



# Financial Statements 2008-2009

## TABLE OF CONTENTS

INDEPENDENT AUDITORS REPORT	- 2 -
MANAGEMENT CERTIFICATION	- 4 -
INCOME STATEMENT	- 5 -
BALANCE SHEET	- 6 -
STATEMENT OF CHANGES IN EQUITY	- 7 -
STATEMENT OF CASH FLOWS	- 8 -
NOTES TO THE FINANCIAL STATEMENTS	- 9 -

INDEPENDENT AUDITORS 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 balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the period ended on that date, a summary of significant accounting policies other explanatory notes and certificates given by the notes and certificates given by the Mayor and Chief Executive Officer.

*The Council's Responsibility for the Financial Report*

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

*Auditor's Responsibility*

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

The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free of material misstatement.

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

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

*Independence*

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

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

*Auditor's Opinion*

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

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



Stephen Stavrou  
as Delegate of the Auditor-General of Queensland

5 November 2009

**MANAGEMENT CERTIFICATION**

For the period 15 March 2008 to 30 June 2009:

This General Purpose Financial Report has been prepared pursuant to Section 532 of the *Local Government Act 1993*, Section 35 of the *Local Government Reform Implementation Regulation 2008*, the *Local Government Finance Standard 2005* (the Standard) and other prescribed requirements.

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

- i) the relevant recording and reporting procedures have been complied with in the preparation of the financial statements; and
- ii) the financial statements for the period ended 30 June 2009 and supporting notes as set out on pages 5 to 44 present the Council's revenue, equity, balances and cash flows as required by the *Local Government Act 1993*.



Cr Allan Sutherland  
Mayor

Dated this 5<sup>th</sup> day of November 2009



Mr John Rauber  
Chief Executive Officer

Dated this 5<sup>th</sup> day of November 2009

**Moreton Bay Regional Council  
Income Statement  
for the period 15 March 2008 to 30 June 2009**

	Note	2009 \$'000
<b>REVENUE</b>		
<b>Operating Revenue</b>		
Rates and utility charges	3	327,058
Fees and charges	4	55,321
Grants, subsidies and contributions	5	31,990
Interest revenue	6	25,154
Other		18,914
<b>Total Operating Revenue</b>		<b>458,437</b>
<b>Capital Revenue</b>		
Grants, subsidies and contributions	5	208,213
Net (loss) on disposal of fixed assets	7	(1,189)
<b>Total Capital Revenue</b>		<b>207,024</b>
<b>Capital Income</b>		
Net gain due to water reform	8	42,486
Gain on restructure of local government	9	3,486,987
<b>Total Capital Income</b>		<b>3,529,473</b>
<b>TOTAL REVENUE</b>		<b>4,194,934</b>
<b>EXPENSE</b>		
<b>Operating Expenses</b>		
Employee benefits	10	179,666
Materials and services	11	222,700
Finance costs	12	13,566
Other	13	413
Amortisation	17	1,494
Depreciation	18	101,511
<b>Total Operating Expenses</b>		<b>519,350</b>
<b>TOTAL EXPENSE</b>		<b>519,350</b>
<b>NET RESULT</b>		<b>3,675,584</b>

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

**Moreton Bay Regional Council  
Balance Sheet  
as at 30 June 2009**

	Note	2009 \$'000
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	14	317,160
Trade and other receivables	15	50,254
Other assets	16	4,245
<b>Total Current Assets</b>		<b>371,659</b>
<b>Non-current Assets</b>		
Trade and other receivables	15	205
Other assets	16	1,682
Intangible assets	17	3,715
Property, plant and equipment	18	3,894,793
Capital works in progress	18	324,892
<b>Total Non-current Assets</b>		<b>4,225,287</b>
<b>TOTAL ASSETS</b>		<b>4,596,946</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	19	48,900
Interest bearing liabilities	20	56,580
Provision for employee entitlements	21	4,351
Provision for restoration	22	285
Unearned revenue		2,631
<b>Total Current Liabilities</b>		<b>112,747</b>
<b>Non-Current Liabilities</b>		
Trade and other payables	19	5,057
Interest bearing liabilities	20	212,392
Provision for employee entitlements	21	18,902
Provision for restoration	22	11,321
<b>Total Non-current Liabilities</b>		<b>247,672</b>
<b>TOTAL LIABILITIES</b>		<b>360,419</b>
<b>NET COMMUNITY ASSETS</b>		<b>4,236,527</b>
<b>COMMUNITY EQUITY</b>		
Retained surplus	23	3,437,228
Asset revaluation reserve	24	560,943
Other reserves	25	238,356
<b>TOTAL COMMUNITY EQUITY</b>		<b>4,236,527</b>

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

MORETON BAY REGIONAL COUNCIL  
FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009

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**Moreton Bay Regional Council  
Statement of Changes In Equity  
for the period 15 March 2008 to 30 June 2009**

	Note	Retained Surplus 2009 \$'000	Asset revaluation reserve 2009 \$'000	Other reserves 2009 \$'000	Total community equity 2009 \$'000
Opening Balance		-	-	-	-
Surplus for the period		3,675,584	-	-	3,675,584
Movement in the asset revaluation reserve	18	-	560,943	-	560,943
<b>Total Recognised Revenue And Expense</b>		<b>3,675,584</b>	<b>560,943</b>	<b>-</b>	<b>4,236,527</b>
<b>Transfers to and from reserves</b>					
Transfers to reserves	25	(351,317)	-	351,317	-
Transfers from reserves	25	112,961	-	(112,961)	-
<b>Total Transfers To And From Reserve</b>		<b>(238,356)</b>	<b>-</b>	<b>238,356</b>	<b>-</b>
<b>Balance at 30 June 2009</b>		<b>3,437,228</b>	<b>560,943</b>	<b>238,356</b>	<b>4,236,527</b>

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



**Moreton Bay Regional Council**

**Statement of Cash Flows**

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

	<b>Note</b>	<b>2009</b> <b>\$'000</b>
<b>Cash Flows From Operating Activities</b>		
Receipts in the course of operations		474,324
Payments to suppliers and employees		(441,141)
Interest and other costs of finance paid		(11,085)
<b>Net cash inflow from operating activities</b>	<b>26</b>	<b>22,098</b>
<b>Cash Flows From Investing Activities</b>		
Payments for property, plant and equipment		(408,070)
Proceeds from sale of property, plant and equipment		2,973
Other Capital Proceeds		135,324
Interest and dividends received		25,154
<b>Net cash outflow from investing activities</b>		<b>(244,619)</b>
<b>Cash Flows From Financing Activities</b>		
Net loans to community organisations		35
Proceeds from borrowings		258,444
Repayment of borrowings		(11,576)
<b>Net cash inflow from financing activities</b>		<b>246,903</b>
<b>Net increase in cash and cash equivalents</b>		<b>24,382</b>
<b>Cash and cash equivalents transferred on amalgamation</b>		<b>292,778</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>14</b>	<b>317,160</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	- 10 -
NOTE 2 – STATEMENT OF FUNCTIONS AND ACTIVITIES.....	- 23 -
NOTE 3 – RATES AND UTILITY.....	- 25 -
NOTE 4 – FEES AND CHARGES.....	- 25 -
NOTE 5 – GRANTS, SUBSIDIES AND CONTRIBUTIONS.....	- 25 -
NOTE 6 – INTEREST REVENUE.....	- 25 -
NOTE 7 – GAIN (LOSS) ON DISPOSAL OF FIXED ASSETS.....	- 25 -
NOTE 8 – NET GAIN DUE TO WATER REFORM.....	- 26 -
NOTE 9 – GAIN ON RESTRUCTURE OF LOCAL GOVERNMENT.....	- 26 -
NOTE 10 – EMPLOYEE BENEFITS EXPENSE.....	- 28 -
NOTE 11 – MATERIALS AND SERVICES EXPENSE.....	- 28 -
NOTE 12 – FINANCE COSTS.....	- 28 -
NOTE 13 – OTHER EXPENSES.....	- 28 -
NOTE 14 – CASH AND CASH EQUIVALENTS.....	- 29 -
NOTE 15 – TRADE AND OTHER RECEIVABLES.....	- 29 -
NOTE 16 – OTHER ASSETS.....	- 30 -
NOTE 17 – INTANGIBLE ASSETS.....	- 30 -
NOTE 18 – PROPERTY PLANT AND EQUIPMENT.....	- 30 -
NOTE 19 – TRADE AND OTHER PAYABLES.....	- 34 -
NOTE 20 – INTEREST BEARING LIABILITIES.....	- 34 -
NOTE 21 – PROVISION FOR EMPLOYEE ENTITLEMENTS.....	- 35 -
NOTE 22 – PROVISION FOR RESTORATION.....	- 35 -
NOTE 23 – RETAINED SURPLUS.....	- 36 -
NOTE 24 – ASSET REVALUATION RESERVE.....	- 36 -
NOTE 25 – OTHER RESERVES.....	- 36 -
NOTE 26 – RECONCILIATION OF RESULTS FROM ORDINARY ACTIVITIES TO NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES.....	- 37 -
NOTE 27 – COMMITMENTS FOR EXPENDITURE.....	- 37 -
NOTE 28 – LEASE COMMITMENTS.....	- 38 -
NOTE 29 – SUPERANNUATION.....	- 38 -
NOTE 30 – FINANCIAL RISK MANAGEMENT.....	- 39 -
NOTE 31 – CODE OF COMPETITIVE CONDUCT.....	- 41 -
NOTE 32 – CONTINGENT LIABILITIES.....	- 44 -
NOTE 33 – EVENTS AFTER BALANCE DATE.....	- 44 -

## **Note 1 Summary of Significant Accounting Policies**

### *1A. Basis of Preparation*

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

The Local Government Reform Commission report to the Minister for Local Government, Planning and Sport on 27 July 2007 recommended that the former Pine Rivers Shire, Caboolture Shire and Redcliffe City Councils be amalgamated to form the Moreton Bay Regional Council. Pursuant to Part 1B of the *Local Government Act 1993* and in accordance with the *Local Government Reform Implementation Regulation 2008*, the Moreton Bay Regional Council (*the Council*) was formed on 15 March 2008.

The *Local Government Reform Implementation Regulation 2008* and the *Local Government Reform Implementation (Transferring Areas) Amendment Regulation (No.1) 2008* transferred the assets and liabilities of the former Pine Rivers Shire, Caboolture Shire and Redcliffe City Councils to the Moreton Bay Regional Council as at changeover date.

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

Assets and liabilities of the former councils have been recognised by Moreton Bay Regional Council on 15 March 2008 at the previous book values of the transferor local governments. This is shown as revenue in the Income Statement and details are disclosed in note 9.

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

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

### *1B. Statement of Compliance*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Because the Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS), to the extent these inconsistencies are applied, this Report does not comply with IFRS.

The main impact is in:

- the offsetting of revaluation and impairment gains and losses within a class of assets
- the recognition of assets and liabilities of the former councils at the amounts at which they were recognised by the transferor local governments. Refer to note 9.

### *1C. Adoption of new Accounting Standards.*

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

- AASB 1004 Contributions (December 2007)
- AASB 1051 Land Under Roads (December 2007)
- AASB 1052 Disaggregated Disclosures (December 2007)
- AASB 2007-9 Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31
- AASB Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

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

- ASB 3 Business Combinations (March 2008)
- AASB 8 Operating Segments (Feb 2007)
- AASB 101 Presentation of Financial Statements (September 2007)
- AASB 123 Borrowing Costs (June 2007)
- AASB 127 Consolidated and Separate Financial Statements (March 2008)
- AASB 1039 Concise Financial Reports (August 2008)
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (February 2007)
- AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (June 2007)
- AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (September 2007)
- AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101
- AASB 2008-3 Amendments to Accounting Standards arising from AASB 3 and AASB 127 (March 2008)
- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008)
- AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2008-7 Amendments to Australian Accounting Standards Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (July 2008)
- AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101 (September 2008)
- AASB 2008-11 Amendments to Australian Accounting Standard Business Combinations Among Not-for-Profit Entities [AASB 3] (November 2008)
- AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 - Distributions of Non-cash Assets to Owners (December 2008) [AASB 5 & AASB 110]

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

#### *1D. Critical accounting estimates*

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

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

#### *1E. Currency*

Moreton Bay Regional Council uses the Australian Dollar as its functional currency and its presentation currency.

#### *1F. Constitution*

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

*1G. Date of authorisation*

The financial report was authorised for issue on the date it was submitted to the Auditors for final signature. This is the date the management certificate is signed. The Council has the power to amend the financial report after it is authorised for issue until the adoption of the report by the Council as part of the Annual Report.

*1H. Changes to Accounting Policies, Estimates and Errors*

Unless otherwise stated, accounting policies have been consistently applied throughout the period.

*1I. Rates, Grants and Other Revenue*

Rates, Grants and Other Revenue are recognised as revenue on receipt of funds or earlier unconditional entitlement to the funds is achieved.

i) 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.

ii) Grants and Subsidies

Where the Council has an obligation to use a grant or subsidy in a particular manner the amount is recognised as revenue on receipt. An equivalent amount is placed in the unspent grants reserve until the obligation is satisfied.

iii) Non-Cash Contributions

Non-cash contributions with a value in excess of the recognition thresholds set out in note 1P are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.

iv) Other Revenue Including Contributions

Other Revenue is recognised as a receivable when it is probable that it will be received and the amount is known, otherwise the amount is recognised upon receipt.

*1J. Cash and Cash Equivalents*

Cash and cash equivalents includes cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of 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.

*1K. Receivables*

Trade receivables are recognised initially at fair value due at the time of sale or service delivery and subsequently measured at amortised cost using the effective interest method, less provision 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 with provision being made for impairment. The loss is recognised in finance costs.

The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated cash flows, discounted at the effective interest rate.

All known bad debts were written-off against the provision for impairment at 30 June. Subsequent recoveries of amounts previously written off are credited against finance costs in the Income Statement.

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

*1L. Other Financial Assets*

Other Financial Assets are recognised at cost.

*1M. Financial Assets and Financial Liabilities*

Moreton Bay Regional Council has categorised the financial assets and financial liabilities held at balance date as follows:

<b>Financial assets</b>	<b>Category</b>
Cash	Cash at bank and on hand
Cash held at call	Deposits at call
Term deposits	Investments
Receivables	Trade and receivables (at amortised cost)
Loans to community organisations	Loans
Shares	Financial assets available for sale (at cost)
<b>Financial liabilities</b>	<b>Category</b>
Payables	Trade and other payables (at cost)
Borrowings	Borrowings (at amortised cost)
Finance lease liabilities	Finance lease (at amortised cost)

Financial assets and financial liabilities are presented separately from each other, offsetting has not been applied. The fair value of financial assets and liabilities must be estimated for recognition and measurement and for disclosure purposes.

The fair value of financial assets and liabilities is determined as follows:

- The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximate their carrying amounts and are not disclosed separately.
- The fair value of borrowings, as disclosed in note 20 to the accounts, is determined by reference to published price quotations in an active market and/or by reference to pricing models and valuation techniques. It reflects the value of the debt if the Council repaid it in full at balance date. As it is the intention of the Council to hold its borrowings for their full term, no adjustment provision is made in these accounts.
- The fair value of other monetary financial assets and financial liabilities is based on market prices where a market exists, or is determined by discounting expected future cash flows by the current interest rate for financial assets and liabilities with similar risk profiles.

The fair value of trade receivables and payables are assumed to approximate their nominal value less estimated credit adjustments.

The fair value of prepayments is represented by the book value as the period of time to consumption is short and there are no rates involved in the calculation, therefore they are not disclosed separately.

*1N. Inventories*

Stores, raw materials and 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.

1O. *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.

1P. *Property, Plant and Equipment*

i) *Asset classes*

Moreton Bay Regional Council classifies Property Plant and Equipment into the following asset classes:

Land	Sewerage
Land and Improvements	Roads
Buildings	Stormwater
Park Equipment	Other
Plant and Equipment	Intangible Assets
Water	Cultural and Heritage
Recycled Water	Waterways and Canals

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.

ii) *Non-current assets threshold*

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.

Water meter and water services assets will only be recognised individually where the individual services are greater than 100mm in diameter. Meters and services less than 100mm will be recognised as a network asset.

iii) *Capital and operating expenditure*

Labour and materials expenditure incurred for the acquisition or construction of assets is 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 asset, is expensed as incurred. Expenditure that relates to the replacement of a major component of an asset to increase its service potential is capitalised.

iv) *Acquisition of Assets*

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition including; freight in, architect's fees, engineering design fees 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 where that value exceeds the recognition thresholds for the respective asset class. Fair value means the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Assets transferred from the former Caboolture and Pine Rivers Shire Councils and Redcliffe City Council, as a result of a Government restructure, were initially recognised at the amount at which they were recognised by the former councils as at the changeover day as disclosed in Note 1A and Note 9.

v) Depreciation of property, plant and equipment

Land, artwork and certain earthworks are not depreciated as they have an unlimited useful life. Depreciation on property, plant and equipment is calculated on a straight-line basis so as to write-off the net cost or re-valued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the Council.

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

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

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.

The estimated useful lives of property, plant and equipment are reviewed annually. For each class of depreciable asset, the following rates were used:

<b>Class</b>	<b>Years</b>
Other	5 – 15
Park equipment	2 – 25
Plant and equipment	1 – 20
Land improvements	10 – 100
Buildings	40 – 100
 Water and sewerage infrastructure	
Civil works	80
Electrical/mechanical equipment	20 – 25
Pipe network	50 – 100
 Roads and bridges	10 – 100
Stormwater infrastructure	50 – 100
Waterways and canals	20 – 100
Cultural and heritage	Not depreciated
Land	Not depreciated

vi) Residual values

Residual value is the value expected to be realised through disposing of or scrapping the asset. Residual value is an estimate that is reviewed annually. Assets may be replaced prior to the end of their useful lives for economic or technical reasons.

vii) 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.



viii) Unfunded Depreciation

Council has elected to fund depreciation expenses, but only in circumstances where the respective assets will be replaced through internal funding sources including loans. Depreciation is funded to the extent necessary to meet future replacement capital works. There is no unfunded depreciation for the period ended 30 June 2009.

ix) Non-current assets classified as held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered, principally through a sale transaction rather than through continuing use. Once classified as held for sale, these assets are measured at the lower of their carrying amount and fair value, less costs to sell. Further depreciation (amortisation) of such assets ceases. These assets are only recognised as held for sale once they are actively being marketed and a sale is highly probable within one year.

Council land, which is surplus to requirements, is reclassified within property, plant and equipment to land held for development and resale. It continues to be measured at fair value, until it is actively being marketed and expected to be sold within one year. When this occurs, the land is transferred to non-current assets held for sale and measured at the lower of its carrying amount or fair value less cost to sell.

x) Impairment testing

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, 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 asset's recoverable amount is determined as the higher of the asset's fair value (less costs to sell) and depreciated replacement cost.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. However, 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 revenue, unless the asset is carried at a re-valued amount, in which case, the reversal of the impairment loss is treated as a revaluation increase.

xi) Leased plant and equipment

Leases of plant and equipment under which the lessor retains substantially all the risks and benefits incidental to the ownership of the asset are classified as operating leases.

Council currently has operating leases on motor vehicles. Payments made under operating leases are expensed in equal instalments over the accounting periods covered by the lease term. Council holds one finance lease for office equipment at 30 June. The outstanding liability of the finance lease at 30 June is \$6,600.

xii) Methods of 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* and the *Local Government Finance Standard 2005*. All other non-current assets, principally plant and equipment and intangibles, are measured at cost.

MORETON BAY REGIONAL COUNCIL  
FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009

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For the purpose of determining the value of Council's non-current assets and liabilities, the following methods of valuation have been used:

Investments	Cost plus accrued interest return
Borrowings	Amortised cost
Non-current liabilities (excluding borrowings)	Present value of estimated future cash flow.
Property, plant and equipment	
Land	Assets were indexed by an independent valuer as at 31 December 2008. Subsequent additions are valued at cost, which represents fair value.
Land improvements	Cost less accumulated depreciation
Buildings	Assets were independently re-valued as at 31 December 2008. Subsequent additions are valued at cost, which represents fair value.
Park equipment	Cost less accumulated depreciation
Plant and equipment	Cost less accumulated depreciation
Water and sewerage infrastructure	Assets were independently re-valued as at 31 December 2008 using current depreciated replacement cost. Subsequent additions are valued at cost, which represents fair value.
Roads and bridges	Assets were independently re-valued as at 31 December 2008 using current depreciated replacement cost. Subsequent additions are valued at cost, which represents fair value.
Stormwater infrastructure	Assets were independently re-valued as at 31 December 2008 using current depreciated replacement cost. Subsequent additions are valued at cost, which represents fair value.
Other	Cost less accumulated depreciation
Cultural and heritage	Cost less accumulated depreciation
Waterways and canals	Assets were independently re-valued as at 31 December 2008 using current depreciated replacement cost. Subsequent additions are valued at cost, which represents fair value.

Property, plant and equipment recognised, which excludes receivables, inventory, assets held for sale and cash investments, is valued at fair value, except where stated in note 18. Where there is no active market for the assets, fair value is the current replacement cost less depreciation. Where assets are not required and are to be disposed, fair value is the anticipated net sale proceeds. Assets recently purchased are shown in the financial statements at their historical cost less accumulated depreciation. Assets carried at fair value, within each class of property, plant and equipment, are required to be re-valued as necessary, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date.

xiii) Measurement after recognition

With reference to AASB116 *Property, Plant and Equipment*, Council has elected to use the following measurement after recognition basis:

<b>Class</b>	<b>Method</b>
Land	Fair Value
Land Improvements	Cost
Buildings	Fair Value
Park Equipment	Cost
Plant and Equipment	Cost
Water	Fair Value
Recycled Water	Fair Value
Sewer	Fair Value
Roads	Fair Value
Stormwater	Fair Value
Other	Cost
Cultural and Heritage	Fair Value
Waterways and Canals	Fair Value

xiv) Transfer of Bulk Water Assets

In the 2006-2007 year, the Queensland Water Commission released its final report to the Queensland Government on the Urban Water Supply Arrangement in South East Queensland. The report outlined a range of structural and regulatory reforms for urban water supply arrangements in South East Queensland including enhanced economic regulation and pricing.

i) Bulk Water

The *South East Queensland Water (Restructuring) Act 2007* (Restructuring Act) provides the legislative basis to affect the first stage of the Government's reforms by facilitating bulk water supply and transport business restructure in South East Queensland. Among other things, the Restructuring Act provides for the establishment of four new statutory authorities to participate in urban water supply arrangements in South East Queensland.

The new entities comprise:

- Three new bulk water authorities to own and operate bulk water supply, transport and manufactured water infrastructure;
- A Water Grid Manager to operate the water grid.

Refer to Note 8 for the financial impact of the transfer of the bulk water assets.

ii) Water retail and distribution

In July 2009, the State Government confirmed its support for Councils in the South East Queensland region to form three combined distribution and retail water businesses. The new water businesses will be made up of the following Councils:

1. Brisbane, Ipswich, Lockyer Valley, Somerset and Scenic Rim
2. Moreton Bay and Sunshine Coast
3. Gold Coast, Redland and Logan

The new combined model means that the existing retail and distribution functions will not be separated from one another when the new businesses are established. The timeframe for the establishment of the new businesses and the introduction of the regulatory framework is yet to be confirmed and will be based on advice from partnering Councils.

xv) Land Under Roads

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

*1Q. 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 to 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 two and seven years. Intangible assets are assessed for impairment on an annual basis.

*1R. 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.

*1S. Leases*

Leases of plant and equipment under which the 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.

i) Finance leases

Finance leases where the council is lessee are capitalised in that a lease asset and a liability equal to the fair value of the leased property (or the present value of the minimum lease payments, if lower) are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged as finance costs. The asset is accounted for on the same basis as other assets of the same class. Contingent rentals are written off as an expense in the accounting period in which they are incurred.

ii) 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.

*1T. 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.

*1U. 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 taken in the next twelve months, the liability is treated as a current liability. Otherwise the liability is treated as non-current.

i) Salaries and Wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 19 as a payable.

ii) Annual Leave

A liability for annual leave is recognised. The current portion (based on the expected payment date) is calculated on current wage and salary levels and includes related employee on-costs. The non current portion is calculated on projected future wage and salary levels and related employee on-costs, discounted to present values. This liability represents an accrued expense and is reported in Note 19 as a payable.

iii) 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.

iv) 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 29

v) Long Service Leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. This liability is reported in Note 21 as a provision.

*1V. Borrowings*

Loans payable are measured at amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

Borrowing costs, which includes interest calculated using the effective interest method and administration fees, are expensed in the period in which they arise. Costs that are not settled in the period in which they arise are added to the carrying amount of the borrowing. Borrowing costs are treated as an expense, as assets constructed by the council are generally completed within one year and therefore are not considered to be qualifying assets. Gains and losses on the early redemption of borrowings are recorded in other revenue and expense. Borrowings are classified as current liabilities unless the council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

*1W. Restoration Provision*

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

The provision is measured at the expected cost of the work required discounted to current day values using an appropriate rate. The Commonwealth Government Bond Yield is considered an appropriate rate. Changes in the provision not arising from the passing of time are treated as an adjustment to the provision and associated restoration asset.

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

1X. *Asset Revaluation Reserve*

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

Increases and decreases on revaluation are offset within a class of assets. Where a class of assets is decreased on revaluation, that decrease is first offset against the amount remaining in the asset revaluation reserve in respect of that class. Any excess is treated as an expense. When an asset is disposed of the amount in the reserve in respect of that asset is retained in the reserve.

1Y. *Reserves*

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

Council reserves are classified into 3 broad categories:

i) *Constrained Works Reserve*

The Constrained Works Reserve is made up of unspent infrastructure charges received that are to be utilised in the future for the construction of infrastructure assets.

ii) *Unspent Grants Reserve*

The Unspent Grants Reserve is made up grant monies received during the current and prior periods, which have not yet been spent in the manner prescribed within the conditions of the grant.

iii) *Other Reserves*

Other Reserves are made up of funds set aside to meet anticipated future needs.

1Z. *Retained Surplus*

Retained surplus represents Community Equity net of amounts set aside in reserves.

1AA. *National Competition Policy*

The Council has reviewed its activities and has identified eighteen activities that are business activities. Details of these activities can be found in Note 31.

1BB. *Rounding and Comparatives*

Amounts included in the financial statements have been rounded to the nearest \$1000. Comparative figures have not been provided as Moreton Bay Regional Council commenced operation on 15 March 2008 and the financial statements cover the period 15 March 2008 to 30 June 2009.

1CC. *Financial Risk Management*

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

- Investments in financial assets are only made where those assets are with a bank or other financial institution in Australia and are for a period of less than one year.
- Investments are limited to guaranteed cash management investments, or fixed term deposits in institutions with a short term rating of A2 or above.
- When the Council borrows, it borrows from the Queensland Treasury Corporation. Borrowing by the Council is constrained by the provisions of the *Statutory Bodies Financial Arrangements Act 1982*.

Details of financial instruments and the associated risks are shown at note 30.

*1DD. Judgements and Assumptions*

The council has made no judgements or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

*1EE. 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 (e.g. wages) paid into the Trust Account by the Council. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

The following disclosure is for information purposes only.

	<u>2009</u>
	<u>\$'000</u>
Trust monies held	<u>5,883</u>

*1FF. Taxation*

Revenue 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 or payable to the Australian Taxation Office is shown as an asset or liability respectively. The Council pays Payroll Tax to the Queensland Government on certain activities.

## **Note 2 Statement of Functions and Activities**

### *2A Components of Council Functions*

The activities relating to the Council's components reported in note 2B below are as follows:

#### *Asset Maintenance and Construction*

Asset Maintenance and construction is responsible for the maintenance of over 1200 council buildings and public facilities, as well as vital community infrastructure.

#### *Asset Planning and Delivery*

The role of Asset Planning and Delivery is to identify, plan and deliver infrastructure to support our growing community and ensure a high standard of infrastructure within the Moreton Bay Region.

#### *Community & Cultural Services*

Community and Cultural Services are responsible for providing well managed and maintained community facilities that meet community needs. This includes developing arts, culture and heritage within the region, as well as assisting community organisations to be viable and sustainable.

#### *Corporate Services & Governance*

The role of the Governance section is to ensure open and accountable governance of the region and comprises the Mayor, Councillors, Chief Executive Officer, Internal Audit and related support functions. The Corporate Services area provides professional corporate support to the organisation in the areas of financial management, organisational and people development, corporate project management and information technology support.

#### *Environment & Local Laws*

Environment and Local Laws is responsible for ensuring compliance with the local laws of Moreton Bay Regional Council. The area is also responsible for monitoring, reporting and engaging the community, to advance the protection and management of the natural environment.

#### *Strategic Planning & Development*

Strategic Planning and Development is responsible for maintaining a strategic plan of Councils longer term functions and responsibilities, across a range of activities.

#### *The Certification Professionals*

The Certification Professionals is a business unit within Council, responsible for providing competitive building approval and inspection services throughout Queensland.

#### *Moreton Bay Water*

The role of Moreton Bay Water is to provide quality water and wastewater services in a socially responsible and sustainable manner, which protects the community and the environment.

#### *Waste Function*

The Waste function provides sustainable and cost-effective solid waste management services including waste collection and minimisation services and waste management facilities.



MORETON BAY REGIONAL COUNCIL  
FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009

2B Analysis of Results by Function

Analysis of Gross Function Revenue:

Function	Recurring \$'000	Capital \$'000	Elimination of inter-function transactions \$'000	Total* \$'000
Asset Maintenance & Construction	8,276	-	-	8,276
Asset Planning & Delivery	694	109,111	-	109,805
Community & Cultural Services	13,169	-	-	13,169
Corporate Services & Governance	293,052	-	(81,330)	211,722
Moreton Bay Water	162,456	140,496	(6,906)	296,046
Waste Function	41,648	(97)	(1,137)	40,414
The Certification Professionals	7,259	-	(554)	6,705
Environment & Local Laws	9,227	-	-	9,227
Strategic Planning & Development	12,583	-	-	12,583
TOTAL	548,364	249,510	(89,927)	707,947

\*Note – the revenue presented above does not include the total gain on restructure of Local Government, as this amount is attributable to Council as a whole, and is not specific to each function within Council.

Analysis of Gross Function Operating Expenses:

Function	Recurring \$'000	Elimination of inter-function transactions \$'000	Total \$'000
Asset Maintenance & Construction	113,419	(13,952)	99,467
Asset Planning & Delivery	55,556	-	55,556
Community & Cultural Services	47,268	-	47,268
Corporate Services & Governance	101,442	(7,909)	93,533
Moreton Bay Water	187,384	(56,498)	130,886
Waste Function	53,445	(10,881)	42,564
The Certification Professionals	6,438	(687)	5,751
Environment & Local Laws	21,869	-	21,869
Strategic Planning & Development	22,456	-	22,456
TOTAL	609,277	(89,927)	519,350

Analysis of result by Function:

Function	Net operating result \$'000	Net result attributable to Council \$'000	Assets \$'000
Asset Maintenance & Construction	(91,191)	(91,191)	-
Asset Planning & Delivery	(54,862)	54,249	2,231,824
Community & Cultural Services	(34,099)	(34,099)	-
Corporate Services & Governance	118,189	118,189	713,743
Moreton Bay Water	24,664	165,160	1,261,642
Waste Function	(2,053)	(2,150)	16,191
The Certification Professionals	954	954	-
Environment & Local Laws	(12,642)	(12,642)	-
Strategic Planning & Development	(9,873)	(9,873)	-
TOTAL	(60,913)	188,597	4,223,400

MORETON BAY REGIONAL COUNCIL  
FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009

	<b>2009</b>
	<b>\$'000</b>
<b>Note 3 Rates and Utility Charges</b>	
General rates	155,256
Water charges	75,220
Sewerage charges	68,353
Cleansing charges	29,473
Other special levies, rates and charges	3,006
Rates paid in advance	3,216
	<b>334,524</b>
Less: Pensioner and other rebates	(7,466)
Total Rates and Utility Charges	<b>327,058</b>
<b>Note 4 Fees and Charges</b>	
Administration	11,441
Building certification	8,167
Community facilities	4,146
Development services	17,464
Waste management	6,546
Water and sewerage	6,177
Animal control	1,144
Other fees	236
Total Fees and Charges	<b>55,321</b>
<b>Note 5 Grants, Subsidies and Contributions</b>	
Operating Grants, Subsidies and Contributions	
<i>Operating Grants and Subsidies</i>	
State Government	14,098
Federal Government	17,884
Other sources	8
Total Operating Grants, Subsidies and Contributions	<b>31,990</b>
Capital Grants, Subsidies and Contributions	
<i>Capital Grants and Subsidies</i>	
State Government	54,599
Federal Government	9,157
Other sources	-
Total capital grants and subsidies	<b>63,756</b>
<i>Capital Contributions</i>	
Developer contributions and headworks	69,543
Physical asset contributions and donated assets	72,889
Other capital revenue	2,025
Total capital contributions	<b>144,457</b>
Total Capital Grants, Subsidies and Contributions	<b>208,213</b>
<b>Note 6 Interest Revenue</b>	
Interest earned on investments	24,507
Interest earned on overdue rates, fees and charges	647
Total Interest Revenue	<b>25,154</b>
<b>Note 7 Net (Loss) on Disposal of Fixed Assets</b>	
Property, Plant and Equipment	
Carrying value of assets disposed	(4,162)
Net proceeds from disposal	2,973
Net (Loss) on Disposal of Property Plant and Equipment	<b>(1,189)</b>

**Note 8 Net Gain Due to Water Reform**

Pursuant to transfer notices gazetted on 11 March 2008, 15 June 2008 and 29 September 2008, Council's bulk water assets and certain freehold land and employees were transferred to the Queensland Bulk Water supply authority on 1 July 2008. Compensation for the transfer was received in the form of the settlement of Council debts outstanding with the Queensland Treasury Corporation at the transfer date. An additional asset was transferred in October 2008, with compensation being received in October 2008 and December 2008.

Transfer details and reconciliation of the net gain on transfer of assets is as follows:

<u>Transfer Details</u>	<u>2009</u> <u>\$'000</u>
Assets	
Property, plant and equipment	75,988
Liabilities	
Provisions - Employee benefits	(355)
Provisions - Employee entitlements	(227)
Book value of net assets transferred	75,406
Compensation received	117,892
Net gain on transfer	42,486

A gain of \$269,438 arose from the early settlement of the Queensland Treasury Corporation loans. This represented the difference between the book and market values of the loan when the loans settled based on the interest rate applicable on that date.

**Note 9 Gain on Restructure of Local Government**

The Local Government Reform Commission report to the Minister for Local Government, Planning and Sport on 27 July 2007 recommended that the former Caboolture Shire Council, Pine Rivers Shire Council and Redcliffe City Council be amalgamated to form the Moreton Bay Regional Council (MBRC). Pursuant to Part 1B of the *Local Government Act 1993* and in accordance with the *Local Government Reform Implementation Regulation 2008* the amalgamation was effective from the changeover date of 15 March 2008.

The *Local Government Reform Implementation Regulation 2008* and the *Local Government Reform Implementation (Transferring Areas) Amendment Regulation (No.1) 2008* transferred the assets and liabilities of the former Caboolture Shire, Pine Rivers Shire and Redcliffe City Councils to the Moreton Bay Regional Council as at changeover date. The assets and liabilities of the former councils have been recognised at the amounts at which they were recognised by the transferor local governments as at the changeover day. Moreton Bay Regional Council adopted consistent accounting policies from its commencement date of 15 March 2008. In some cases, this resulted in adjustments to the measurement of assets and liabilities transferred from former councils as at 15 March 2008. Details are as follows:

MORETON BAY REGIONAL COUNCIL  
FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009

	<b>Caboottle Shire Council 14 March 2008 \$'000</b>	<b>Pine Rivers Shire Council 14 March 2008 \$'000</b>	<b>Redcliffe City Council 14 March 2008 \$'000</b>	<b>Transferred to MBRC 15 March 2008 \$'000</b>	<b>Accounting policy alignment 15 March 2008 \$'000</b>	<b>Gain on restructure 15 March 2008 \$'000</b>
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	152,626	92,415	47,737	292,778	-	292,778
Trade and other receivables	26,872	14,464	4,223	45,559	-	45,559
Inventory	1,873	661	411	2,945	-	2,945
Prepaid expenditure	929	1,131	249	2,309	-	2,309
<b>Total Current Assets</b>	<b>182,300</b>	<b>108,671</b>	<b>52,620</b>	<b>343,591</b>	<b>-</b>	<b>343,591</b>
<b>Non-Current Assets</b>						
Trade and other receivables	-	178	-	178	-	178
Other financial assets	-	-	15	15	-	15
Property, plant and equipment	1,150,743	1,545,985	530,474	3,227,202	(3,248)	3,223,954
Intangible assets	682	1,279	1,019	2,980	-	2,980
Capital works in progress	83,095	45,640	7,176	135,911	-	135,911
<b>Total Non-Current Assets</b>	<b>1,234,520</b>	<b>1,593,082</b>	<b>538,684</b>	<b>3,366,286</b>	<b>(3,248)</b>	<b>3,363,038</b>
<b>TOTAL ASSETS</b>	<b>1,416,820</b>	<b>1,701,753</b>	<b>591,304</b>	<b>3,709,877</b>	<b>(3,248)</b>	<b>3,706,629</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Trade and other payables	15,749	12,621	4,155	32,525	-	32,525
Interest bearing liabilities	32,087	58,934	1,559	92,580	-	92,580
Provision for employee entitlements	4,518	4,987	1,404	10,909	236	11,145
Provision for restoration	-	285	-	285	-	285
Other liabilities	433	3,448	692	4,573	-	4,573
<b>Total Current Liabilities</b>	<b>52,787</b>	<b>80,275</b>	<b>7,810</b>	<b>140,872</b>	<b>236</b>	<b>141,108</b>
<b>Non-Current Liabilities</b>						
Interest bearing liabilities	-	42,085	8,571	50,656	-	50,656
Provision for employee entitlements	10,063	8,824	2,990	21,876	(1,746)	20,130
Provision for restoration	975	6,356	-	7,331	417	7,748
<b>Total Non-Current Liabilities</b>	<b>11,038</b>	<b>57,265</b>	<b>11,561</b>	<b>79,863</b>	<b>(1,329)</b>	<b>78,534</b>
<b>TOTAL LIABILITIES</b>	<b>63,825</b>	<b>137,540</b>	<b>19,371</b>	<b>220,735</b>	<b>(1,093)</b>	<b>219,642</b>
<b>NET COMMUNITY ASSETS</b>	<b>1,352,995</b>	<b>1,564,213</b>	<b>571,933</b>	<b>3,489,142</b>	<b>(2,155)</b>	<b>3,486,987</b>

MORETON BAY REGIONAL COUNCIL  
FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009

	<b>2009</b>
<b>Note 10 Employee Benefits</b>	<b>\$'000</b>
Wages and salaries	119,841
Superannuation	17,062
Employee on-costs	46,243
Other employee related expenses	10,115
Capitalised employee costs	(13,595)
Total council employee benefits	179,666

Total Full Time Equivalent Employees at 30 June 2009 2003

**Note 11 Materials and Services**

Councillor remuneration and allowances	2,078
Consultants <span style="float: right;">(i)</span>	1,704
Contractors	96,937
Entertainment and hospitality	826
Marketing and promotions	3,447
Utilities	10,785
Bulk water purchases (raw and treated)	26,575
Donations, grants and contributions	6,629
Other Materials and Services	73,719
Total Materials and Services Expense	222,700

**(i) Consultants**

Scientific and environmental	446
Technical services	623
Information technology	406
Legal and accounting	15
Managerial	128
Other	86
	1,704

**Note 12 Finance Costs**

Interest and charges on Queensland Treasury Corporation loans	11,825
Impairment of bad and doubtful debts	163
Bank charges and merchant fees	1,111
Landfill restoration	465
Finance lease expense	2
Total Finance Costs	13,566

**Note 13 Other Expenses**

External audit fees <span style="float: right;">(i)</span>	408
Other professional fees	5
Total Other Expenses	413

**(i) External auditor**

The external audit fees recorded in this note include audit costs associated with the audit of the abolished former Council's financial statements.

The auditor's remuneration for the audit of Moreton Bay Regional Council's Financial Statements for the period to 30 June 2009 is \$292,780.

Stephen Stavrou (of Deloitte Touche Tohmatsu) is the contract auditor acting on behalf of the Principal Auditor, The Queensland Audit Office.

MORETON BAY REGIONAL COUNCIL  
FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009

	<b>2009</b>
	<b>\$'000</b>
<b>Note 14 Cash and Cash Equivalents</b>	
Cash at bank	11,199
Cash on hand	35
Investments at call	298,074
Investments in short term deposits	7,852
Balance at 30 June 2009	317,160
The following cash is restricted for specific expenditure at reporting date:	
Unspent grants and subsidies	6,068
Unspent developer contributions and infrastructure charges	161,518
	167,585

**Note 15 Trade and Other Receivables**

Current Trade and Other Receivables		
Rates and utility charges	(i)	10,423
Loans to community organisations	(ii)	190
Other debtors	(iii)	7,287
GST recoverable		7,884
Other accrued revenue		24,624
		50,408
Less: Provision for impaired debts	(iv)	(154)
Balance at 30 June 2009		50,254
Non-current Trade and Other Receivables		
Loans to community organisations	(ii)	205
Less: Provision for impaired debts	(iv)	-
Total Non-current Trade and Other Receivables		205

**(i) Rates and Utility Charges**

The average collection period for rates and utility charges is 33 days.

Ageing of past due but not impaired

< 12 Months	9,480
12 - 24 Months	678
24 - 36 Months	193
> 36 Months	72
	10,423

**(ii) Loans to Community Organisations**

Loans to community organisations have a loan term of between 1 and 10 years.

Ageing of past due but not impaired

60 - 90 days	-
90 - 120 days	-
120+ days	20
	20

**(iii) Other Debtors**

The average collection period for other debtors is 72.72 days. No interest is charged on overdue balances.

Ageing of past due but not impaired

60 - 90 days	623
> 90 days	1,639
	2,262

**(iv) Provision for impaired debts**

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

MORETON BAY REGIONAL COUNCIL  
FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009

	<b>2009</b>
	<b>\$'000</b>
<b>Note 16 Other Assets</b>	
Current Other Assets	
Inventory	2,544
Prepaid expenses	1,701
Balance at 30 June 2009	4,245
Non-Current Other Assets	
Prepaid expenses	1,667
Other	15
Balance at 30 June 2009	1,682
<b>Note 17 Intangible Assets</b>	
Gross carrying amount	
Balance transferred on amalgamation	9,020
Transfers between Property Plant and Equipment & Intangible Assets	453
Additions	1,998
Disposals	(297)
Balance at 30 June 2009	11,174
Accumulated amortisation and impairment	
Balance transferred on amalgamation	6,040
Transfers between Property Plant and Equipment & Intangible Assets	219
Disposals	(294)
Amortisation expense	1,494
Balance at 30 June 2009	7,459
Net book value	3,715
<b>Note 18 Property, Plant and Equipment</b>	
Net Book Values	
Land	451,771
Land Improvements	42,997
Buildings	255,939
Park Equipment	50,161
Plant and Equipment	51,134
Water	543,982
Recycled Water	4,760
Sewer	629,533
Roads	1,134,053
Waterways and Canals	73,639
Stormwater	649,806
Cultural and Heritage	1,640
Other	5,378
Total Carrying Amount	3,894,793

MORETON BAY REGIONAL COUNCIL  
FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009

**Note 18 – Property Plant and Equipment cont...**

	Land Improvements \$'000	Land & Foreshore Improvements \$'000	Buildings \$'000	Equipment \$'000	Park Equipment \$'000	Plant & Equipment \$'000	Water \$'000	Recycled Water \$'000
<b>Cost</b>								
<b>Opening Balance 15 March 2008</b>	62,451	34,716	267,712	66,681	82,093		751,366	-
Transfers Between Opening Balances	294,137	5,739	(3,325)	651	4,312		299	2,990
Adjusted Opening Balances	356,588	40,455	264,387	67,332	86,405		751,665	2,990
Asset Transfers (Including Intangible)	-	(5)	(1,099)	260	100		(48)	1,393
Fixed Asset Additions	36,551	11,896	7,600	13,027	18,342		52,239	375
Transferred to Bulk Water Authority	(635)	-	(1,034)	-	(328)		(69,575)	-
Contributed assets	-	-	-	92	-		11,577	76
Realignment of Accounting Policies	(1)	6,985	(251)	(8,867)	(7,908)		(3,322)	-
Disposals	(149)	-	(1,380)	(419)	(8,400)		(170)	-
Revaluation Increment/(Decrement)	59,417	-	64,387	-	-		23,552	492
<b>Closing Balance at 30 June 2009</b>	<b>451,771</b>	<b>59,331</b>	<b>332,609</b>	<b>71,425</b>	<b>88,211</b>		<b>765,918</b>	<b>5,326</b>
<b>Accumulated Depreciation</b>								
<b>Opening Balance 15 March 2008</b>	-	11,920	88,718	22,731	33,867		279,616	-
Transfers Between Opening Balances	-	1,237	(2,486)	233	2,015		160	411
Adjusted Opening Balances	-	13,157	86,232	22,964	35,882		279,776	411
Asset Transfers (Including Intangible)	-	18	(142)	-	105		(81)	178
Transferred to Bulk Water Authority	-	-	(518)	-	(70)		(40,694)	-
Contributed Assets	-	-	-	-	-		8	-
Provided in the year	-	3,332	7,611	4,007	11,517		14,926	68
Realignment of Accounting Policies	-	(173)	(110)	(5,532)	(6,397)		(2,220)	-
Disposals	-	-	(1,269)	(175)	(3,960)		(39)	(2)
Revaluation Adjustments	-	-	(15,134)	-	-		(29,740)	(89)
<b>Closing Balance at 30 June 2009</b>	<b>-</b>	<b>16,334</b>	<b>76,670</b>	<b>21,264</b>	<b>37,077</b>		<b>221,936</b>	<b>566</b>
<b>Written down cost at 30 June 2009</b>	<b>451,771</b>	<b>42,997</b>	<b>255,939</b>	<b>50,161</b>	<b>51,134</b>		<b>543,982</b>	<b>4,760</b>



MORETON BAY REGIONAL COUNCIL  
FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009

**Note 18 – Property Plant and Equipment cont...**

	Sewerage \$'000	Roads \$'000	Waterways & Canals \$'000	Storm Water \$'000	Cultural & Heritage \$'000	Other Assets \$'000	Policy Alignment \$'000	Total \$'000
<b>Cost</b>								
<b>Opening Balance 15 March 2008</b>	861,351	736,781	31,938	344,038	215	24,737	1,348,731	<b>4,612,810</b>
Transfers Between Opening Balances	(1,797)	739,279	7,564	300,478	1,914	(3,937)	(1,348,731)	<b>(427)</b>
Adjusted Opening Balances	859,554	1,476,060	39,502	644,516	2,129	20,800	-	4,612,383
Asset Transfers (Including Intangible)	(692)	66	-	-	2	(2)	-	<b>(25)</b>
Fixed Asset Additions	10,117	22,030	-	801	89	1,387	-	<b>174,454</b>
Transferred to Bulk Water Authority	-	-	-	-	-	-	-	<b>(71,572)</b>
Contributed assets	12,415	18,852	-	29,988	-	-	-	<b>73,000</b>
Realignment of Accounting Policies	(5,744)	(5)	-	-	(183)	(1,437)	-	<b>(20,733)</b>
Disposals	-	(664)	-	(6)	-	-	-	<b>(11,188)</b>
Revaluation Increment/(Decrement)	52,263	15,438	37,829	179,079	-	-	-	<b>432,457</b>
<b>Closing Balance at 30 June 2009</b>	<b>927,913</b>	<b>1,531,777</b>	<b>77,331</b>	<b>854,378</b>	<b>2,037</b>	<b>20,748</b>	<b>-</b>	<b>5,188,776</b>
<b>Accumulated Depreciation</b>								
<b>Opening Balance 15 March 2008</b>	282,238	273,452	-	95,798	-	15,255	282,012	<b>1,385,607</b>
Transfers Between Opening Balances	67	210,878	5,269	64,938	393	(1,175)	(282,115)	<b>(175)</b>
Adjusted Opening Balances	282,305	484,330	5,269	160,736	393	14,080	(103)	1,385,432
Asset Transfers (Including Intangible)	46	-	-	-	3	(172)	-	<b>(45)</b>
Transferred to Bulk Water Authority	-	-	-	-	-	-	-	<b>(41,282)</b>
Contributed Assets	30	40	-	32	-	-	-	<b>110</b>
Provided in the year	18,094	28,096	131	11,641	1	1,984	103	<b>101,511</b>
Realignment of Accounting Policies	(2,533)	(1)	-	-	-	(522)	-	<b>(17,488)</b>
Disposals	119	(465)	-	20	-	-	-	<b>(5,771)</b>
Revaluation Adjustments	319	(114,276)	(1,708)	32,143	-	-	-	<b>(128,486)</b>
<b>Closing Balance at 30 June 2009</b>	<b>298,380</b>	<b>397,724</b>	<b>3,692</b>	<b>204,572</b>	<b>397</b>	<b>15,370</b>	<b>-</b>	<b>1,293,982</b>
<b>Written down cost at 30 June 2009</b>	<b>629,533</b>	<b>1,134,053</b>	<b>73,639</b>	<b>649,806</b>	<b>1,640</b>	<b>5,378</b>	<b>-</b>	<b>3,894,793</b>

MORETON BAY REGIONAL COUNCIL  
FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009

**Note 18 – Property Plant and Equipment cont...**

Capital Work in Progress	Land & Foreshore		Park		Plant & Equipment		Recycled Water		Water
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Capital works-in-progress									
Balance at 15 March 2008	-	5,253	5,247	5,290	1,621	-	-	-	69,407
Transfers between classes	-	(5,632)	743	5,402	103	-	379	(77)	
Current years expenditure	38,548	17,529	14,814	11,104	21,680	3,155	-	-	62,899
Transferred to Bulk Water Authority	-	-	-	-	-	-	-	-	(45,698)
Expensed from WIP	(21)	(652)	(2,988)	(1,593)	(152)	(26)	-	-	(526)
Capitalisation of PPE & Intangible	(36,551)	(8,784)	(8,135)	(13,040)	(18,342)	(1,998)	(379)	(52,036)	
<b>Balance at 30 June 2009</b>	<b>1,976</b>	<b>7,714</b>	<b>9,681</b>	<b>7,163</b>	<b>4,910</b>	<b>1,131</b>	<b>-</b>	<b>-</b>	<b>33,969</b>

Capital Work in Progress	Sewerage	Roads	Waterways & Canals	Storm Water	Cultural & Heritage	Other Assets	Policy Alignment	Total All Classes
Capital works-in-progress								
Balance at 15 March 2008	26,823	9,242	-	1,668	-	114	11,247	135,912
Transfers between classes	(1,021)	11,688	-	1,018	25	(25)	(12,603)	-
Current years expenditure	157,684	74,579	53	8,421	629	3,329	1,356	415,780
Transferred to Bulk Water Authority	-	-	-	-	-	-	-	(45,698)
Expensed from WIP	(502)	(2,114)	-	(188)	(7)	(157)	-	(8,926)
Capitalisation of PPE & Intangible	(9,810)	(20,893)	-	(732)	(89)	(1,387)	-	(172,176)
<b>Balance at 30 June 2009</b>	<b>173,174</b>	<b>72,502</b>	<b>53</b>	<b>10,187</b>	<b>558</b>	<b>1,874</b>	<b>-</b>	<b>324,892</b>

MORETON BAY REGIONAL COUNCIL  
FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009

	<b>2009</b>
	<b>\$'000</b>
<b>Note 19 Trade and Other Payables</b>	
Current Trade and Other Payables	
Trade payables and accrued expenses	37,784
Employee entitlements	11,116
Balance at 30 June 2009	48,900
Non-Current Trade and Other Payables	
Trade payables and accrued expenses	1,441
Employee entitlements	3,616
Balance at 30 June 2009	5,057
<b>Note 20 Interest Bearing Liabilities</b>	
Current Interest Bearing Liabilities	
Loans from Queensland Treasury Corporation	56,577
Finance lease	3
Balance at 30 June 2009	56,580
Non-current Interest Bearing Liabilities	
Loans from Queensland Treasury Corporation	212,388
Finance lease	4
Balance at 30 June 2009	212,392
Movements within Queensland Treasury Corporation borrowings during the year comprised:	
Book value acquired on amalgamation	143,226
Loans raised	258,444
Repayment of borrowings by Council	(11,573)
Debt reduction due to Water reform	(132,688)
Market Value Realisation	(269)
Borrowing costs	11,825
Book value at year end	268,965
Fair value at year end	269,464
Summary of borrowing arrangements:	
(i) All borrowings are provided by the Queensland Treasury Corporation	
(ii) All borrowings are guaranteed by the Queensland Treasurer	
(iii) Loans for water and sewerage infrastructure are taken over a term of 20 years	
(iv) Loans for all other borrowings are taken over a term of 15 years	
(v) Rates on current loans range from 5.25% to 9.54%.	
The weighted average interest rate on borrowings is 6.36%	

MORETON BAY REGIONAL COUNCIL  
FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009

	<b>2009</b>
	<b>\$'000</b>
<b>Note 21 Provision for Employee Entitlements</b>	
Current Provision for Employee Entitlements	
Long service leave	1,822
Provision for vested sick leave	2,529
Balance at 30 June 2009	4,351
 Movement in Provision for Employee Entitlements	
Long service leave provision transferred on amalgamation	2,233
Adjustment due to alignment of accounting policies	(475)
Additional provisions recognised	2,153
Payments made	666
Transfers to other Councils and authorities	(226)
Balance at 30 June 2009	4,351
 Non-current Provision for Employee Entitlements	
Long service leave	17,700
Provision for vested sick leave payment	1,202
Balance at 30 June 2009	18,902
 Movement in Provisions - Long Service Leave	
Long service leave provision transferred on amalgamation	18,372
Adjustment due to alignment of accounting policies	(1,012)
Additional provisions recognised	1,542
Balance at 30 June 2009	18,902
 <b>Note 22 Provision for Restoration</b>	
Current Provision for Restoration	285
 Movement in Provision	
Restoration provision transferred on amalgamation	285
Balance at 30 June 2009	285
 Non-current Provision for restoration	11,321
 Movement in Provision	
Restoration provision transferred on amalgamation	7,331
Adjustment due to alignment of accounting policies	417
Increase in provision as a result of changes in cost	3,594
Unwinding of discount and effect of changes in the discount rate	(21)
Balance at 30 June 2009	11,321

MORETON BAY REGIONAL COUNCIL  
FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009

	<b>2009</b>
	<b>\$'000</b>
<b>Note 23 Retained Surplus</b>	
Balance transferred on amalgamation	-
Gain on transfer of net amalgamated assets	3,489,142
Adjustment as a result of alignment of accounting policies	(2,155)
Net assets transferred on amalgamation	3,486,987
Appropriations to establish Council reserves	(206,890)
Net transfers to reserves	(31,465)
Net result for the period (from ordinary activities)	188,597
Closing retained surplus at 30 June 2009	3,437,228
 <b>Note 24 Asset Revaluation Reserve</b>	
Net Revaluation Increment for the period:	
Land	59,417
Buildings	79,521
Water	53,292
Recycled water	581
Sewerage	51,944
Roads	129,715
Stormwater	146,936
Waterways and canals	39,537
Net adjustment to reflect change in fair value of fixed assets	560,943
 <b>Note 25 Other Reserves</b>	
Balance established at 15 March	206,890
Appropriation to reserves for the period	144,427
Appropriation from reserve for the period	(112,961)
Balance at 30 June 2009	238,356
 Made up of:	
Constrained Works Reserve	
Balance established at 15 March	124,002
Appropriation to reserves for the period	69,543
Appropriation from reserve for the period	(32,027)
Balance at 30 June 2009	161,518
 Unspent Grants Reserve	
Balance established at 15 March	2,739
Appropriation to reserves for the period	6,068
Appropriation from reserve for the period	(2,739)
Balance at 30 June 2009	6,068
 Other Reserves	
Balance established at 15 March	80,149
Appropriation to reserves for the period	68,816
Appropriation from reserve for the period	(78,195)
Balance at 30 June 2009	70,770

MORETON BAY REGIONAL COUNCIL  
FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009

<b>Note 26 Reconciliation of results from ordinary activities to net cash inflow (outflow) from operating activities</b>	<b>2009 \$ '000</b>
Net result attributable to Council	3,675,584
Gain on restructure of local government	<u>(3,486,987)</u>
Net result attributable to Council before gain on restructure of local government	<u>188,597</u>
 Non-cash operating items:	
Depreciation and amortisation	103,005
Net gain on market realisation of borrowings	1,028
Change in future rehabilitation costs	<u>403</u>
	<u>104,436</u>
 Investing and development activities:	
Net loss on disposal of non current assets	1,189
Net (profit) on transfer of bulk water	(42,486)
Investment revenue	(25,154)
Capital grants, subsidies and contributions	<u>(208,213)</u>
	<u>(274,664)</u>
 Changes in operating assets and liabilities:	
(Increase) in receivables	(7,605)
(Increase) in other operating assets	(658)
Increase in payables	4,815
Increase in other provisions	<u>7,177</u>
	<u>3,729</u>
 Net cash inflow from operating activities	 <u>22,098</u>
 <b>Note 27 Commitments for Expenditure</b>	
<i>Commitments for capital expenditure</i>	
Contractual commitments at balance date not recognised in financial statements	
Plant and Equipment	675
Building, Land and Improvements	5,622
Water, Recycled Water, and Sewerage	119,983
Roads, Drains and Bridges	<u>2,524</u>
Total contractual commitments at balance date	<u>128,804</u>
 These expenditures are due for payment:	
Not later than 1 year	72,448
One to five years	<u>56,356</u>
	<u>128,804</u>
 <i>Commitments for operating expenditure</i>	
Contractual commitments at balance date not recognised in financial statements	
Waste removal and recycling services	39,839
Water purchases (raw and treated)	32,551
Outsourced management of facilities of other services	<u>15,343</u>
Total contractual commitments at balance date	<u>87,733</u>
 These expenditures are due for payment:	
Not later than 1 year	48,048
One to five years	<u>39,685</u>
	<u>87,733</u>

MORETON BAY REGIONAL COUNCIL  
FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009

	2009 \$'000
<b>Note 28 Leases</b>	
<b>(a) Disclosures for lessees</b>	
<b>Non - cancellable operating lease commitments:</b>	
Not longer than 1 year	580
Longer than 1 year and not longer than 5 years	434
	1,014
<b>Finance lease liabilities</b>	
Not longer than 1 year	4
Longer than 1 year and not longer than 5 years	4
Minimum future lease payments	8
Less future finance charges	(1)
Present value of minimum lease payments	7
<b>(b) Disclosures for lessors</b>	
<b>Non - cancellable operating lease receivables:</b>	
Not longer than 1 year	2,945
Longer than 1 year and not longer than 5 years	8,597
Longer than 5 years	14,278
	25,820

**Note 29 Superannuation**

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

The ABF is a defined contribution scheme as defined in AASB119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the Local Government Act. The DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs.

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

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

MORETON BAY REGIONAL COUNCIL  
FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009

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

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

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

The 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 amount of superannuation contributions paid by Moreton Bay Regional Council to the scheme in this period for the benefit of employees was \$17,061,960.

### **Note 30 Financial Risk Management**

#### *i) Categories of Financial Instruments*

<b>Financial assets</b>	<b>Category</b>
Cash	Cash at bank and on hand
Cash held at call	Deposits at call
Term deposits	Investments
Receivables	Trade and receivables (at amortised cost)
Loans to community organisations	Loans
Shares	Financial assets available for sale (at cost)
<b>Financial liabilities</b>	<b>Category</b>
Payables	Trade and other payables (at cost)
Borrowings	Borrowings (at amortised cost)
Finance lease liabilities	Finance lease (at amortised cost)

#### *ii) Financial Risk Management*

Council's activities expose it to a variety of financial risks including interest rate risk, credit risk and liquidity risk. Council manages its exposure to financial risk in the following ways:

- Council's Financial and Project Services Department co-ordinates Council's treasury function and manages the financial risks relating to the operations of Council
- Council does not enter into or trade financial instruments for speculative purposes
- Investments in financial assets are only made with a bank or other financial institution in Australia and are for a period of one year or less.
- Council only borrows from the Queensland Treasury Corporation.

#### *iii) Liquidity Risk Management*

Responsibility for liquidity risk management rests with Council, which has built an appropriate risk management framework for the management of Council's short, medium and long-term funding and liquidity management requirements. Council manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.



MORETON BAY REGIONAL COUNCIL  
FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009

iv) *Credit Risk Management*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Council. In the case of Rate Receivables, Council has the power to sell property to recover any defaulted amounts, which in effect protects Council against credit risk for these debtors. The credit risk on trade receivables consists of a small number of low value amounts, with no major concentration of credit risk to any single debtor or group of debtors. Council regularly assesses the collectability of each trade receivable outstanding for more than 150 days because historical experience shows that some receivables of this age may not be recoverable.

As a consequence of this analysis, where considered necessary an allowance for estimated irrecoverable receivables is made. Historically the provision for impaired debts and level of bad debt write-offs has been very low.

The credit risk on liquid funds is limited because Council primarily deals with the Queensland Treasury Corporation.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents Council's maximum exposure to credit risk.

v) *Interest Rate Risk Management*

All Council borrowings and a large portion of Council investments are made with the Queensland Treasury Corporation (QTC). The risk associated with interest rate movements is effectively managed by accessing fixed and floating fund sources with the QTC. The weighted average interest rate by maturity periods is detailed in the table below:

Council's exposure to interest rate risk is detailed in the table below:

Interest Rate Risk Analysis 2008/2009	Floating Interest Rate \$'000	Fixed Interest Rate Maturing in < 1 year \$'000	Fixed Interest Rate Maturing in 1-5 years \$'000	Fixed Interest Rate Maturing in > 5 years \$'000	Non Interest Bearing Portion \$'000	Weighted Average Effective Interest Rate (%)
<b>Financial Assets</b>						
Cash at bank	11,199	-	-	-	-	2.69
Deposits at call	298,074	-	-	-	-	5.64
Investments	-	7,852	-	-	-	7.64
Trade & other receivables	-	10,423	-	-	39,832	-
Loans	-	-	-	-	-	-
Shares	-	-	-	-	15	-
<b>Total financial assets</b>	<b>309,273</b>	<b>18,275</b>	<b>-</b>	<b>-</b>	<b>39,847</b>	
<b>Financial Liabilities</b>						
Trade and other payables	-	-	-	-	50,128	-
Borrowings	-	73,552	88,959	248,191	-	6.36
Finance lease	-	3	4	-	-	14.37
<b>Total financial liabilities</b>	<b>-</b>	<b>73,555</b>	<b>88,963</b>	<b>248,191</b>	<b>50,128</b>	

Note: the numbers presented in the above table are undiscounted.

Except as detailed in the following table, the carrying amount of Council's financial assets and financial liabilities approximates their fair values.

Fair Value - borrowings	Note	Carrying amount \$'000	Net fair value \$'000
Interest bearing liabilities	21	268,965	269,464

### **Note 31 Code of Competitive Conduct**

Before the end of each financial year, the Minister must decide for the financial year, the expenditure amounts (the “threshold amounts”) for identifying a “significant business activity” that should be a type 1 or 2 business activity. A significant business activity where the threshold expenditure has been set by the Minister for the period ended 30 June 2009 is as follows:

- |         |     |   |
|---------|-----|---|
| Type 1: | i)  | for water and sewerage combined activities - \$37.8 million |
|         | ii) | for other activities - \$22.7 million                       |
| Type 2: | i)  | for water and sewerage combined activities - \$11.3 million |
|         | ii) | for other activities - \$7.6 million                        |

The Council has resolved to adopt full cost pricing to the activities which fall into the expenditure guidelines above.

Type 3 “business activities” of a local government are divided into two categories:

- i) Business Activities - trading in goods and services to clients in competition with the private sector, or the submission of a competitive tender in the local government’s own tendering process in competition with others for the provision of goods and services to itself. Excluded activities are library services or an activity or part thereof prescribed by legislation.
- ii) Roads Business Activities - the construction or maintenance of State controlled roads for which the local government submits an offer to carry out work in response to a tender invitation other than through a sole supplier arrangement, submission of a competitive tender for construction or road maintenance on local government roads which the local government has put out to tender, or called for by another local government.

A Local Government may elect to apply a Code of Competitive Conduct (CCC) to their identified Type 3 business activities. This requires the application of full cost pricing, identifying the cost of Community Service Obligations (CSO) and eliminating the advantages and disadvantages of public ownership within that activity. Council resolved not to apply the CCC to its Roads Business Activity as its activity does not meet the above definition.

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. The Council provides funding from general revenue to the business activity to cover the cost of providing non-commercial community services or costs deemed to be CSO’s by the Council.

Section 768 of the *Local Government Act 1993* requires Council to set out a list of activities that were business activities during the financial year and a statement as to whether or not Council resolved to apply the Code of Competitive Conduct to each of those activities and if not, the reason it was not applied.

The Type 2 activities to which Council resolved to apply the Code of Competitive Conduct were water, sewerage and waste activities. Details of operations are listed in Note 2(b) of the Financial Statements.

MORETON BAY REGIONAL COUNCIL  
FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009

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Details of community service obligations are as follows:

Activities	CSO Description	Actual 2009 \$'000
Community Halls	Hall funds used directly to fund the Hall	1,815
Plant and Fleet	Community assistance provided directly by Plant and Fleet	21
Swimming Pools	Pool expenses, and depreciation for Deception Bay and Woodford and the ROI for all pools less the revenue from the two aquatic centres.	4,097
Waste	Pensioner Discounts	263
	Litter Management	92
	Toilet Cleaning and Street Bins	474
	Clean Up Australia	10
	Tipping for Council Internal Works	59
Moreton Bay Water	Pensioner discounts	2,642
	Concessions to community groups	732
	Composted bio-solids removal	968
	Raising manholes - private properties	89
	Fire hydrant maintenance & water consumption	498
	Hydrant marker installation and maintenance	115
The Certification Professionals	Community group concessions	26

Council resolved to apply the Competitive Code of Conduct to the following Type 2 and 3 activities:

Type 2 Business Activities

	Water 2009 \$'000	Waste 2009 \$'000
Revenue		
Revenue for services provided to the Council	1,862	238
Revenue for services provided to external clients	155,819	40,510
Community service obligations	5,044	900
	162,725	41,648
Expenditure	187,384	53,444
Surplus (deficiency)	(24,659)	(11,796)

MORETON BAY REGIONAL COUNCIL  
FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009

*Type 3 business activities:*

	<b>Birralee Child Care 2009 \$'000</b>	<b>Family Day Care 2009 \$'000</b>	<b>Nursery 2009 \$'000</b>	<b>Pools 2009 \$'000</b>	<b>Commercial Properties 2009 \$'000</b>	<b>North Lakes Centre 2009 \$'000</b>	<b>Building Certification 2009 \$'000</b>
<b>Revenue</b>							
Revenue for services provided to the Council	144	248	167	51	-	488	587
Revenue for services provided to external clients	1,227	1,469	55	10	2,091	298	6,904
Community service obligations	-	-	-	-	-	-	26
	1,371	1,717	222	61	2,091	786	7,517
<b>Expenditure</b>	1,335	1,828	390	417	1,293	1,308	6,902
<b>Surplus (deficiency)</b>	36	(111)	(168)	(356)	798	(522)	615

	<b>Building Activity 2009 \$'000</b>	<b>Caravan Parks 2009 \$'000</b>	<b>Commercial Property 2009 \$'000</b>	<b>Community Halls 2009 \$'000</b>	<b>Plant &amp; Fleet 2009 \$'000</b>	<b>Swimming Pools 2009 \$'000</b>	<b>Roads 2009 \$'000</b>
<b>Revenue</b>							
Revenue for services provided to the Council	-	-	-	-	13,695	-	11,226
Revenue for services provided to external clients	1,032	1,812	1,026	292	370	911	221
Community service obligations	-	-	-	1,815	21	4,097	-
	1,032	1,812	1,026	2,107	14,086	5,008	11,447
<b>Expenditure</b>	653	1,791	1,026	2,107	14,086	5,008	11,447
<b>Surplus (deficiency)</b>	379	21	-	-	-	-	-

### **Note 32 Contingent Liabilities**

#### *Local Government Mutual*

Moreton Bay Regional 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 2008, the audited financial statements reported accumulated member funds of \$10.05m and it is not anticipated any liability will arise.

#### *Local Government Workcare*

Moreton Bay Regional Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$3.66m

#### *Inherent liability for legal claims*

Moreton Bay Regional Council is a defendant in a number of claims that arise as a result of the operation of council and the ownership of public assets. A provision is made for costs in accordance with Accounting Policy Note 1D.

### **Note 33 Events After Balance Date**

In July 2009, the State Government confirmed its support for Councils in the SEQ region to form three combined distribution and retail water businesses. Moreton Bay Regional Council will combine its water distribution and retail business with Sunshine Coast Regional Council.

The new combined model means that the existing retail and distribution functions will not be separated from one another when the new businesses are established. Negotiations between the partnering Councils and the Queensland Water Commission have commenced. The timeframe for the establishment of the new businesses and the introduction of the regulatory framework is yet to be confirmed and will be based on advice from partnering Councils.

Costs incurred to date by the existing South East Queensland Distribution Entity (Interim) Pty Ltd are expected to be transferred to the three combined distribution and retail water businesses within the 2009/2010 financial year.