3 *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
2013-4 *Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]*	1 January 2014
2013-5 *Amendments to Australian Accounting Standards - Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]*	1 January 2014
2013-6 *Amendments to AASB 136 arising from Reduced Disclosure Requirements*	1 January 2014
2013-7 *Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders [AASB 1038]*	1 January 2014
2013-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, AASB 12 & AASB 1049]*	1 January 2014

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2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative dates: Part A Conceptual Framework – 20 Dec 2013; Part B Materiality – 1 Jan 2014; Part C Financial Instruments – 1 Jan 2015]*	1 January 2014
2014-1 *Amendments to Australian Accounting Standards [Operative dates: Part A-C – 1 Jul 2014; Part D – 1 Jan 2016; Part E – 1 Jan 2015]*	1 July 2014
2014-2 *Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements [AASB 1053]*	1 July 2014
Interpretation 21 Levies	1 January 2014

AASB 9 Financial instruments (effective from 1 January 2017)

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2017 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost, and financial assets will only be able to be measured at amortised cost where very specific conditions are met.

Management have yet to fully assess the impact that AASB 9 *Financial Instruments* and 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9.* Initial analysis suggests that AASB 9 will have no impact on the financial statements, however further analysis will be required closer to the application date of the standard. Council does not expect to implement the amendments prior to the adoption date of 1 January 2017.

Consolidation Standards

The AASB issued a suite of seven related accounting standards which are effective for annual reporting periods beginning on or after 1 January 2014. The following standards aim to improve the accounting requirements for consolidated financial statements, joint arrangements and off balance sheet vehicles.

AASB 10 *Consolidated Financial Statements*
AASB 11 *Joint Arrangements*
AASB 12 *Disclosure of Interests in Other Entities*
AASB 127 *Separate Financial Statements*
AASB 128 *Investments in Associates and Joint Ventures*
AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidated and Joint Arrangements Standards*
AASB 2013-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities - Control and Structured Entities*

AASB 10 redefines and clarifies the concept of control of another entity, and is the basis for determining which entities should be consolidated into another entity's financial statements. Moreton Bay Regional Council has reviewed all the entities with which council has a relationship and has determined that no entities are considered to be controlled by council.

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AASB 11 deals with the concept of joint control and sets out new principles for determining the type of joint arrangements that exits, which in turn dictates the accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement. Moreton Bay Regional Council has assessed the nature of arrangements with other entities and has determined that no joint arrangement exists in term of AASB 11 and therefore no changes are anticipated.

AASB 12 contains the disclosure requirements of interests in other entities including unconsolidated structured entities. While the Council is yet to complete a review of disclosure, no significant changes are anticipated. based on those presently made.

1.G Critical accounting judgements and key sources of estimation uncertainty

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

The estimates and assumptions that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined in the following financial statement notes:

Investment Property - Note 1.O and Note 20
Valuation and depreciation of property, plant and equipment - Note 1.P and Note 22
Impairment of non-current assets - Note 1.S
Liabilities - Note 1.V
Provisions - Note 1.X and Note 27
Contingent liabilities - Note 32

1.H Rates, grants and other revenue

Rates, grants and other revenue are recognised as revenue on receipt of funds or earlier upon unconditional entitlement to the funds.

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

Grants and subsidies
Grants and subsidies that are non-reciprocal are recognised as revenue upon receipt. Where Council is obligated to repay grant and subsidy income an expense is recognised once that obligation is known.

Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding arrangement are fulfilled.

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

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Physical assets contributed to Council by developers in the form of infrastructure are recognised as revenue when the development becomes "on maintenance" (i.e. Council obtains control of the assets) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets. All non-cash contributions are recognised at the fair value of the contribution on the date of acquisition.

Infrastructure cash contributions

Council receives infrastructure contributions from developers for trunk infrastructure, such as roads and stormwater. These infrastructure contributions are not within the scope of AASB interpretation 18 because there is no performance obligation associated with them. Consequently, the infrastructure contributions are recognised as income when received.

Rental income

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

Interest

Interest received is accrued over the term of the investment.

Share of profit

As a party to the participation agreement with Unitywater, Council receives a proportional share of net profits as a participation return. Returns are calculated on the post-tax operating profits of Unitywater. Revenue is recognised on an accruals basis.

Sales revenue

Sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, generally when the customer has taken undisputed delivery of the goods. Council generates revenues from a number of services including waste operations and community facilities operations.

Fees and charges

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

Income tax equivalent

Unitywater operates under an income tax equivalent regime; with all tax paid being distributed to the participating Councils on a pro-rata basis to their participation rights. Council recognises revenue quarterly based on a percentage of the Unitywater gross revenue.

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1.I Financial assets and financial liabilities

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

Council has categorised and measured the financial assets and financial liabilities held at reporting date as follows:

Financial assets
Cash and cash equivalents - Note 1.J
Receivables - Note 1.K

Financial liabilities
Payables - Note 1.U
Borrowings - Note 26

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

All other disclosures relating to the measurement and financial risk management of financial instruments are included in Note 38.

1.J Cash and cash equivalents

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

1.K Receivables

Trade receivables are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase price / contract price and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Settlement of these amounts is required within 30 days from invoice date.

The collectability of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment. The loss is recognised in finance costs.

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

Because Council is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts, Council does not impair any rate receivables.

Loans and advances are made to community organisations, and are recognised in the same way as other receivables. Security is not normally obtained.

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Works receivable as at the reporting date represents the value of financial contributions and costs incurred by Council less the value of any infrastructure 'handed' over to Council that has arisen out of the Moreton Bay Rail Link Project. The Moreton Bay Rail Link Project is a joint funded project between the Australian Government, the Queensland State Government and Moreton Bay Regional Council to deliver 12.6 km of rail track, 6 rail stations, other rail structures, new road and bridge works along with new cycling and walking paths. The rail line will link Petrie in Strathpine to Kippa Ring at Redcliffe. Council pays financial contributions toward the project, which is managed by the Queensland Department of Transport and Main Roads, and in return will progressively receive infrastructure for those contributions and other costs Council directly incurs in the delivery of the project. Council will make further contributions toward the project in 2014/15 and 2015/16. Council anticipates that the total value of the financial contributions along with any other costs incurred will equate to the value of infrastructure to be received by Council over the course of the project.

1.L Inventories

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

Inventories held for distribution are:
- goods to be supplied at no or nominal charge; and
- goods to be used for the provision of services at no or nominal charge.

These goods are valued at cost, adjusted, when applicable, for any loss of service potential.

1.M Investments

Financial institution deposits at call and term deposits with a short maturity of twelve months or less are treated as cash equivalents. Interest and dividend revenues are recognised on an accrual basis.

Council holds shares in Redcliffe Peninsula Financial Services Ltd. The shares are valued at cost because they are not quoted in an active market and their fair value cannot be reliably measured. Council's investments are disclosed in Note 19.

1.N Investment in associate

(i) Equity accounting treatment

As at 1 July 2010 a water distribution and retail business called Unitywater was established in accordance with the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009* to deliver water and waste water services to customers within the local government areas of Moreton Bay Regional Council and Sunshine Coast Regional Council.

Under the Act, governance arrangements for Unitywater were established in a Participation Agreement, which commenced from 1 July 2010. The Agreement provides for participation rights to be held by the participating Councils. The participating Councils are Moreton Bay Regional Council, Sunshine Coast Regional Council, and Noosa Shire Council. Noosa Shire Council was established on 1 January 2014 following de-amalgamation elections held on 9 November 2013. The inclusion of Noosa Shire Council in the participation agreement has no financial or operational impact on Moreton Bay Regional Council.

The participation rights effectively represent an investment in an associate by Moreton Bay Regional Council and are disclosed in Note 21.

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Associates are entities over which Moreton Bay Regional Council exerts significant influence. Significant influence is the power to participate in the financial and operating policy decisions but is not control or joint control. Council has determined that Unitywater is an associate for accounting purposes.

Investments in associates are accounted for in the financial statements using the equity method and are carried at the lower of cost and recoverable amount. Under this method, the entity's share of post-acquisition profits or losses of associates is recognised in the Statement of Comprehensive Income and the interest in the equity of the associate is recognised in the Statement of Financial Position. The cumulative post-acquisition movements, being the share of profits less dividends received and accrued, are adjusted against the cost of the investment.

(ii) Other transactions with associates

Dividends

Dividends declared and paid are treated in accordance with the equity basis of accounting set out above.

Tax equivalents

Unitywater operates under an income tax equivalent regime; with all tax paid being distributed to the participating Councils on a pro-rata basis to their participation rights. Tax is payable quarterly based on a percentage of the Unitywater gross revenue. Tax equivalent payments are not eliminated as part of the equity accounting in associates.

Participant loans

Participant loans provide for a fixed interest rate with monthly interest only payments. Interest payments are not eliminated as part of the equity accounting in associates.

Participant loans are carried at amortised cost. The non-current receivables (subordinated debt) owed to Council by Unitywater represent participant loans established when Unitywater commenced operations on 1 July 2010. The loans were initially for a three year period ending on 30 June 2013. During June 2013 a new participant loan agreement was entered into and executed with a commencement date of 1 July 2013 and to conclude on 30 June 2033. The amount of the participant loan remains unchanged.

1.O Investment property

Investment property is property held for the primary purpose of earning rentals and/or capital appreciation. This includes land held by Council for a currently undetermined future use.

Investment property is measured using the fair value model. This means all investment property is initially recognised at cost (including transaction costs) and then subsequently revalued annually at the reporting date by a registered valuer. Where investment property is acquired at no or nominal cost it is recognised at fair value.

Property that is being constructed or developed for future use as investment property is classified as investment property. Investment property under construction is measured at fair value, unless fair value cannot be reliably determined for an individual property (in which case the property concerned is measured at cost until fair value can be reliably determined).

Gains or losses arising from changes in the fair value of investment property are recognised as incomes or expenses respectively for the period in which they arise. Investment property is not depreciated and is not tested for impairment.

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1.P Property, plant and equipment

Asset classes

The classes of property, plant and equipment recognised by the Council are:

Land
Land Improvements
Buildings
Park Equipment
Plant and Equipment
Transport Infrastructure
Stormwater Infrastructure
Waterways and Canals Infrastructure
Cultural and Heritage

There will be occasions where assets are adjusted between various classes due to refinements in the above definitions or misclassification of a particular asset. These movements will have a nil effect on the total assets value for Council.

Non-current asset thresholds
Items of property, plant and equipment with a total value of less than $5,000 except for land and network assets are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

Acquisition of assets
Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including detailed design costs and all other establishment costs.

Non-monetary assets, including property, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value by Council valuation when the criteria for asset recognition per AASB 1004 *Contributions* are met and where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

Capital and operating expenditure
Wage and materials expenditure incurred for the acquisition or construction of assets are treated as capital expenditure. Indirect costs may also be included as capital expenditure, where such costs can be reasonably associated with capital construction projects.

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

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Valuation
Land, buildings, infrastructure assets and cultural and heritage assets are measured on the revaluation basis, at fair value, in accordance with AASB116 *Property, Plant and Equipment*. All other non-current assets, principally plant and equipment and intangible assets are measured at cost.

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

In the intervening years, Council uses a suitable index to perform a desktop valuation. A desktop revaluation involves the application of suitable indexes undertaken at the reporting date when there has been a material movement in value for an asset class subsequent to the last comprehensive revaluation.

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

Details of valuers and methods of valuations are disclosed in Note 23.

Capital work in progress
Capital work in progress contains all assets purchased and/or constructed that are not yet available for use. The cost of property, plant and equipment under construction includes the cost of materials and direct labour. Indirect costs may also be included where such costs can be reasonably associated with capital construction projects.

Investment property under construction is classified as investment property. Refer to Note 1.O for further information.

Depreciation
Land and cultural and heritage assets are not depreciated as they have an unlimited useful life. Depreciation on other property, plant and equipment is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the Council. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

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

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

QAO
certified statements

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

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

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. Details of the range of estimated useful lives for each class of asset are shown in Note 22.

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

Assets not previously recognised
The initial recognition of non-current assets relates to items of property, plant and equipment that should have been included in previous years financial accounts, but has only been identified and placed into the fixed asset register during the current reporting period and not deemed material for the purposes of a prior period adjustment under the provisions of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

These assets do not form part of the current years capital acquisitions and have been recognised directly to the Statement of Comprehensive Income as capital revenue as shown in Note 6(b). These assets were identified due to the introduction of improved information capture processes. All immaterial identified assets have been initially recognised within the accounts at their written down fair value as at the reporting date detailed.

1.Q Intangible assets

Intangible assets are assets that do not have a physical substance but are expected to provide future benefits to Council. Intangible assets derive their value from the rights that possession and use confer on Council. Council recognises identifiable intangible assets, such as software.

It has been determined that there is not an active market for any of Council's intangible assets. As such, these assets are recognised and carried at cost, less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised over a life of between five and ten years.

Intangible assets with a cost or other value exceeding $5,000 are recognised as intangible assets in the financial statements, items with a lesser value being expensed.

Amortisation methods, estimated useful lives and residual values are reviewed at the end of each reporting period and adjusted where appropriate. Details of the estimated useful lives assigned to each class of intangible assets are shown in Note 24.

QAO
certified statements

1.R Biological assets

The Council operates a nursery to produce bedding plants and trees for its own use. In view of the immaterial nature of this operation the accounting procedures related to biological assets have not been applied. The costs incurred in this operation are included in Council's general operations as they are incurred.

1.S Impairment of non-current assets

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

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

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

1.T Leases

Leases of plant and equipment under which Council as lessee assumes substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are classified as finance leases. Other leases, where substantially all the risks and benefits remain with the lessor, are classified as operating leases.

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

QAO
certified statements

1.U Payables

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

1.V Liabilities - employee benefits

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

Salaries and wages
A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 25 as a payable.

Annual leave
A liability for annual leave is recognised. Amounts expected to be settled within 12 months (the current portion) are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months (the non-current portion) are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense and is reported in Note 25 as a payable.

Sick leave
Council has an obligation to pay sick leave on termination to certain employees and therefore a liability has been recognised for this obligation. This liability represents an accrued expense and is reported in Note 25 as a non-current payable.

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

Long service leave
A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in Council's employment or other associated employment which would result in Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. This liability is reported in Note 27 as a provision.

QAO
certified statements

1.W Borrowings and borrowing costs

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

In accordance with the *Local Government Regulation 2012* Council adopts an annual debt policy that sets out Council's planned borrowings for the next nine years. Council's current policy is to only borrow for capital projects and for a term no longer than the expected life of the asset. Council also aims to comply with the Queensland Treasury Corporation's borrowing guidelines and ensure that sustainability indicators remain within acceptable levels at all times.

Borrowing costs, which includes interest calculated using the effective interest method and administration fees, are expensed in the period in which they arise. Costs that are not settled in the period in which they arise are added to the carrying amount of the borrowing. Borrowing costs are treated as an expense, as assets constructed by Council are generally completed within one year and therefore are not considered to be qualifying assets.

1.X Restoration provision

The provision is made for the cost of restoration in respect of refuse landfill sites and bio-solids composting sites where it is probable Council will be liable, or required, to incur such a cost on the cessation of use of these facilities. The provision is measured at the expected cost of the work required discounted to current day values using an appropriate rate. Further details of Council's provision for the cost of restoration of refuse landfill sites and bio-solids composting sites can be found in Note 27.

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

The provision is measured at the expected cost of the work required discounted to present value. Changes in the provision not arising from the passing of time are treated as an adjustment to the provision and associated asset. Once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in profit and loss.

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

QAO
certified statements

1.Y Infrastructure offsets

Infrastructure offsets represent a liability that is recognised when infrastructure has been contributed to Council by a developer in lieu of paying infrastructure charges. Terms and conditions surrounding the delivery of the contributed infrastructure and the crystallisation of the offset are set out in "Infrastructure Agreements" that the Council and the developer(s) enter into. The offset or liability arises when the value of the contributed infrastructure is greater than what the developer would have paid in infrastructure charges to Council. The offset/liability is recognised when the contributed asset is accepted as "on maintenance" (when Council accepts ownership of the asset) by Council. Once the offset is created the developer is entitled to be paid the offset owing in cash or can use it to offset any infrastructure charges for future developments that the developer may undertake.

1.Z 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 an expense. When an asset is disposed of, the amount in the surplus in respect of that asset is retained in the asset revaluation surplus and not transferred to retained surplus.

1.AA Retained surplus

This represents Council's accumulated surplus.

1.AB National competition policy

Council has reviewed its activities to identify its business activities. Details of these activities are disclosed in Note 39.

1.AC Rounding and comparatives

Amounts included in the financial statements have been rounded to the nearest $1,000.

Comparative information has been reclassified where necessary to be consistent with disclosures in the current reporting period. The resulting reclassifications have had no effect on the current year or prior year net community assets.

1.AD Trust funds held for outside parties

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

The monies are disclosed in the notes to the financial statements for information purposes only in Note 35.

1.AE Taxation

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

Council has a participating interest in the Northern SEQ Distributor-Retailer Authority (trading as Unitywater) governed by a Participation Agreement. The Authority is subject to the Local Government Tax Equivalents Regime (LGTER). Under the LGTER the Authority is required to make income tax equivalent payments to Council in accordance with the requirements of the Participation Agreement. Income tax equivalent payments from the Authority are recognised as revenue when the significant risks and rewards related to the corresponding assets have been transferred to Council.

1.AF Carbon pricing mechanism

In 2011 the Australian Government introduced a Clean Energy Legislation package. One aspect of this package was the introduction of a pricing mechanism for greenhouse gas emissions.

The pricing mechanism commenced on 1 July 2012 and set a fixed price path for the first three years ($23 per tonne of carbon dioxide equivalent (CO_2-e) emissions adjusted in real terms by 2.5% per annum).

Council has two landfills that produce emissions that exceed the relevant liability threshold. A third landfill is not expected to exceed the emissions threshold.

Council recognises a liability under the carbon pricing mechanism as the emissions from these facilities occur. Organic material within waste deposited at landfills takes time to begin decomposing. Waste deposited in 2012/13 only began to break down and generate emissions at the start of 2013/14; therefore Council recognised a liability for the purchase of carbon permits for the first time this year. Council's liability for carbon permits for emissions during the 2013/14 was $611,599.

On 17 July 2014 the carbon tax repeal bills were passed by the Australian Parliament bringing to an end the carbon pricing mechanism. Council is no longer required to recognise a liability for carbon emissions effective from 1 July 2014.

QAO
certified statements

2 Analysis of Results by Function

(a) Components of Council Functions

The activities relating to Council's components reported in Note 2(b) below are as follows:

Engineering, Construction & Maintenance

Engineering, Construction and Maintenance is responsible for the maintenance of Council buildings and public facilities, as well as identifying, planning and delivering infrastructure to support the community and ensure a high standard of infrastructure within the Moreton Bay Region.

Community & Environmental Services

Community and Environmental Services is responsible for providing well managed and maintained community facilities, ensuring compliance with the local laws of Council, monitoring, reporting and engaging with the community to advance the protection and management of the natural environment.

Governance

The role of the Governance section is to ensure open and accountable governance of the region and comprises the Councillors, Chief Executive Officer, Internal Audit, legal, financial management, organisational and people development, corporate project management, information technology support, communications and other related support functions.

Strategic Planning & Development

Strategic Planning and Development is responsible for maintaining a strategic plan of Council's longer term functions and responsibilities, across a range of activities such as land use planning, planning scheme development and development engineering.

Economic Development & Commercial Services

The role of Economic Development and Commercial Services is to support increased levels of employment within the region, foster a dynamic and prosperous business environment, manage Council's property portfolio, acquire and dispose of strategic land holdings, stimulate economic activity and provide sustainable and cost-effective solid waste management services to the community.

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

Year ended 30 June 2014	Gross program income				Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result	Assets
Function	Operating		Capital				Operating	Capital				
	Grants	Other	Grants	Other								
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Engineering, Construction & Maintenance	3,066	17,428	22,109	201	(12,692)	30,112	(107,418)	2,702	12,400	(92,316)	(62,204)	4,119,785
Community & Environmental Services	4,728	20,516	-	-	(130)	25,114	(52,982)	-	387	(52,595)	(27,481)	402
Governance	7,401	315,590	175	59,358	2,087	384,611	(154,494)	(34,390)	(1,843)	(190,727)	193,884	1,828,915
Strategic Planning & Development	-	8,701	-	-	(3)	8,698	(10,487)	-	2	(10,485)	(1,787)	-
Economic Development & Commercial Services	-	51,593	-	33	(2,411)	49,215	(49,374)	1,354	2,203	(45,817)	3,398	38,182
Total	15,195	413,828	22,284	59,592	(13,149)	497,750	(374,755)	(30,334)	13,149	(391,940)	105,810	5,987,284

Year ended 30 June 2013 (Restated)	Gross program income				Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result	Assets
Function	Operating		Capital				Operating	Capital				
	Grants	Other	Grants	Other								
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Engineering, Construction & Maintenance	5,704	16,725	17,767	115	(13,298)	27,013	(108,902)	2,416	12,661	(93,825)	(66,812)	4,021,857
Community & Environmental Services	7,890	18,858	-	-	(131)	26,617	(55,002)	23	496	(54,483)	(27,866)	479
Governance	13,268	299,411	-	64,367	2,465	379,511	(173,774)	(42,199)	(2,299)	(218,272)	161,239	1,809,229
Strategic Planning & Development	-	6,202	-	-	(11)	6,191	(12,326)	-	2	(12,324)	(6,133)	-
Economic Development & Commercial Services	-	50,003	-	50	(1,917)	48,136	(46,425)	758	2,032	(43,635)	4,501	35,373
Total	26,862	391,199	17,767	64,532	(12,892)	487,468	(396,429)	(39,002)	12,892	(422,539)	64,929	5,866,938

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

QAO certified statements

QAO
certified statements

	Note	2014 $'000	Restated 2013 $'000
3 Rates and utility charges			
General rates		**195,429**	184,820
Cleansing charges		**35,708**	34,928
Other special levies, rates and charges		**11,557**	10,578
		242,694	230,326
Less: Pensioner and other rebates		**(3,721)**	(3,685)
		238,973	226,641
4 Fees and charges			
Administration		**6,793**	5,674
Community facilities		**5,049**	4,999
Development services		**14,011**	10,471
Waste management		**3,408**	3,121
Animal control		**2,930**	2,672
Other fees		**200**	276
		32,391	27,213
5 Rental income			
Investment property rental		**4,670**	4,704
Other rental income		**2,264**	2,092
		6,934	6,796
6 Grants, subsidies and contributions			
(a) Operating			
Government grants and subsidies		**14,388**	26,101
Other grants, subsidies, contributions and donations		**4,419**	3,307
		18,807	29,408
(b) Capital			
Government grants and subsidies		**22,284**	17,767
Infrastructure cash contributions		**19,935**	19,634
Contributed assets		**39,070**	38,571
Assets not previously recognised		**-**	6,149
Other capital income		**234**	165
		81,523	82,286

QAO
certified statements

	Note	2014 $'000	Restated 2013 $'000
Conditions over contributions			
Contributions and grants which were recognised as revenues during the reporting period, and which were obtained on the condition that they be expended in a manner specified by the contributor, but had not been expended at the reporting date:			
Grants		1,559	3,540
		1,559	3,540
Contributions and grants which were recognised as revenues in a previous reporting period, and were expended during the current reporting period in accordance with Council's obligations:			
Grants		3,540	2,956
		3,540	2,956
7 Interest revenue			
Interest from financial institutions		8,329	9,897
Interest from Unitywater		36,940	48,508
Interest from overdue rates and utility charges		1,018	1,115
		46,287	59,520
8 Sales revenue			
Waste operations		3,273	3,343
Other		815	849
		4,088	4,192
9 Other revenue			
Recoverable works		92	68
Dividend		-	1
Tax equivalent		12,978	5,126
Other income		5,232	6,633
		18,302	11,828
10 Capital income			
Revaluations			
Revaluation up of investment property	20	268	-
		268	-
Bio-solids composting site rehabilitation			
Estimation adjustment to Bio-solids composting site		70	-
Unused amount reversal to Bio-solids composting site	27	15	13
		85	13
Total capital income		353	13

QAO
certified statements

	Note	2014 $'000	Restated 2013 $'000
11 Employee benefits			
Total staff wages and salaries		**102,203**	100,133
Annual, sick, long service leave and other entitlements		**12,643**	11,900
Superannuation	33	**12,591**	12,260
		127,437	124,293
Other employee related expenses		**5,576**	5,423
		133,013	129,716
Less: Capitalised employee expenses		**(9,533)**	(7,887)
		123,480	121,829

	2014 No.	2013 No.
Total full time equivalent employees	**1,504**	1,567
	1,504	1,567

	2014 $'000	2013 $'000
12 Materials and services		
Contractors	**69,356**	68,981
Utilities	**19,088**	15,212
Materials	**8,991**	9,240
Information technology hardware/software	**4,944**	4,248
Fuel	**4,014**	3,602
Insurance premiums	**3,029**	2,770
Labour hire services	**2,988**	3,939
Other services	**2,754**	3,160
Donations, grants and contributions	**2,193**	2,105
Commissions and contributions	**1,762**	23,762
Printing, postage and stationery	**1,715**	1,625
Councillors' remuneration	**1,654**	1,627
Expensed capital	**1,323**	4,133
Consultants	**1,162**	930
Cleaning	**1,151**	1,164
Equipment maintenance	**1,046**	1,183
Marketing and promotions	**900**	1,050
Legal costs	**777**	2,592
Security	**677**	828
Plant hire	**612**	2,189
Investment property expenses (property generating income)	**397**	190
Audit of annual financial statements by the Auditor-General of Queensland	**220**	235
Other audit assurance services performed	**2**	5
	130,755	154,770

Councillor remuneration represents regular payments and other allowances paid in respect of carrying out their duties.

QAO certified statements

	Note	2014 $'000	Restated 2013 $'000
13 Depreciation and amortisation			
Depreciation of non-current assets			
Land improvements		**4,143**	3,990
Buildings		**11,419**	11,384
Park equipment		**3,825**	3,566
Plant and equipment		**7,688**	7,969
Transport infrastructure		**43,946**	44,654
Stormwater infrastructure		**11,068**	10,983
Waterways and canals		277	266
	22	82,366	82,812
Amortisation of intangible assets			
Software	24	**417**	902
Total depreciation and amortisation		82,783	83,714
14 Finance costs			
Finance cost on loans		**23,197**	22,232
Impairment of bad debts		**214**	21
Bank charges		**778**	623
Landfill restoration		**333**	273
Other interest charges		66	75
		24,588	23,224
15 Capital expenses			
Loss on disposal of non-current assets			
Proceeds from the sale of property, plant and equipment		**4,234**	3,821
Less: Book value of property, plant and equipment disposed of		(27,270)	(40,891)
		23,036	37,070
Refuse landfill sites restoration			
Estimation adjustment to refuse landfill sites		**86**	245
Discount rate adjustment to refuse landfill sites		77	26
		163	271
Bio-solids composting site rehabilitation			
Discount rate adjustment to Bio-solids composting site		**63**	4
		63	4
Revaluations			
Revaluation down of investment property	20	-	1,657
		-	1,657
Infrastructure offsets			
Infrastructure offsets recognised		**22,885**	-
Infrastructure offsets extinguished		**(15,813)**	-
		7,072	-
Total capital expenses		30,334	39,002

QAO
certified statements

	Note	2014 $'000	Restated 2013 $'000
16 Cash and cash equivalents			
Cash at bank and on hand		**7,092**	3,906
Deposits at call		**82,588**	86,979
Term deposits		**115,400**	110,400
Balance per Statement of Cash Flows		**205,080**	201,285
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:			
Unspent government grants and subsidies		**1,559**	3,540
*Internally imposed expenditure restrictions at the reporting date:			
Unspent infrastructure contributions		**95,636**	80,181
Total unspent restricted cash		**97,195**	83,721
* These restrictions were previously allocated as reserves.			
17 Trade and other receivables			
Current			
Rates and utility charges		**7,117**	8,273
Loans to community organisations		**4**	8
Loans to Unitywater		**4,704**	4,397
Accrued interest receivable from Unitywater		**9,207**	12,101
Accrued dividend receivable from Unitywater		**12,387**	14,616
Accrued tax receivable from Unitywater		**9,720**	1,254
Other debtors		**3,437**	5,728
GST recoverable		**3,175**	4,877
Prepayments		**5,033**	4,830
		54,784	56,084
Less: Allowance for impaired debts		**(206)**	(9)
		54,578	56,075
Non-current			
Loans to community organisations		**431**	414
Loans to Unitywater		**1,227**	5,930
Senior debt receivable from Unitywater		**-**	376,125
Subordinated debt receivable from Unitywater		**677,025**	300,900
Works receivable		**17,156**	-
		695,839	683,369

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

Loans have been made to Unitywater for working capital purposes. Interest is charged at a fixed rate of 6.7864% per annum. The credit risk on these loans is considered low.

The subordinated debt receivable from Unitywater is set at a fixed interest rate of 5.38%. The credit risk on these loans is considered low.

QAO
certified statements

	Note	2014 $'000	Restated 2013 $'000
Movement in accumulated impairment losses (other debtors) is as follows:			
Opening balance at beginning of financial year		**9**	12
Impairment debts written off during the year		**(11)**	(16)
Additional impairments recognised during the year		**208**	18
Impairments recovered during the year		**-**	(5)
Closing balance at end of financial year		**206**	9

18 Inventories

Inventories held for distribution		**919**	948
		919	948

19 Investments

Shares in Redcliffe Peninsula Financial Services Ltd		**15**	15
		15	15

20 Investment property

Fair value at beginning of financial year		**45,721**	47,320
Additions from subsequent expenditure recognised		**321**	58
Net gain or (losses) from fair value adjustments		**268**	(1,657)
Fair value at end of financial year		**46,310**	45,721

Investment property comprises:

- commercial property which is rented out
- land which is held for future development or an undetermined future use.

Investment property does not include residential properties, swimming pools, aerodrome hangers and caravan parks.

All investment property was valued at fair value by AssetVal, an independent professionally qualified valuation firm, as at 30 June 2014. Fair value was determined by reference to market based evidence including observable historical sales data in the relevant market for properties of similar nature and specification.

Income from investment property is shown in Note 5. Expenses in respect of investment property are shown in Note 12.

QAO
certified statements

21 Investment in associate

Details of the associate is as follow.

Name of the associate	Principal activity	Proportion of participation %
Unitywater	Water and sewerage services	58.2382

Summarised financial information in respect of the associate is set out below.

	2014 $'000	2013 $'000
Total assets	**3,268,130**	3,159,073
Total liabilities	**(1,748,436)**	(1,677,117)
Net assets	**1,519,694**	1,481,956
Share of net assets of associate	**885,040**	863,063
Total revenue	**550,493**	516,946
Total profit for the year	**86,012**	67,946
Share of profit of associate	**50,092**	39,571
Council investment in the associate comprises of:		
Participation rights	**892,636**	870,659
Details of movements in participation rights:		
Opening Balance	**870,659**	858,779
Share of profit of associate	**50,092**	39,571
Less share of dividends received and accrued	**(28,115)**	(27,691)
Closing balance at end of year	**892,636**	870,659
Reconciliation of the participation rights to the share of net assets:		
Closing value of participation rights	**892,636**	870,659
Less share of net assets	**(885,040)**	(863,063)
Share of loss of associate for the year ended 2009/10	**7,596**	7,596
Share of loss of associate comprises:		
Total loss for the year ended 2009/10		13,043
Proportion of participation interest		58.2382%
Share of loss of associate for the year ended 2009/10		7,596

The variation between the value of participation rights and the share of net assets occurred because Unitywater incurred losses during 2009/10 prior to the commencement of the Council's participation in Unitywater which began on 1 July 2010.

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22 Property, plant and equipment

30 June 2014	Note	Land	Land Improvements	Buildings	Park Equipment	Plant and Equipment	Transport Infrastructure
Basis of measurement		Fair Value	Cost	Fair Value	Cost	Cost	Fair Value
Asset Values		$'000	$'000	$'000	$'000	$'000	$'000
Opening gross value as at 1 July 2013		482,018	103,864	397,672	81,342	98,668	2,652,459
Additions		-	-	-	-	-	-
Transfers between asset classes		(2,696)	(187)	(282)	221	50	2,723
Contributed assets		-	112	-	415	19	24,782
Disposals		(3,589)	(2,161)	(2,771)	(1,098)	(18,369)	(23,693)
Revaluation adjustment to asset revaluation surplus	30	(5,730)	-	-	-	-	-
Transfers from work in progress		3,097	7,135	17,840	15,246	12,592	63,264
Closing gross value as at 30 June 2014		473,100	108,763	412,459	96,126	92,960	2,719,535
Accumulated depreciation and impairment							
Opening balance as at 1 July 2013		-	31,938	153,498	28,859	42,474	641,897
Depreciation provided in period	13	-	4,143	11,419	3,825	7,688	43,946
Transfers between asset classes		-	(146)	(65)	11	(3)	203
Depreciation on disposals		-	(2,108)	(798)	(734)	(13,079)	(9,088)
Revaluation adjustment to asset revaluation surplus	30	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2014		-	33,827	164,054	31,961	37,080	676,958
Total written down value as at 30 June 2014		473,100	74,936	248,405	64,165	55,880	2,042,577
Range of estimated useful life in years		-	3 - 100	5 - 108	5 - 110	2 - 110	2 - 150

30 June 2014	Note	Stormwater Infrastructure	Waterways and Canals	Cultural and Heritage	Work in Progress	Total
Basis of measurement		Fair Value	Fair Value	Fair Value	Cost	
Asset Values		$'000	$'000	$'000	$'000	$'000
Opening gross value as at 1 July 2013		1,019,515	216,241	2,606	62,053	5,116,438
Additions		-	-	-	178,319	178,319
Transfers between asset classes		171	-	-	-	-
Contributed assets		13,568	-	174	-	39,070
Disposals		(1,016)	-	(110)	-	(52,807)
Revaluation adjustment to asset revaluation surplus	30	-	(601)	-	-	(6,331)
Transfers from work in progress		10,539	1,010	-	(148,114)	(17,391)
Closing gross value as at 30 June 2014		1,042,777	216,650	2,670	92,258	5,257,298
Accumulated depreciation and impairment						
Opening balance as at 1 July 2013		205,306	6,739	-	-	1,110,711
Depreciation provided in period	13	11,068	277	-	-	82,366
Transfers between asset classes		-	-	-	-	-
Depreciation on disposals		(244)	-	-	-	(26,051)
Revaluation adjustment to asset revaluation surplus	30	-	1,512	-	-	1,512
Accumulated depreciation as at 30 June 2014		216,130	8,528	-	-	1,168,538
Total written down value as at 30 June 2014		826,647	208,122	2,670	92,258	4,088,760
Range of estimated useful life in years		20 - 100	9 - 100	-	-	

Additions comprises:

	$
Renewals	56,950,320
Other additions	121,367,978
Total additions	178,318,298

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30 June 2013 (Restated)	Note	Land	Land Improvements	Buildings	Park Equipment	Plant and Equipment	Transport Infrastructure
Basis of measurement		Fair Value	Cost	Fair Value	Cost	Cost	Fair Value
Asset Values		$'000	$'000	$'000	$'000	$'000	$'000
Opening gross value as at 1 July 2012		658,327	96,314	387,916	74,331	98,042	2,565,543
Additions		-	-	-	-	-	-
Transfers between asset classes		(484)	(2,115)	222	(392)	(10)	2,409
Contributed assets		2,231	326	-	557	-	22,919
Disposals		(1,044)	(115)	(1,976)	(1,269)	(16,470)	(42,344)
Assets not previously recognised		-	-	-	-	24	6,125
Revaluation adjustment to asset revaluation surplus	30	(199,722)	-	-	-	-	-
Transfers from work in progress		22,710	9,454	11,510	8,115	17,082	97,807
Closing gross value as at 30 June 2013		482,018	103,864	397,672	81,342	98,668	2,652,459
Accumulated depreciation and impairment							
Opening balance as at 1 July 2012		-	28,438	142,920	26,381	45,442	614,658
Depreciation provided in period	13	-	3,990	11,384	3,566	7,969	44,654
Transfers between asset classes		-	(455)	(85)	(83)	(1)	624
Depreciation on disposals		-	(35)	(721)	(1,005)	(10,936)	(18,039)
Accumulated depreciation as at 30 June 2013		-	31,938	153,498	28,859	42,474	641,897
Total written down value as at 30 June 2013		482,018	71,926	244,174	52,483	56,194	2,010,562

30 June 2013 (Restated)	Note	Stormwater Infrastructure	Waterways and Canals	Cultural and Heritage	Work in Progress	Total
Basis of measurement		Fair Value	Fair Value	Fair Value	Cost	
Asset Values		$'000	$'000	$'000	$'000	$'000
Opening gross value as at 1 July 2012		999,985	212,969	2,490	75,284	5,171,201
Additions		-	-	-	178,576	178,576
Transfers between asset classes		370	-	-	-	-
Contributed assets		12,422	-	116	-	38,571
Disposals		(10,692)	(50)	-	-	(73,960)
Assets not previously recognised		-	-	-	-	6,149
Revaluation adjustment to asset revaluation surplus	30	-	-	-	-	(199,722)
Transfers from work in progress		17,430	3,322	-	(191,807)	(4,377)
Closing gross value as at 30 June 2013		1,019,515	216,241	2,606	62,053	5,116,438
Accumulated depreciation and impairment						
Opening balance as at 1 July 2012		196,639	6,490	-	-	1,060,968
Depreciation provided in period	13	10,983	266	-	-	82,812
Transfers between asset classes		-	-	-	-	-
Depreciation on disposals		(2,316)	(17)	-	-	(33,069)
Accumulated depreciation as at 30 June 2013		205,306	6,739	-	-	1,110,711
Total written down value as at 30 June 2013		814,209	209,502	2,606	62,053	4,005,727

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23 Fair value measurements

(i) Recognised fair value measurements

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

- Buildings
- Cultural and Heritage
- Investment Property
- Land
- Stormwater Infrastructure
- Transport Infrastructure
- Waterways and Canals

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

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

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in Note 26 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flows at balance date (Level 2).

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

In accordance with AASB 13 fair value measurements are categorised on the following basis:

- Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Fair value based on inputs that are directly or indirectly observable for the asset of liability (Level 2)
- Fair value based on unobservable inputs for the asset and liability (Level 3)

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

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available and minimise the use of entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3.

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The table presents the Council's assets and liabilities measured and recognised at fair value at 30 June 2014. Comparative information has not been provided as allowed by the transitional provisions of AASB 13 Fair Value Measurement.

At 30 June 2014	Note	Level 2 (Significant other observable inputs)	Level 3 (Significant unobservable inputs)	Total
Recurring fair value measurements		**$'000**	**$'000**	**$'000**
Buildings	22	-	248,405	248,405
Cultural and Heritage	22	-	2,670	2,670
Investment Property	20	46,310	-	46,310
Land	22	275,654	197,446	473,100
Stormwater Infrastructure	22	-	826,647	826,647
Transport Infrastructure	22	-	2,042,577	2,042,577
Waterways and Canals	22	-	208,122	208,122
		321,964	3,525,867	3,847,831

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

Council adopted AASB 13 Fair Value Measurement for the first time this financial year and has reviewed each valuation to ensure compliance with the requirements of the new standard. There have been no changes in valuation techniques as a result of this review.

Specific valuation techniques used to value Council assets comprise:

Buildings (Level 3)

The fair value of buildings were determined by independent valuer AssetVal Pty Ltd as at 30 June 2012.

Due to the specialised nature of Council buildings, the valuations have been determined using the Depreciated Replacement Cost method of valuation. The cost approach is an accepted valuation methodology under AASB 13 and is deemed to be a Level 3 input.

Valuations have been prepared on an abbreviated bill of quantity methodology with reliance upon costing references contained within Rawlinsons Australia Construction Handbook 2012 encompassing Civil Works and Building costs. AssetVal has a database built up from research of building costs through research and contact with suppliers and builders which has also been utilised.

In determining the level of accumulated depreciation, each building asset has been disaggregated into the significant components which exhibit different patterns of consumption (useful lives). The useful lives adopted for each asset component have been assessed with regard to the construction and use of the particular building. The remaining useful lives of the asset component have been assessed having regard to the available information and onsite inspection at time of valuation.

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The valuations sensitivity to the unobservable inputs is summarised below.

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Remaining useful life	0 – 100 years	The longer the remaining life, the higher the fair value

Cultural and Heritage (Level 3)

Council's Cultural and Heritage asset class is comprised of Artwork which was independently revalued by Ross Searle Associates as at 31 December 2011.

In determining the fair value consideration has been given to the profile of the collection which is highly focused in favour of regional artists and works that have been acquired through art prizes and donations. This profile creates challenges in terms of establishing fair market value where no real market exists for works of art by artists who operate outside of the creative industries where price and value performance can be measured through resale at auction or through the secondary market.

Investment Property (Level 2)

Investment property fair values were determined by independent valuer AssetVal Pty Ltd as at 30 June 2014 as disclosed in Note 20 - Investment Property.

Fair value has been determined using the income capitalisation approach. The income capitalisation method of valuation involves capitalising the estimated net income of the property at an appropriate capitalisation rate (net yield) that has been determined through the analysis of market based sales evidence for properties of similar nature and specification.

Land (Level 2 and 3)

The fair value of land was determined by independent valuer AssetVal Pty Ltd as at 30 June 2013.

For land classified as level 2, fair value has been derived by utilising inputs such as price per square metre , which is derived by assessing market based sales evidence of land in the relevant geographic location and of a comparable land use and/or zoning.

For land classified at level 3 no active market exists and fair value has been measured utilising a discounted price per square metre. The price per square metre is based upon market based sales evidence however it is discounted because the land is subject to one or more of the following conditions;

- the physical characteristics of the land,
- the current and intended future use, and
- any zoning restrictions that have been placed upon the land in terms of use.

The discounting of the land is a significant unobservable input as it is subject to judgment and assumptions and therefore the land is classified as level 3.

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The valuations sensitivity to the unobservable inputs is summarised below.

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Discount factor	Physical characteristics, current and intended future use and zoning restrictions	The lower the discount factor, the higher the fair value

Stormwater Infrastructure (Level 3)

The fair value of stormwater infrastructure was determined by independent valuers AssetVal Pty Ltd as at 30 June 2012.

Due to the specialised nature of Council's stormwater infrastructure there is no active market for the assets. As such, fair value has been determined using the Deprecated Replacement Cost method of valuation. The cost approach is an accepted valuation methodology under AASB 13 and is deemed to be a Level 3 input.

Valuations have been prepared utilising unit rates that are developed by summing each component which goes into producing a unit (metres, square metres, tonnes etc.) of an asset. The major components of any asset are the raw materials, plant, labour and on-costs. These unit costs are then applied to known measurements of the assets to produce a replacement cost, which is then depreciated to estimate the fair value.

The raw cost of material, as well as plant and labour hire rates, have been established through communicating directly with suppliers and obtaining quoted prices by using cost guides such as Rawlinson's Construction Handbook and those incurred by Council.

The valuations sensitivity to the unobservable inputs is summarised below.

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Standard material usage quantities	Varies depending on the type of material	The higher the usage quantities, the higher the fair value
Number of labour hours	5 - 100 hr/lm	The higher the labour hours, the higher the fair vale
Number of plant hours	Varies depending on the type of asset	The higher the plant hours, the higher the fair value

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Transport Infrastructure (Level 3)

The fair value of transport infrastructure was determined by independent valuers AssetVal Pty Ltd (unit rates) and Cardno (bridges) as at 30 June 2012.

Due to the specialised nature of Council's transport infrastructure there is no active market for the assets. As such, fair value has been determined using the Deprecated Replacement Cost method of valuation. The cost approach is an accepted valuation methodology under AASB 13 and is deemed to be a Level 3 input.

Valuations have been prepared utilising unit rates that are developed by summing each component which goes into producing a unit (metres, square metres, tonnes etc.) of an asset. The major components of any asset are the raw materials, plant, labour and on-costs. These unit costs are then applied to known measurements of the assets to produce a replacement cost, which is then depreciated to estimate the fair value.

The raw cost of material, as well as plant and labour hire rates, have been established through communicating directly with suppliers and obtaining quoted prices by using cost guides such as Rawlinson's Construction Handbook and those incurred by Council.

The valuations sensitivity to the unobservable inputs is summarised below.

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Standard material usage quantities	Varies depending on the type of material	The higher the usage quantities, the higher the fair value
Number of labour hours	5 - 100 hr/lm	The higher the labour hours, the higher the fair vale
Number of plant hours	Varies depending on the type of asset	The higher the plant hours, the higher the fair value

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Waterways and Canals (Level 3)

The fair value of waterway and canal assets was determined by independent valuer AssetVal Pty Ltd as at 30 June 2014.

Due to the specialised nature of Council's waterway and canal infrastructure, the valuations have been determined using the Deprecated Replacement Cost method of valuation. The cost approach is an accepted valuation methodology under AASB 13 and is deemed to be a Level 3 input.

Valuations have been prepared utilising unit rates that are developed with reference to similar recent project costs, unit rate databases, indices, Rawlinson's Construction rates and quotations. These unit costs are then applied to known measurements of the assets to produce a replacement cost, which is then depreciated to estimate the fair value.

To calculate the appropriate amount of accumulated depreciation, assets were subject to a site inspection and assessment to determine remaining useful life. Assets were then allocated a condition assessment, which was used to estimate remaining useful life as tabled below.

Condition	Description	Percentage of life remaining
10	Brand new or rehabilitated to new	100%
9	New with no visible deterioration	90%
8	Excellent overall condition early stages of deterioration	80%
7	Very good overall condition with obvious deterioration evident	70%
6	Good overall condition, obvious deterioration, serviceability impaired very slightly	60%
5	Fair overall condition, obvious deterioration, some serviceability loss	50%
4	Fair to poor overall condition, obvious deterioration, some serviceability loss	40%
3	Poor overall condition, obvious deterioration, some serviceability loss, high maintenance costs	30%
2	Very poor overall condition, severe deterioration, very high maintenance costs. Consider renewal	20%
1	Extremely poor condition, severe serviceability problems, renewal required immediately	10%
0	Failed asset, no longer serviceable. Should not remain in service	0%

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The valuations sensitivity to the unobservable inputs is summarised below.

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Number of labour hours	5 - 100 hr/lm	The higher the labour hours, the higher the fair vale
Raw material usage quantities	Varies dependant of type and application	The higher the usage quantities, the higher the fair value
Condition rating	0 - 10	The better the condition rating, the higher the fair value
Remaining useful life	1 - 100 years	The longer the remaining life, the higher the fair value
Residual value	0% - 100% of replacement cost	The higher the residual, the higher the fair value

(iii) Changes in fair value measurements using significant unobservable inputs (Level 3)

The changes in level 3 assets with recurring fair value measurements are detailed in Note 22 (Property, Plant and Equipment). There have been no transfers between level 1, 2 or 3 measurements during the year.

(iv) Valuation processes

Council's current policy for the valuation of property, plant and equipment and investment property (recurring fair value measurements) is set out in note 1O and 1P respectively. Non-recurring fair value measurements are made at the point of reclassification by a registered valuer.

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	Note	2014 $'000	Restated 2013 $'000
24 Intangible assets			
Software			
Opening gross carrying value		**13,758**	13,532
Additions through acquisitions		**939**	226
Disposals		**(3,568)**	-
Closing gross carrying value		**11,129**	13,758
Accumulated amortisation			
Opening balance		**10,619**	9,717
Amortisation in the period	**13**	**417**	902
Depreciation on disposals		**(3,054)**	-
Closing balance		**7,982**	10,619
Net carrying value at end of financial year		**3,147**	3,139
The software has a finite life estimated at 10 years. Straight line amortisation has been used with no residual value.			
Total intangible assets		**3,147**	3,139
25 Trade and other payables			
Current			
Trade creditors and accruals		**43,074**	38,902
Annual leave		**7,080**	7,088
Other entitlements		**551**	535
		50,705	46,525
Non-Current			
Trade creditors and accruals		**784**	953
Annual leave		**2,545**	2,800
Sick leave		**719**	664
		4,048	4,417

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	Note	2014 $'000	Restated 2013 $'000
26 Borrowings			
Current			
Loans - Queensland Treasury Corporation		**21,054**	18,221
		21,054	18,221
Non-current			
Loans - Queensland Treasury Corporation		**374,915**	364,908
		374,915	364,908
Loans - Queensland Treasury Corporation			
Opening balance at beginning of financial year		**383,129**	356,394
Loans raised		**31,000**	42,000
Principal repayment		**(18,160)**	(15,265)
Book value at end of financial year		**395,969**	383,129
The QTC loan market value at the reporting date was $446,535,131.85. This represents the value of the debt if Council repaid it as at 30 June 2014.			
No assets have been pledged as security by the Council for any liabilities.			
27 Provisions			
Current			
Long service leave		**2,529**	2,203
Bio-solids composting site rehabilitation		**22**	25
Refuse restoration		**771**	884
		3,322	3,112
Non-current			
Long service leave		**14,531**	14,811
Bio-solids composting site rehabilitation		**484**	494
Refuse restoration		**10,462**	7,817
Infrastructure offsets		**5,174**	-
		30,651	23,122
Details of movements in provisions:			
Long service leave			
Balance at beginning of financial year		**17,014**	
Long service leave entitlement arising		**2,810**	
Long service leave entitlement extinguished		**(1,007)**	
Long service leave entitlement paid		**(1,757)**	
Balance at end of financial year		**17,060**	

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	Note	2014 $'000	Restated 2013 $'000
Bio-solids composting site rehabilitation			
Balance at beginning of financial year		**519**	
Amount incurred and charged against the provision		**(9)**	
Increase in provision due to unwinding of discount		**18**	
Decrease in provision due to change in estimate		**(70)**	
Increase in provision due to change in discount rate	**15**	**63**	
Unused amounts reversed	**10**	**(15)**	
Balance at end of financial year		**506**	

This provision is the present value of the estimated post closure monitoring cost of the bio-solids compositing site. The projected cost is $22,000 for every year and expected to be completed in 2038

Refuse landfill sites restoration		
Balance at beginning of financial year	**8,701**	
Amount incurred and charged against the provision	**(294)**	
Increase in provision due to unwinding of discount	**315**	
Increase in provision due to change in estimate	**99**	
Increase in provision due to change in discount rate	**2,412**	
Balance at end of financial year	**11,233**	

Council holds an Environmental Protection Agency licence to operate a number of landfills. Council estimates and discounts expected future costs to restore landfill cells to present value at a discount factor based on Commonwealth bond yields rates.

Landfill site	Expected site closure year	Post closure monitoring cost completion year
Bunya landfill site	2039	2054
Dakabin landfill site	2025	2040
Caboolture landfill site	2025	2040
Ningi landfill site	closed	2027
Woodford landfill site	closed	2027

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	Note	2014 $'000	Restated 2013 $'000
Infrastructure offsets			
Balance at beginning of financial year		-	
Increase in provision for offsets recognised		**22,885**	
Decrease in provision due to offsets extinguished		**(15,813)**	
Decrease in provision due to offsets paid		**(1,898)**	
Balance at end of financial year		**5,174**	

28 Other liabilities

Current			
Revenue received in advance		**1,088**	3,099
		1,088	3,099

29 Retained surplus

Movements in the retained surplus were as follows:			
Retained surplus at beginning of financial year		**4,866,905**	4,801,976
Net result attributable to Council		**105,810**	64,929
Retained surplus at end of financial year		**4,972,715**	4,866,905

30 Asset revaluation surplus

Movements in the asset revaluation surplus were as follows:			
Balance at beginning of financial year		**536,629**	736,351
Net adjustment to non-current assets at end of period to reflect change in current fair value:			
Land		**(5,730)**	(199,722)
Waterways and canals		**(2,113)**	-
	22	**(7,843)**	(199,722)
Balance at end of financial year		**528,786**	536,629

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	Note	2014 $'000	Restated 2013 $'000
Asset revaluation surplus analysis			
The closing balance of the asset revaluation surplus comprises the following asset categories:			
Land		**51,247**	56,977
Buildings		**47,218**	47,218
Cultural and heritage		**141**	141
Transport infrastructure		**227,549**	227,549
Stormwater infrastructure		**165,207**	165,207
Waterways and canals		**37,424**	39,537
		528,786	536,629

31 Commitments for expenditure

Operating leases

Minimum lease payments in relation to non-cancellable operating leases are as follows:

Within one year		**268**	649
One to five years		**9**	626
		277	1,275

Contractual commitments

Commitments for capital expenditure

Contractual commitments at end of financial year but not recognised in the financial statements are as follows:

Property, plant and equipment		**18,596**	42,856
		18,596	42,856
These expenditures are due for payment:			
Not later than one year		**18,596**	41,501
One to five years		**-**	1,355
		18,596	42,856

Commitments for operating expenditure

Contractual commitments at end of financial year but not recognised in the financial statements are as follows:

Waste removal and recycling services		**70,334**	67,144
Outsourced management of facilities of other services		**2,960**	7,857
IT equipment and software licences		**1,347**	2,629
Grounds and equipment maintenance		**5,492**	12,742
Maintenance of infrastructure		**2,500**	-
Total contractual commitments at reporting date		**82,633**	90,372
These expenditures are due for payment:			
Not later than one year		**25,813**	24,613
One to five years		**56,337**	54,502
More than five years		**483**	11,257
		82,633	90,372

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32 Contingent liabilities

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

Legal claims

Council is subject to a number of compensation claims with regards to the compulsory acquisition of land. Information in respect of individual claims has not been disclosed in accordance with AASB137 "Provisions, Contingent Liabilities and Contingent Assets" on the basis that Council considers such disclosures would seriously prejudice the outcome of the claims. In total the claims amount to approximately $22 million.

Infrastructure offsets

Council enters into certain infrastructure agreements with developers where specific infrastructure is to be provided (contributed) to Council in lieu of charging infrastructure charges. Where the value of the infrastructure provided exceeds the value of the infrastructure charges forgone an offset may arise. The offset is only recognised once Council has received the infrastructure as "on maintenance" and takes ownership.

Where the infrastructure is yet to be recognised as "on maintenance" there is no certainty that the offset will eventuate and a contingent liability is recognised. In total the potential offsets amount to approximately $9 million.

Local Government Mutual

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

As at 30 June 2013 the financial statements of LGM Queensland reported a members' equity balance of $22,557,143.

Local Government Workcare

Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. Council's maximum exposure to the bank guarantee is $4,710,045.

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33 Superannuation

Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the AASB119 *Employee Benefits*. The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

The scheme has three elements referred to as:

The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund

The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments; and

The Accumulation Benefits Fund (ABF)

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

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

The Regional DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

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

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

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

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

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

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

There are currently 72 councils contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 councils.

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

	Note	2014 $'000	2013 $'000
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees and councillors was:	11	12,591	12,260

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	Note	2014 $'000	Restated 2013 $'000
34 Operating lease income			
The minimum lease receipts are as follows:			
Not later than one year		**5,578**	4,740
One to five years		**16,787**	14,082
Later than five years		**18,964**	16,109
		41,329	34,931
35 Trust funds			
Trust funds held for outside parties			
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities		**5,886**	5,975
		5,886	5,975
Council performs only a custodial role in respect of these monies. As these funds cannot be used by Council, they are not brought to account in these financial statements.			
36 Reconciliation of net result for the year to net cash inflow from operating activities			
Net result		**105,810**	64,929
Non-cash items:			
Depreciation and amortisation		**82,783**	83,714
Revaluation adjustments		**(268)**	1,657
Change in future rehabilitation and restoration costs		**474**	535
Change in infrastructure offsets		**7,072**	-
Share of profit of associate		**(50,092)**	(39,571)
		39,969	46,335
Investing and development activities:			
Net loss on disposal of non-current assets		**23,036**	37,070
Other dividends received		**-**	(1)
Capital grants and contributions		**(81,523)**	(82,286)
		(58,487)	(45,217)
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables		**(225)**	1,346
(Increase) in other operating assets		**(174)**	(576)
Increase in payables		**1,799**	4,308
(Decrease)/increase in provisions		**(2,155)**	191
		(755)	5,269
Net cash inflow from operating activities		**86,537**	71,316

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37 Correction of prior period adjustments

Assets not previously recognised - waterway and canals

During 2013/14 Council completed an exercise to ensure the waterways and canals asset class was appropriately recorded and valued within the Financial Asset Register. That process identified assets not previously recognised in prior year financial statements. Due to the substantial dollar value of assets to be recognised, it is appropriate to disclose the accounting adjustments as prior period adjustments in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. Consequently the assets have been recognised retrospectively and certain comparative figures have been restated, as disclosed in this note.

As a result of the review, $132,104,085 of previously unidentified assets have been identified and disclosed in the financial statements.

Contributed assets

Under AASB 116 *Property, Plant and Equipment* and the *Framework for the Preparation and Presentation of Financial Statements* (the Framework) the following criteria must be met in order to recognise an asset:

- the object or right must produce future economic benefits
- the Council must have the capacity to benefit from the object or right in pursuit of its objectives and to deny or regulate the access of others to that benefit
- the transaction or event giving control must have occurred
- it must be probable that the future economic benefits will eventuate
- there must be a cost or value that can be reliably measured
- the estimated value of the item or group must exceed Council's asset recognition threshold.

During 2013/14 Council identified a significant dollar value of contributed assets that had commission dates prior to 2013/14. In order to correctly account for the contributed assets in the financial years to which they relate it was necessary to restate prior reporting periods as disclosed in this note.

In total $71,545,423 of contributed assets has been identified as relating to prior reporting periods. Of these contributed assets $34,738,554 relates to the 2012/13 with the remaining $36,806,869 relating to periods prior to 2012/13.

In accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, perior period adjustments have been restated where material.

The below section shows the restatement of each line item affected by the adjustment.

30 June 2013 Comparative year

Financial statement line item / balance affected	Note	Actual 2013 $'000	Adjustments 2013 $'000	Restated Actual 2013 $'000
Statement of Comprehensive Income (Extract)				
Capital Revenue				
Grants, subsidies and contributions	6(b)	47,509	34,777	82,286
Total Revenue		452,678	34,777	487,455
Total Income		452,691	34,777	487,468
Operating Expenses				
Depreciation and amortisation	13	(82,576)	(1,138)	(83,714)
Total Expenses		(421,401)	(1,138)	(422,539)
NET RESULT		31,290	33,639	64,929
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(168,432)	33,639	(134,793)

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	Note	Actual 2013 $'000	Adjustments 2013 $'000	Restated Actual 2013 $'000
Note 6 Grants, subsidies and contributions				
(b) Capital				
Contributed assets		3,832	34,739	38,571
Assets not previously recognised		6,111	38	6,149
		47,509	34,777	82,286
Note 13 Depreciation and amortisation				
Depreciation of non-current assets				
Land improvements		3,975	15	3,990
Buildings		11,370	14	11,384
Park equipment		3,467	99	3,566
Plant and equipment		7,939	30	7,969
Transport infrastructure		43,932	722	44,654
Stormwater infrastructure		10,799	184	10,983
Waterways and canals		192	74	266
Total depreciation and amortisation		82,576	1,138	83,714
Statement of Financial Position (Extract)				
Non-Current Assets				
Property, plant and equipment	22	3,803,832	201,895	4,005,727
Total Non-Current Assets		5,406,735	201,895	5,608,630
Total Assets		5,665,043	201,895	5,866,938
NET COMMUNITY ASSETS		5,201,639	201,895	5,403,534
Community Equity				
Retained surplus	29	4,665,010	201,895	4,866,905
TOTAL COMMUNITY EQUITY		5,201,639	201,895	5,403,534
Note 22 Property, plant and equipment				
Land				
Asset Values				
Opening gross value as at 1 July 2012		658,209	118	658,327
Contributed assets			2,231	2,231
Closing gross value as at 30 June 2013		479,669	2,349	482,018
Total written down value as at 30 June 2013		479,669	2,349	482,018

QAO
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	Note	Actual 2013 $'000	Adjustments 2013 $'000	Restated Actual 2013 $'000
Land Improvements				
Asset Values				
Opening gross value as at 1 July 2012		95,993	321	96,314
Contributed assets		-	326	326
Closing gross value as at 30 June 2013		103,217	647	103,864
Accumulated depreciation and impairment				
Opening gross value as at 1 July 2012		28,433	5	28,438
Depreciation provided in period		3,975	15	3,990
Accumulated depreciation as at 30 June 2013		31,918	20	31,938
Total written down value as at 30 June 2013		71,299	627	71,926
Buildings				
Asset Values				
Opening gross value as at 1 July 2012		387,001	915	387,916
Closing gross value as at 30 June 2013		396,757	915	397,672
Accumulated depreciation and impairment				
Opening gross value as at 1 July 2012		142,520	400	142,920
Depreciation provided in period		11,370	14	11,384
Accumulated depreciation as at 30 June 2013		153,084	414	153,498
Total written down value as at 30 June 2013		243,673	501	244,174
Park Equipment				
Asset Values				
Opening gross value as at 1 July 2012		72,913	1,418	74,331
Contributed assets		24	533	557
Closing gross value as at 30 June 2013		79,391	1,951	81,342
Accumulated depreciation and impairment				
Opening gross value as at 1 July 2012		26,309	72	26,381
Depreciation provided in period		3,467	99	3,566
Accumulated depreciation as at 30 June 2013		28,688	171	28,859
Total written down value as at 30 June 2013		50,703	1,780	52,483

QAO
certified statements

	Note	Actual 2013 $'000	Adjustments 2013 $'000	Restated Actual 2013 $'000
Plant and Equipment				
Asset Values				
Opening gross value as at 1 July 2012		97,548	494	98,042
Assets not previously recognised			24	24
Closing gross value as at 30 June 2013		98,150	518	98,668
Accumulated depreciation and impairment				
Opening gross value as at 1 July 2012		45,477	(35)	45,442
Depreciation provided in period		7,939	30	7,969
Accumulated depreciation as at 30 June 2013		42,479	(5)	42,474
Total written down value as at 30 June 2013		55,671	523	56,194
Transport Infrastructure				
Asset Values				
Opening gross value as at 1 July 2012		2,540,054	25,489	2,565,543
Contributed assets		1,805	21,114	22,919
Assets not previously recognised		6,111	14	6,125
Closing gross value as at 30 June 2013		2,605,842	46,617	2,652,459
Accumulated depreciation and impairment				
Opening gross value as at 1 July 2012		613,394	1,264	614,658
Depreciation provided in period		43,932	722	44,654
Accumulated depreciation as at 30 June 2013		639,911	1,986	641,897
Total written down value as at 30 June 2013		1,965,931	44,631	2,010,562
Stormwater Infrastructure				
Asset Values				
Opening gross value as at 1 July 2012		989,004	10,981	999,985
Contributed assets		2,003	10,419	12,422
Closing gross value as at 30 June 2013		998,115	21,400	1,019,515
Accumulated depreciation and impairment				
Opening gross value as at 1 July 2012		196,484	155	196,639
Depreciation provided in period		10,799	184	10,983
Accumulated depreciation as at 30 June 2013		204,967	339	205,306
Total written down value as at 30 June 2013		793,148	21,061	814,209

QAO
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	Note	Actual 2013 $'000	Adjustments 2013 $'000	Restated Actual 2013 $'000
Waterways and Canals				
Asset Values				
Opening gross value as at 1 July 2012		80,865	132,104	212,969
Contributed assets		-	-	-
Closing gross value as at 30 June 2013		84,137	132,104	216,241
Accumulated depreciation and impairment				
Opening gross value as at 1 July 2012		4,715	1,775	6,490
Depreciation provided in period		192	74	266
Accumulated depreciation as at 30 June 2013		4,890	1,849	6,739
Total written down value as at 30 June 2013		79,247	130,255	209,502
Cultural and Heritage				
Asset Values				
Opening gross value as at 1 July 2012		2,438	52	2,490
Contributed assets		-	116	116
Closing gross value as at 30 June 2013		2,438	168	2,606
Total written down value as at 30 June 2013		2,438	168	2,606
Statement of Changes in Equity (Extract)				
Balance as at 1 July 2012		5,370,071	168,256	5,538,327
Net result		31,290	33,639	64,929
Total comprehensive income for the year		(168,432)	33,639	(134,793)
Balance at 30 June 2013		5,201,639	201,895	5,403,534

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38 Financial instruments

Council has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

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

Financial risk management

Council is responsible for the establishment and oversight of the risk management framework, together with developing and monitoring risk management policies.

The Council's risk management policies are established to identify and analyse the risks faced, to set appropriate limits and controls and to monitor these risks and adherence against limits. The Council aims to manage volatility to minimise potential adverse effects on the financial performance of the Council.

Council does not enter into derivatives.

Credit risk exposure

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. These obligations arise principally from the Council's investments and receivables from customers.

Exposure to credit risk is managed through regular analysis of credit counterparty ability to meet payment obligations. The carrying amount of financial assets represents the maximum credit exposure.

Investments in financial instruments are required to be made with Queensland Treasury Corporation (QTC) or financial institutions in Australia, in line with the requirements of the *Statutory Bodies Financial Arrangements Act 1982*.

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

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The following table represents the maximum exposure to credit risk based on the carrying amounts of financial assets at the end of the reporting period:

Financial assets	Note	2014 $'000	2013 $'000
Cash and cash equivalents	16	205,080	201,285
Receivables - rates	17	7,117	8,273
Receivables - other		738,473	726,350
		950,670	935,908

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

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

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

By the nature of the Councils operations, there is a geographical concentration of risk in the Council's area. However, the region has a wide variety of industries, reducing the geographical risk.

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

30-June-2014

	Fully performing	Past due			Total
		Less than 30 days	30-60 days	More than 60 days	
	$'000	$'000	$'000	$'000	$'000
Receivables	67,090	670	72	733	68,565
Less Impairment	-	-	-	(206)	(206)
Net Receivables	67,090	670	72	527	68,359

30-June-2013

	Fully performing	Past due			Total
		Less than 30 days	30-60 days	More than 60 days	
	$'000	$'000	$'000	$'000	$'000
Receivables	53,782	2,193	855	768	57,598
Less Impairment	-	-	-	(9)	(9)
Net Receivables	53,782	2,193	855	759	57,589

The above analysis does not include the non-current receivable of $677,025 million (2013: $677,025 million), which represents a fixed rate loan to Unitywater. Refer to Note 17 for further information.

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Liquidity risk

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

Council is exposed to liquidity risk through its normal course of business and through it's borrowings with QTC.

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

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying Amount
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
2014					
Trade and other payables	**43,130**	**1,131**	**-**	**44,261**	**43,858**
Loans - QTC	**44,246**	**176,368**	**354,655**	**575,269**	**395,969**
	87,376	**177,499**	**354,655**	**619,530**	**439,827**
2013					
Trade and other payables	38,953	1,131	-	40,084	39,855
Loans - QTC	41,357	160,158	391,194	592,709	383,129
	80,310	161,289	391,194	632,793	422,984

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

Council does not have access to a fixed overdraft facility.

Market risk

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

Interest rate risk

Council is exposed to interest rate risk through investments and borrowings with QTC and other financial institutions.

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

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

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

	Net carrying amount	Profit/loss		Equity	
		1% increase	1% decrease	1% increase	1% decrease
	$'000	$'000	$'000	$'000	$'000
2014					
QTC cash fund	-	**555**	**(555)**	**555**	**(555)**
Other investments	-	**361**	**(361)**	**361**	**(361)**
Net total	-	**916**	**(916)**	**916**	**(916)**
2013					
QTC cash fund	-	490	(490)	490	(490)
Other investments	-	239	(239)	239	(239)
Net total	-	729	(729)	729	(729)

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

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

Fair value

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

The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is disclosed in Note 26.

QTC applies a book rate approach in the management of debt and interest rate risk, to limit the impact of market value movements to clients' cost of funding. The book value represents the carrying value based on amortised cost using the effective interest method.

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39 National competition policy

Business activities to which the code of competitive conduct is applied

Council applies the competitive code of conduct to the following activity:

Waste Function

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 following activity statements are for activities subject to the competitive code of conduct:

	Type 2 Waste Function
	2014
Revenue	**$'000**
Revenue for services provided to Council	2,518
Revenue for services provided to external clients	42,544
Community service obligations	939
	46,001
Expenditure	38,155
Surplus/(deficiency)	7,846

Community Service Obligations:

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

Activities and CSO Description	**2014 $'000**
Waste	
Pensioner Discounts	566
Litter Management	348
Clean Up Australia	25

40 Events subsequent to balance date

There were no material adjusting events after the balance date.

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Moreton Bay
Regional Council

MANAGEMENT CERTIFICATE
For the year ended 30 June 2014

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

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

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

(ii) the general purpose financial statements, as set out on pages 1 to 56, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.

Cr Allan Sutherland
Mayor

Date: 14 / 10 / 14

Mr Daryl Hitzman
Chief Executive Officer

Date: 14 / 10 / 14

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Moreton Bay Regional Council

Report on the Financial Report

I have audited the accompanying financial report of Moreton Bay Regional Council, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

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

Opinion

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

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

(b) in my opinion -

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

(ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of Moreton Bay Regional Council for the financial year 1 July 2013 to 30 June 2014 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

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

P J FLEMMING CPA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

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Moreton Bay Regional Council

CURRENT-YEAR FINANCIAL SUSTAINABILITY STATEMENT
For the year ended 30 June 2014

Measures of Financial Sustainability

Council's performance at 30 June 2014 against key financial ratios and targets:

	How the measure is calculated	Actual	Target
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	**13.0%**	between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	**69.1%**	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	**54.2%**	not greater than 60%

Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the *Financial Management (Sustainability) Guideline 2013*. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2014.

QAO certified statements

Moreton Bay Regional Council

CERTIFICATE OF ACCURACY
For the year ended 30 June 2014

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

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

Cr Allan Sutherland
Mayor

Date: 14 / 10 / 14

Mr Daryl Hitzman
Chief Executive Officer

Date: 14 / 10 / 14

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Moreton Bay Regional Council

Report on the Current-Year Financial Sustainability Statement

I have audited the accompanying current-year financial sustainability statement, which is a special purpose financial report of Moreton Bay Regional Council for the year ended 30 June 2014, comprising the statement and explanatory notes, and certificates given by the Mayor and Chief Executive Officer.

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

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

Auditor's Responsibility

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

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

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

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

Independence

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

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

Opinion

In accordance with s.212 of the *Local Government Regulation 2012*, in my opinion, in all material respects, the current-year financial sustainability statement of Moreton Bay Regional Council, for the year ended 30 June 2014, has been accurately calculated.

Emphasis of Matter – Basis of Accounting

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

Other Matters - Electronic Presentation of the Audited Statement

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

P J FLEMMING CPA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

LONG-TERM FINANCIAL SUSTAINABILITY STATEMENT

Prepared as at 30 June 2014

Measures of Financial Sustainability

			Actual	Projected for the years ended								
	Measure	**Target**	**30 June 2014**	**30 June 2015**	**30 June 2016**	**30 June 2017**	**30 June 2018**	**30 June 2019**	**30 June 2020**	**30 June 2021**	**30 June 2022**	**30 June 2023**
Operating surplus ratio	Net result divided by total operating revenue	between 0% and 10%	13.0%	6.0%	5.0%	8.2%	7.1%	6.2%	6.9%	10.0%	10.4%	11.7%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	69.1%	61.7%	53.1%	63.6%	58.0%	57.3%	56.4%	51.6%	50.8%	47.5%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	54.2%	62.6%	67.0%	64.1%	66.0%	67.4%	66.9%	61.3%	50.6%	35.4%

Council's Financial Management Strategy

Council measures revenue and expenditure trends over time as a guide to future requirements and to make decisions about the efficient allocation of resources to ensure the most effective provision of services. Council ensures that its financial management strategy is prudent and that its long-term financial forecast shows a sound financial position whilst also being able to meet the community's current and future needs.

Every financial year the Council must prepare a long term financial forecast in accordance with section 171 of the *Local Government Regulation 2012*. This high level planning document sets the financial sustainability framework in which the Council should operate within the next ten financial years. One of the key outcomes from this planning process is to ensure that the three relevant measures of financial sustainability that are disclosed (above) are within the target ranges as set by the Department of Local Government, Community Recovery and Resilience in accordance with the *Financial Management (Sustainability) Guideline 2013*.

The financial sustainability framework of the long term financial forecast forms the basis for the preparation of the Councils annual budget. The targets set during the long term financial forecast process must be adhered to during the budget process to ensure consistency between the long term forecast planning horizon and the short term annual commitments of the budget. This will place the Council onto the path for ensuring future viability and financial sustainability for the region into the future.

Moreton Bay

CERTIFICATE OF ACCURACY

For the long-term financial sustainability statement prepared as at 30 June 2014

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

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

Cr Allan Sutherland
Mayor

Date: 14 / 10 / 14

Mr Daryl Hitzman
Chief Executive Officer

Date: 14 / 10 / 14

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Moreton Bay Region
We've got it all

Moreton Bay
Regional Council