



MORETON BAY REGIONAL COUNCIL

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 June 2010**

Moreton Bay Regional Council

Financial statements

For the year ended 30 June 2010

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Moreton Bay Regional Council
Statement of Comprehensive Income
For the year ended 30 June 2010

	Note	2010 \$'000	Restated 15 Mar 2008 to 30 June 2009 \$'000
Income			
Revenue			
Operating Revenue			
Rates and utility charges	3	325,439	327,058
Fees and charges	4	44,218	55,321
Rental income	5	4,152	2,813
Grants, subsidies and contributions	6(a)	19,955	31,990
Interest revenue	7	13,932	25,154
Sales revenue	8	3,675	8,091
Other revenue	9	14,175	8,010
		<u>425,546</u>	<u>458,437</u>
Capital Revenue			
Grants, subsidies and contributions	6(b)	139,762	320,479
Total Revenue		<u>565,308</u>	<u>778,916</u>
Capital Income	10	2,701	3,552,252
Total Income		<u>568,009</u>	<u>4,331,168</u>
Expenses			
Operating Expenses			
Employee benefits	11	(146,461)	(179,666)
Materials and services	12	(182,417)	(223,113)
Depreciation and amortisation	13	(96,369)	(105,753)
Finance costs	14	(19,023)	(13,566)
		<u>(444,270)</u>	<u>(522,098)</u>
Capital Expenses	15	-	(1,189)
Total Expenses		<u>(444,270)</u>	<u>(523,287)</u>
NET OPERATING SURPLUS		<u>123,739</u>	<u>3,807,881</u>
Other Comprehensive Income			
Increase in asset revaluation surplus	29	177,135	560,943
Total other comprehensive income for the year		<u>177,135</u>	<u>560,943</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>300,874</u>	<u>4,368,824</u>

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

Moreton Bay Regional Council
Statement of Financial Position
As at 30 June 2010

	Note	2010 \$'000	Restated 2009 \$'000
Assets			
Current Assets			
Cash and cash equivalents	16	270,157	317,160
Trade and other receivables	17	58,136	51,955
Inventories	18	3,022	2,544
Total Current Assets		<u>331,315</u>	<u>371,659</u>
Non-Current Assets			
Trade and other receivables	17	369	1,872
Investments	19	15	15
Property, plant and equipment	20	4,419,050	4,027,090
Intangible assets	22	5,686	3,715
Capital works in progress	21	352,364	324,892
Total Non-Current Assets		<u>4,777,484</u>	<u>4,357,584</u>
Total Assets		<u>5,108,799</u>	<u>4,729,243</u>
Liabilities			
Current Liabilities			
Trade and other payables	23	68,670	51,429
Borrowings	24	13,370	56,580
Provisions	26	1,823	2,107
Other	27	1,838	2,631
Total Current Liabilities		<u>85,701</u>	<u>112,747</u>
Non-Current Liabilities			
Trade and other payables	23	5,590	6,259
Borrowings	24	321,118	212,392
Provisions	26	26,692	29,021
Total Non-Current Liabilities		<u>353,400</u>	<u>247,672</u>
Total Liabilities		<u>439,101</u>	<u>360,419</u>
NET COMMUNITY ASSETS		<u>4,669,698</u>	<u>4,368,824</u>
Community Equity			
Retained surplus	28	3,717,161	3,569,525
Asset revaluation surplus	29	738,078	560,943
Reserves	30	214,459	238,356
TOTAL COMMUNITY EQUITY		<u>4,669,698</u>	<u>4,368,824</u>

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

Moreton Bay Regional Council
Statement of Changes in Equity
For the year ended 30 June 2010

	Retained Surplus	Asset Revaluation Surplus	Reserves	Total Community Equity
Note	28	29	30	
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2009	3,569,525	560,943	238,356	4,368,824
Net operating surplus	123,739	-	-	123,739
Other comprehensive income for the year				
Increase in asset revaluation surplus	-	177,135	-	177,135
Total comprehensive income for the year	<u>123,739</u>	<u>177,135</u>	<u>-</u>	<u>300,874</u>
Transfers to and from reserves				
Transfers to other reserves	(50,351)	-	50,351	-
Transfers from other reserves	74,248	-	(74,248)	-
Total transfers to and from reserve	<u>23,897</u>	<u>-</u>	<u>(23,897)</u>	<u>-</u>
Balance at 30 June 2010	<u><u>3,717,161</u></u>	<u><u>738,078</u></u>	<u><u>214,459</u></u>	<u><u>4,669,698</u></u>
Balance as at 15 March 2008 (Restated)	-	-	-	-
Net operating surplus	3,807,881	-	-	3,807,881
Other comprehensive income for the year				
Increase in asset revaluation surplus	-	560,943	-	560,943
Total comprehensive income for the year	<u>3,807,881</u>	<u>560,943</u>	<u>-</u>	<u>4,368,824</u>
Transfers to and from reserves				
Transfers to other reserves	(330,085)	-	330,085	-
Transfers from other reserves	91,729	-	(91,729)	-
Total transfers to and from reserve	<u>(238,356)</u>	<u>-</u>	<u>238,356</u>	<u>-</u>
Balance at 30 June 2009	<u><u>3,569,525</u></u>	<u><u>560,943</u></u>	<u><u>238,356</u></u>	<u><u>4,368,824</u></u>

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

Moreton Bay Regional Council
Statement of Cash Flows
For the year ended 30 June 2010

	2010	Restated
	\$'000	15 Mar 2008 to 30 June 2009
Note	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	428,112	440,039
Payments to suppliers and employees	(362,685)	(441,141)
Interest received	13,932	25,154
Rental income	4,152	2,146
Non capital grants and contributions	19,955	31,990
Borrowing costs	(14,168)	(11,085)
Net cash inflow from operating activities	89,298	47,103
36		
Cash flows from investing activities		
Payments for property, plant and equipment	(301,518)	(406,072)
Payments for intangible assets	(3,587)	(1,998)
Proceeds from sale of property, plant and equipment	6,010	2,973
Net movement in loans to community organisations	(15)	35
Grants, subsidies, contributions and donations	88,878	135,473
Net cash outflow from investing activities	(210,232)	(269,589)
Cash flows from financing activities		
Proceeds from borrowings	85,000	258,444
Repayment of borrowings	(11,066)	(11,573)
Repayments made on finance leases	(3)	(3)
Net cash inflow from financing activities	73,931	246,868
Net (decrease) / increase in cash held	<u>(47,003)</u>	<u>24,382</u>
Cash at beginning of the financial year	<u>317,160</u>	<u>292,778</u>
Cash at end of the financial year	16 <u><u>270,157</u></u>	<u><u>317,160</u></u>

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

Moreton Bay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2010

1 Significant accounting policies

1.A Basis of preparation

These general purpose financial statements for the period 1 July 2009 to 30 June 2010 have been prepared in accordance with Australian Accounting Standards and comply with the requirements of the *Local Government Act 1993* and the *Local Government Finance Standard 2005*.

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 for 2008-09 were prepared for the period 15 March 2008 to 30 June 2009. The 2009-10 financial year is from 1 July 2009 to 30 June 2010.

Assets and liabilities of the former Councils were recognised by Moreton Bay Regional Council on 15 March 2008 at the previous book values of the transferor local governments. This is shown under capital income in the comparative figures of the Statement of Comprehensive Income and Note 10.

Moreton Bay Regional Council (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 comparative figures of the Statement of Comprehensive Income and details are disclosed in subsequent notes.

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

As disclosed in Note 37 comparative information for the period 15 March 2008 to 30 June 2009 has been restated to reflect adjustments for prior year errors.

1.B Statement of compliance

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Council's operations and effective for the current reporting period. 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, these financial statements do not comply with IFRS.

The main impacts are:

- the offsetting of revaluation and impairment gains and losses within a class of assets
- the timing of the recognition of non-reciprocal grant revenue
- the recognition of assets and liabilities of the former Councils at the amounts at which they were recognised by the transferor local governments.

1.C Constitution

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

1.D Date of authorisation

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

**Moreton Bay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2010**

1.E Currency

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

1.F Adoption of new and revised Accounting Standards

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has resulted in the following changes to Council's accounting policies:

Presentation of Financial Statements (AASB 101 *Presentation of Financial Statements*, AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*, AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101*)

The revised Standard and Amending Pronouncements do not affect any of the amounts presented in the financial statements, but have changed the disclosures made in the financial statements. The change in terminology in the revised AASB 101 has resulted in the Balance Sheet being renamed the Statement of Financial Position, and the Cash Flow Statement being renamed the Statement of Cash Flows. The former Income Statement has been replaced with a single Statement of Comprehensive Income. In line with the new concept of "comprehensive income" the bottom of the Statement contains other Comprehensive Income that was previously included in the Statement of Changes in Equity.

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

	Effective for annual report periods beginning on or after:
AASB 9 <i>Financial Instruments</i> (December 2009)	1 January 2013
AASB 124 <i>Related Party Disclosures</i> (December 2009)	1 January 2011
2009-5 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i> (May 2009)	1 January 2010
2009-8 <i>Group Cash-settled Share-based Payment Transactions</i> (July 2009)	1 January 2010
2009-9 <i>Additional Exemptions for First-time Adopters</i> (September 2009)	1 January 2010
2009-10 <i>Classification of Rights Issues</i> (October 2009)	1 January 2013
2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2009)	1 January 2013
2009-12 <i>Amendments to Australian Accounting Standards in relation to AASB 8 Operating Segments</i> (December 2009)	1 January 2011
2009-13 <i>Amendments to AAS arising from Interpretation 19</i> (December 2009)	1 July 2010
2009-14 <i>Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (Interpretation 14)</i> (December 2009)	1 January 2011
Interpretation 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i> (December 2009)	1 July 2010
2010-1 <i>Amendments to Australian Accounting Standards - Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters</i>	1 July 2010
2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	1 July 2013
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	1 July 2013

**Moreton Bay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2010**

2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2010
2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2011

Management have yet to assess the impact that AASB 9 *Financial Instruments* and 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* is likely to have on the financial statements of Council as it is anticipated that further amendments will occur. Council does not expect to implement the amendments prior to the adoption date of 1 January 2013.

2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* includes amendments to AASB 117 *Leases* which revise the criteria for classification of leases involving land and buildings. Council will be required to reassess the classification of the land components of all unexpired leases that Council has entered into as at 1 July 2010, on the basis of the information existing at the inception of the relevant lease. If any such leases are reclassified to become finance leases, retrospective accounting adjustments will be processed as far as practicable.

Initial application of the other Standards/Interpretations in issue but not yet effective is not expected to have any material impact on Council's financial statements.

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

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

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

Valuation of property, plant and equipment - Note 1.P and Note 20

Impairment of property, plant and equipment - Note 1.S

Provisions - Note 1.V and 1.X and Note 26

Contingencies - Note 32

1.H Rates, grants and other revenue

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

Rates

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

Grants and subsidies

Where 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.

Council usually spends all recurrent grants in the year received, however where they have not been expended, an equivalent amount is placed in the unspent grants reserve.

Where grants are received that are reciprocal in nature, revenue is recognised over the term of the funding arrangements.

Non-cash contributions

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

**Moreton Bay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2010**

Infrastructure cash contributions

AASB Interpretation 18 *Transfers of Assets from Customers* has been applied prospectively from 1 July 2010. Infrastructure cash contributions are recorded as income upon receipt unless those contributions relate to the provision of specific infrastructure that is required to be constructed by a certain time in which case those contributions would be recorded as a liability in the Statement of Financial Position. The contributions would then be recognised as income upon the successful construction of the specific infrastructure.

Interest

Interest received from term deposits is accrued over the term of the investment.

1.I Financial assets and financial liabilities

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

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

Financial assets

Cash and cash equivalents - Note 1.J

Receivables - Note 1.K

Other financial assets - Note 1.M

Financial liabilities

Payables - Note 1.U

Borrowings - Note 24

Finance lease liabilities - Note 25

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

The fair value of financial instruments 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 24 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 reporting 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 trade receivables approximates the amortised cost less any impairment. The fair value of payables approximates the amortised cost.

The fair value of other financial assets is represented by cost.

Council does not recognise financial assets or financial liabilities at fair value in the Statement of Financial Position.

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

1.J Cash and cash equivalents

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

1.K Receivables

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

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

**Moreton Bay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2010**

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

Because Council has the power to sell an owner's property to recover outstanding rate debts, Council does not impair any rate receivables.

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

1.L 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.

1.M Other financial assets

Other financial assets are recognised at cost. Council's financial assets are disclosed in Note 19.

1.O 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.

1.P Property, plant and equipment

Asset classes

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

Land	Road Infrastructure
Land Improvements	Stormwater Infrastructure
Buildings	Waterways and Canals Infrastructure
Park Equipment	Recycled Water Infrastructure
Plant and Equipment	Cultural and Heritage
Water Infrastructure	Other
Sewerage Infrastructure	

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.

**Moreton Bay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2010**

Non-current asset thresholds

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

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.

Acquisition of assets

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

Non-monetary assets, including property, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value by Council valuation when the criteria for asset recognition per AASB 1004 *Contributions* are met and where that value exceeds the recognition thresholds for the respective asset class. Fair value means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Capital and operating expenditure

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

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

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 intangible assets are measured at cost.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by comprehensively revaluing these assets at least once every five years, with interim valuations using a suitable index being otherwise performed on an annual basis where there has been a material variation in the index.

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

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

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.

Depreciation

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

**Moreton Bay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2010**

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

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

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

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

Details of the range of useful lives for each class of asset are shown in Note 20.

Land under roads

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

Asset not previously recognised

The initial recognition of non-current assets relates to items of property, plant and equipment that should have been included in previous years financial accounts, but have only been identified and placed into the fixed asset register during the current reporting period. These assets do not form part of the current years capital acquisitions and have been recognised directly to the Statement of Comprehensive Income as capital revenue as shown in Note 6(b). These assets were identified due to the introduction of improved information capture processes. All identified assets have been initially recognised within the accounts at their written down fair value as at the reporting date detailed.

Retrospective adjustments have not been applied under the provisions of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* due to the impractical nature of determining the written down value for each initially recognised asset prior to the reporting date.

1.Q Intangible assets

Intangible assets are assets that do not have a physical substance but are expected to provide future benefits to Council. Intangible assets derive their value from the rights that possession and use confer 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 five and ten years.

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

1.R Biological assets

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

Moreton Bay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2010

1.S Impairment of non-current assets

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

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

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

1.T Leases

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

Finance leases

Where Council enters into a finance lease, Council recognises an asset equal to the lower of fair value of the leased property and the present value of the minimum lease payments. The lease liability is recognised at the same amount. 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. Council holds one finance lease for office equipment. The outstanding liability of the finance lease is disclosed in Note 25.

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.

1.U Payables

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

1.V Liabilities - employee benefits

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

Salaries and wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 11 as a payable.

Moreton Bay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2010

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.

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.

Superannuation

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

Long service leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in Council's employment or other associated employment which would result in Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. This liability is reported in Note 26 as a provision.

1.W Borrowing costs

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

1.X Restoration provision

A provision is made for the cost of restoration of assets and other future restoration costs where it is probable 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 present value. Changes in the provision not arising from the passing of time are treated as an adjustment to the provision and associated asset.

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

1.Y Asset revaluation surplus

The asset revaluation surplus 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 the asset revaluation surplus.

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

1.Z Retained surplus

This represents the amount of Council's net funds not set aside in reserves to meet specific future needs.

1.AA Reserves

Unspent capital grants reserve

This reserve represents the unspent portion of non-reciprocal grants received for capital purposes.

Moreton Bay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2010

Constrained works reserve

This reserve represents contributions received for capital works where the required works have not yet been carried out. Unspent grants received by Council are also placed in this reserve until the obligation is satisfied.

Other reserves

This reserve represents amounts that are accumulated within the Council to meet anticipated future expenditure needs. In each case the amount relates to a perceived future requirement which is not currently a liability.

1.AB Code of Competitive Conduct

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

1.AC Rounding and comparatives

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

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

Moreton Bay Regional Council was formed on 15 March 2008 as a consequence of the amalgamation of Caboolture Shire Council, Pine Rivers Shire Council and Redcliffe City Council. 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 for 2008-09 were prepared for the period 15 March 2008 to 30 June 2009. Therefore comparative figures presented in the financial statements for the year ended 30 June 2010 are for a 15 and a half month period.

The assets and liabilities of the former Caboolture Shire Council, Pine Rivers Shire Council and Redcliffe City Council were transferred to Moreton Bay Regional Council on the changeover date. Therefore asset and liability balances disclosed in the notes as being at the beginning of the comparative financial year, comprise asset and liabilities that were transferred from Caboolture Shire Council, Pine Rivers Shire Council and Redcliffe City Council due to the restructure.

1.AD Trust funds held for outside parties

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

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

1.AE Taxation

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

Certain significant business activities of Council are required to pay an income tax equivalent to Council in accordance with the requirements of the *Local Government Act 1993*. The income tax expense is calculated on the operating surplus adjusted for permanent differences between taxable and accounting income. These transactions are eliminated upon consolidation.

Council pays payroll tax to the Queensland Government on certain activities.

**Moreton Bay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2010**

2 Analysis of Results by Function

(a) Components of Council Functions

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

Engineering, Construction & Maintenance

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

Community & Cultural Services

Community and Cultural Services is 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 section provides professional corporate support to the organisation in the areas of financial management, organisational and people development, corporate project management and information technology support.

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.

The Certification Professionals

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

Environment & Local Laws

Environment and Local Laws is responsible for ensuring compliance with the local laws of Council. The section 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 Council's longer term functions and responsibilities, across a range of activities.

Moreton Bay Regional Council
Notes to the Financial Report
For the year ended 30 June 2010

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

Year ended 30 June 2010	Gross program income		Elimination of inter-function transactions	Total income	Gross recurring expenses	Elimination of inter-function transactions	Total expenses	Net operating surplus	Assets
	Recurring	Capital							
Function	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Engineering, Construction & Maintenance *	22,841	18,042	(19,148)	21,735	(90,828)	14,273	(76,555)	(54,820)	3,128,570
Community & Cultural Services	11,894	1,526	(215)	13,205	(30,658)	796	(29,862)	(16,657)	129
Corporate Services & Governance	186,238	41,789	1,723	229,750	(104,814)	662	(104,152)	125,598	303,407
Moreton Bay Water	161,582	80,903	(2,341)	240,144	(170,571)	3,400	(167,171)	72,973	1,648,547
Waste Function	37,615	203	(2,119)	35,699	(37,614)	1,765	(35,849)	(150)	27,367
The Certification Professionals	6,762	-	(29)	6,733	(6,600)	118	(6,482)	251	726
Environment & Local Laws	10,410	-	(7)	10,403	(14,448)	790	(13,658)	(3,255)	53
Strategic Planning & Development	10,358	-	(18)	10,340	(10,891)	350	(10,541)	(201)	-
Total	447,700	142,463	(22,154)	568,009	(466,424)	22,154	(444,270)	123,739	5,108,799

Period ended 30 June 2009 (Restated)	Gross program income		Elimination of inter-function transactions	Total income	Gross recurring expenses	Elimination of inter-function transactions	Total expenses	Net operating surplus	Assets
	Recurring	Capital							
Function	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Asset Maintenance & Construction *	8,276	-	-	8,276	(113,419)	13,952	(99,467)	(91,191)	2,231,825
Asset Planning & Delivery *	694	221,228	-	221,922	(58,304)	-	(58,304)	163,618	133,120
Community & Cultural Services	13,169	-	-	13,169	(47,268)	-	(47,268)	(34,099)	-
Corporate Services & Governance	293,052	3,511,104	(81,330)	3,722,826	(102,631)	7,909	(94,722)	3,628,104	1,068,755
Moreton Bay Water	162,456	140,496	(6,906)	296,046	(187,384)	56,498	(130,886)	165,160	1,277,763
Waste Function	41,648	(97)	(1,137)	40,414	(53,445)	10,881	(42,564)	(2,150)	17,190
The Certification Professionals	7,259	-	(554)	6,705	(6,438)	687	(5,751)	954	539
Environment & Local Laws	9,227	-	-	9,227	(21,869)	-	(21,869)	(12,642)	51
Strategic Planning & Development	12,583	-	-	12,583	(22,456)	-	(22,456)	(9,873)	-
Total	548,364	3,872,731	(89,927)	4,331,168	(613,214)	89,927	(523,287)	3,807,881	4,729,243

* In the year ended 30 June 2010, the functions Asset Maintenance & Construction and Asset Planning & Delivery amalgamated into Engineering, Construction & Maintenance.

Moreton Bay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2010

			Restated
		2010	15 Mar 2008 to 30 June 2009
	Note	\$'000	\$'000
3	Rates and utility charges		
	General rates	152,536	158,472
	Water charges	76,944	75,220
	Sewerage charges	66,866	68,353
	Cleansing charges	28,839	29,473
	Other special levies, rates and charges	3,287	3,006
		<u>328,472</u>	<u>334,524</u>
	Less: Pensioner and other rebates	<u>(3,033)</u>	<u>(7,466)</u>
		<u><u>325,439</u></u>	<u><u>327,058</u></u>
4	Fees and charges		
	Administration	6,350	11,441
	Building certification	6,733	8,167
	Community facilities	3,454	4,146
	Development services	14,776	17,464
	Waste management	3,332	6,546
	Water and sewerage	6,736	6,177
	Animal control	1,936	1,144
	Other fees	901	236
		<u>44,218</u>	<u>55,321</u>
5	Rental income		
	Other rental income	4,152	2,813
		<u>4,152</u>	<u>2,813</u>
6	Grants, subsidies and contributions		
(a)	Operating		
	Government grants and subsidies	18,870	31,982
	Other grants, subsidies, contributions and donations	1,085	8
		<u>19,955</u>	<u>31,990</u>
(b)	Capital		
	Government grants and subsidies	43,170	63,756
	Infrastructure cash contributions	44,168	69,543
	Contributed assets	39,799	185,007
	Assets not previously recognised	11,085	-
	Other capital income	1,540	2,173
		<u>139,762</u>	<u>320,479</u>
	Conditions over contributions		
	Contributions and grants which were recognised as revenues during the reporting period, and which were obtained on the condition that they be expended in a manner specified by the contributor, but had not been expended at the reporting date:		
	Developer contributions	30 44,169	56,955
	Grants	30 4,026	6,068
		<u>48,195</u>	<u>63,023</u>

Moreton Bay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2010

			Restated
		2010	15 Mar 2008 to 30 June 2009
	Note	\$'000	\$'000
Contributions and grants which were recognised as revenues in a previous reporting period, and were expended during the current reporting period in accordance with Council's obligations:			
Developer contributions	30	(34,636)	(19,209)
Grants	30	<u>(6,068)</u>	<u>(2,739)</u>
		<u>(40,704)</u>	<u>(21,948)</u>
7 Interest revenue			
Interest from financial institutions		13,190	24,507
Interest from overdue rates and utility charges		<u>742</u>	<u>647</u>
		<u>13,932</u>	<u>25,154</u>
8 Sales revenue			
Waste operations		2,914	520
Other		<u>761</u>	<u>7,571</u>
		<u>3,675</u>	<u>8,091</u>
9 Other revenue			
Recoverable works		2,118	2,671
SEQ water outcome charges		5,819	-
Other income		<u>6,238</u>	<u>5,339</u>
		<u>14,175</u>	<u>8,010</u>
10 Capital income			
Gain on disposal of non-current assets			
Proceeds from the sale of property, plant and equipment		17,614	-
Less: Book value of property, plant and equipment disposed of		<u>(14,913)</u>	<u>-</u>
		<u>2,701</u>	<u>-</u>
Water reform			
Gain due to water reform	41	<u>-</u>	<u>42,486</u>
		<u>-</u>	<u>42,486</u>
Restructure of local government			
Gain on restructure of local government	42	<u>-</u>	<u>3,509,766</u>
		<u>-</u>	<u>3,509,766</u>
Total capital income		<u>2,701</u>	<u>3,552,252</u>
11 Employee benefits			
Total staff wages and salaries		125,432	119,841
Annual, sick, long service leave and other entitlements		12,723	46,243
Superannuation	33	<u>15,141</u>	<u>17,062</u>
		<u>153,296</u>	<u>183,146</u>
Other employee related expenses		<u>9,619</u>	<u>10,115</u>
		<u>162,915</u>	<u>193,261</u>
Less: Capitalised employee expenses		<u>(16,454)</u>	<u>(13,595)</u>
		<u>146,461</u>	<u>179,666</u>
Total Council employees at the reporting date:			
Administration staff		1,304	1,270
Depot and outdoors staff		<u>659</u>	<u>641</u>
Total full time equivalent employees		<u>1,963</u>	<u>1,911</u>

Moreton Bay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2010

			Restated
			15 Mar 2008 to 30 June 2009
	Note	2010 \$'000	\$'000
12 Materials and services			
Consultants		3,603	1,704
Contractors		63,755	96,937
Councillors' remuneration		1,638	2,078
Entertainment and hospitality		253	826
Marketing and promotions		1,521	3,447
Utilities		15,938	10,785
Water - raw and treated		35,594	26,575
Donations, grants and contributions		1,662	6,629
Audit services		237	413
Fuel		4,165	5,099
Information technology hardware/software		3,497	3,025
Insurance premiums		2,667	3,081
Other materials and services		47,887	62,514
		<u>182,417</u>	<u>223,113</u>
Councillor remuneration represents regular payments and other allowances paid in respect of carrying out their duties.			
13 Depreciation and amortisation			
Depreciation of non-current assets			
Land improvements		3,431	3,332
Buildings		4,078	7,611
Park equipment		3,379	4,007
Plant and equipment		9,555	11,517
Water infrastructure		12,268	14,926
Sewerage infrastructure		16,070	18,094
Roads infrastructure		29,654	30,844
Stormwater infrastructure		13,165	11,641
Other		1,430	1,984
Waterways and canals		118	131
Cultural and heritage		3	1
Recycled water infrastructure		1,602	68
Policy alignment		-	103
	20	<u>94,753</u>	<u>104,259</u>
Amortisation of intangible assets			
Software	22	1,616	1,494
Total depreciation and amortisation		<u>96,369</u>	<u>105,753</u>
14 Finance costs			
Finance cost on loans		17,258	11,825
Impairment of bad debts		109	163
Bank charges		976	1,111
Landfill restoration		579	465
Interest on finance lease		1	2
Other interest charges		100	-
		<u>19,023</u>	<u>13,566</u>
15 Capital expenses			
Loss on disposal of non-current assets			
Proceeds from the sale of property, plant and equipment		-	2,973
Less: Book value of property, plant and equipment disposed of		-	(4,162)
		<u>-</u>	<u>(1,189)</u>

**Moreton Bay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2010**

	Note	2010 \$'000	Restated 2009 \$'000
16 Cash and cash equivalents			
Cash at bank and on hand		10,908	11,234
Deposits at call		89,849	298,074
Term deposits		169,400	7,852
Balance per Statement of Cash Flows		<u>270,157</u>	<u>317,160</u>
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:			
Unspent government grants and subsidies	30	4,026	6,068
Unspent developer contributions and infrastructure charges	30	171,993	162,460
		<u>176,019</u>	<u>168,528</u>
17 Trade and other receivables			
Current			
Rates and utility charges		14,073	10,423
Water charges not yet levied		13,284	12,662
Loans to community organisations		29	190
Other debtors		19,701	19,249
GST recoverable		7,030	7,884
Prepayments		4,214	1,701
		<u>58,331</u>	<u>52,109</u>
Less: Allowance for impaired debts		(195)	(154)
		<u>58,136</u>	<u>51,955</u>
Non-current			
Loans to community organisations		369	205
Prepayments		-	1,667
		<u>369</u>	<u>1,872</u>
Interest is charged on outstanding rates at a rate of 9% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.			
18 Inventories			
Inventories held for distribution		<u>3,022</u>	2,544
		<u>3,022</u>	<u>2,544</u>
19 Investments			
Shares in Redcliffe Peninsula Financial Services Ltd		15	15
		<u>15</u>	<u>15</u>

Moreton Bay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2010

20 Property, plant and equipment

30 June 2010

Note	Land	Land Improvements	Buildings	Park Equipment	Plant and Equipment	Water Infrastructure	Sewerage Infrastructure
	Revaluation	Cost	Revaluation	Cost	Cost	Revaluation	Revaluation
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	451,920	59,331	332,610	71,425	88,211	765,918	927,913
	3,114	8,489	14,927	2,987	25,062	12,704	160,620
	-	-	-	-	-	(41,013)	(11,502)
	-	23	17	-	-	8,402	16,228
	-	-	-	-	(10,162)	(5,231)	(1,363)
	-	-	-	-	-	22,844	3,240
29	177,135	-	-	-	-	-	-
	632,169	67,843	347,554	74,412	103,111	763,624	1,095,136
Accumulated depreciation and impairment							
	-	16,334	76,670	21,264	37,077	221,936	298,380
13	-	3,431	4,078	3,379	9,555	12,268	16,070
	-	-	-	-	-	(2,805)	(3,029)
	-	-	-	-	(5,800)	(202)	(527)
	-	-	-	-	-	14,029	1,232
	-	-	-	-	-	-	-
	-	19,765	80,748	24,643	40,832	245,226	312,126
Total written down value as at 30 June 2010							
	632,169	48,078	266,806	49,769	62,279	518,398	783,010
Range of estimated useful life in years							
	-	15 - 50	50 - 80	15 - 25	5 - 20	10 - 70	25 - 70

30 June 2010

Note	Roads Infrastructure	Stormwater Infrastructure	Other	Waterways and Canals	Cultural and Heritage	Recycled Water Infrastructure	Total
	Revaluation	Revaluation	Cost	Revaluation	Revaluation	Revaluation	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	1,666,827	854,378	20,748	77,331	2,037	5,326	5,323,975
	32,609	7,454	814	-	26	152	268,958
	-	-	-	-	-	52,515	-
	7,447	6,946	-	-	-	736	39,799
	-	(51)	-	-	-	-	(16,807)
	-	-	-	-	-	348	26,432
29	-	-	-	-	-	-	177,135
	1,706,883	868,727	21,562	77,331	2,063	59,077	5,819,492
Accumulated depreciation and impairment							
	400,627	204,572	15,370	3,692	397	566	1,296,885
13	29,654	13,165	1,430	118	3	1,602	94,753
	-	-	-	-	-	5,834	-
	-	(14)	-	-	-	-	(6,543)
	-	-	-	-	-	86	15,347
	-	-	-	-	-	-	-
	430,281	217,723	16,800	3,810	400	8,088	1,400,442
Total written down value as at 30 June 2010							
	1,276,602	651,004	4,762	73,521	1,663	50,989	4,419,050
Range of estimated useful life in years							
	10 - 100	50 - 100	2	50 - 80	-	10 - 30	

Moreton Bay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2010

30 June 2009 (Restated)

Note	Land	Land Improvements	Buildings	Park Equipment	Plant and Equipment	Water Infrastructure	Sewerage Infrastructure
	Revaluation	Cost	Revaluation	Cost	Cost	Revaluation	Revaluation
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Basis of measurement							
Asset Values							
Opening gross value 15 March 2008	62,451	34,716	267,712	66,681	82,093	751,366	861,351
Adjustment to opening value	294,137	5,739	(3,325)	651	4,312	299	(1,797)
Acquisitions	36,551	11,896	7,600	13,027	18,342	52,239	10,117
Transfers between asset classes	-	(5)	(1,099)	260	100	(48)	(692)
Contributed assets	-	-	-	92	-	11,577	12,415
Disposals	-	-	(1,380)	(419)	(8,400)	(170)	-
Transferred to bulk water authority	(635)	-	(1,034)	-	(328)	(69,575)	-
Realignment of accounting policies	(1)	6,985	(251)	(8,867)	(7,908)	(3,322)	(5,744)
Revaluation adjustment to asset revaluation surplus	59,417	-	64,387	-	-	23,552	52,263
Closing gross value as at 30 June 2009	451,920	59,331	332,610	71,425	88,211	765,918	927,913

Accumulated depreciation and impairment

Opening balance as at 15 March 2008	-	11,920	88,718	22,731	33,867	279,616	282,238
Adjustment to opening value	-	1,237	(2,486)	233	2,015	160	67
Depreciation provided in period	-	3,332	7,611	4,007	11,517	14,926	18,094
Contributed assets	-	-	-	-	-	8	30
Transfers between classes	-	18	(142)	-	105	(81)	46
Depreciation on disposals	-	-	(1,269)	(175)	(3,960)	(39)	119
Transferred to bulk water authority	-	-	(518)	-	(70)	(40,694)	-
Realignment of accounting policies	-	(173)	(110)	(5,532)	(6,397)	(2,220)	(2,533)
Revaluation adjustment to asset revaluation surplus	-	-	(15,134)	-	-	(29,740)	319
Accumulated depreciation as at 30 June 2009	-	16,334	76,670	21,264	37,077	221,936	298,360
Total written down value as at 30 June 2009	451,920	42,997	255,940	50,161	51,134	543,982	629,533

30 June 2009 (Restated)

Note	Roads Infrastructure	Stormwater Infrastructure	Other	Waterways and Canals	Cultural and Heritage	Recycled Water Infrastructure	Policy Alignment	Total
	Revaluation	Revaluation	Cost	Revaluation	Revaluation	Revaluation		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Basis of measurement								
Asset Values								
Opening gross value 15 March 2008	759,714	344,038	24,737	31,938	215	-	1,348,731	4,635,743
Adjustment to opening value	739,279	300,478	(3,937)	7,564	1,914	2,990	(1,348,731)	(427)
Acquisitions	22,030	801	1,387	-	89	375	-	174,454
Transfers between asset classes	66	-	(2)	-	2	1,393	-	(25)
Contributed assets	130,969	29,988	-	-	-	76	-	185,117
Disposals	(664)	(6)	-	-	-	-	-	(11,039)
Transferred to bulk water authority	-	-	-	-	-	-	-	(71,572)
Realignment of accounting policies	(5)	-	(1,437)	-	(183)	-	-	(20,733)
Revaluation adjustment to asset revaluation surplus	15,438	179,079	-	37,829	-	492	-	432,457
Closing gross value as at 30 June 2009	1,666,827	854,378	20,748	77,331	2,037	5,326	-	5,323,975

Accumulated depreciation and impairment

Opening balance as at 15 March 2008	273,606	95,798	15,255	-	-	-	282,012	1,385,761
Adjustment to opening value	210,878	64,938	(1,175)	5,269	393	411	(282,115)	(175)
Depreciation provided in period	30,845	11,641	1,984	131	1	68	103	104,260
Contributed assets	40	32	-	-	-	-	-	110
Transfers between classes	-	-	(172)	-	3	178	-	(45)
Depreciation on disposals	(465)	20	-	-	-	(2)	-	(5,771)
Transferred to bulk water authority	-	-	-	-	-	-	-	(41,282)
Realignment of accounting policies	(1)	-	(522)	-	-	-	-	(17,488)
Revaluation adjustment to asset revaluation surplus	(114,276)	32,143	-	(1,708)	-	(89)	-	(128,485)
Accumulated depreciation as at 30 June 2009	400,627	204,572	15,370	3,692	397	566	-	1,296,865
Total written down value as at 30 June 2009	1,266,200	649,806	5,378	73,639	1,640	4,760	-	4,027,090

**Moreton Bay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2010**

Valuation

Asset Class	Basis of measurement	Valuation Date	Independent Valuer	Reference
Land	Revaluation	31 March 2010	Department of Environment and Resource Management	(i)
Buildings	Revaluation	31 December 2008	Australian Pacific Valuers Pty Ltd	(ii)
Water infrastructure	Revaluation	31 December 2008	Active - Cardno (Queensland) Pty Ltd Passive - Rushton AssetVal Pty Ltd	(iii)
Sewerage infrastructure	Revaluation	31 December 2008	Active - Cardno (Queensland) Pty Ltd Passive - Rushton AssetVal Pty Ltd	(iii)
Roads infrastructure	Revaluation	31 December 2008	Rushton AssetVal Pty Ltd	(iv)
Stormwater infrastructure	Revaluation	31 December 2008	Rushton AssetVal Pty Ltd	(iv)
Waterways and Canals	Revaluation	31 December 2008	Rushton AssetVal Pty Ltd	(iv)
Cultural and Heritage	Revaluation	30 June 2007	Artworks - Rosemary Hassal B.A. (Fine Arts) Clocks - Queensland Chapter National Association of Watch and Clockmakers	-
Recycled Water Infrastructure	Revaluation	31 December 2008	Active - Cardno (Queensland) Pty Ltd Passive - Rushton AssetVal Pty Ltd	(iii)

(i) Land was comprehensively revalued to fair value by the State Valuation Service of the Department of Environment and Resource Management as at 31 March 2010. Where a market price in an active liquid market was available for an asset, that market price represented the best evidence of the assets fair value. Where an active liquid market for the asset does not exist, fair value was determined by the assets replacement cost. The fair value of these land assets has been determined by reference to the highest and best use, that is, the use of the asset that is physically possible, legally permissible, financially feasible, and which results in the highest value. Opportunities that are not available to the agency are not taken into account.

(ii) Buildings were comprehensively revalued by Australian Pacific Valuers Pty Ltd as at 31 December 2008. Where a depth in market was identified, the price reasonably obtainable in the market at the date of valuation was deemed fair value, being the difference between the market value of the asset (as a whole) less the market value of the land component. Where there was no depth of market, each building component was individually assessed and depreciated. The total fair value is the accumulation of the individually depreciated building components.

(iii) Water, Sewerage and Recycled Water infrastructure (active) were comprehensively revalued by Cardno (Queensland) Pty Ltd as at 31 December 2008. All cost calculations were based on the estimated fair value, which is, in the case of infrastructure assets, the depreciated replacement cost as there is no active market for such assets. Replacement cost includes an allowance for Council's oncosts. Water, Sewerage and Recycled Water infrastructure (passive) were comprehensively revalued by Rushton AssetVal Pty Ltd as at 31 December 2008. Fair value was determined as the estimated cost of replacing an asset with a similar asset in new condition with a similar function, useful output or service potential. Replacement cost includes an allowance for Council's oncosts.

(iv) Roads, Stormwater and Waterways and Canals infrastructure were comprehensively revalued by Rushton AssetVal Pty Ltd as at 31 December 2008. Fair value was determined as the estimated cost of replacing an asset with a similar asset in new condition with a similar function, useful output or service potential. Replacement cost includes an allowance for Council's oncosts.

(v) Council elected not to index any assets in the current year given the immaterial impact of the cumulative effect of the relevant indices.

21 Capital work in progress

30 June 2010

Capital work in progress

Opening balance as at 1 July 2009
Additions
Expensed
Capitalised
Transferred to Queensland Bulk Water Transport Authority
Capital work in progress as at 30 June 2010

Land	Land Improvements	Buildings	Park Equipment	Plant and Equipment	Water Infrastructure	Sewerage Infrastructure
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1,976	7,714	9,681	7,163	4,910	33,969	173,174
11,521	18,415	26,344	2,193	19,126	15,000	149,182
(114)	(4,656)	(760)	(445)	(979)	(533)	(342)
(3,791)	(8,376)	(17,120)	(5,453)	(16,033)	(13,124)	(169,674)
-	-	-	-	-	(4,646)	-
9,592	13,087	18,145	3,458	7,024	30,666	152,340

30 June 2010

Capital work in progress

Opening balance as at 1 July 2009
Additions
Expensed
Capitalised
Transferred to Queensland Bulk Water Transport Authority
Capital work in progress as at 30 June 2010

Roads Infrastructure	Stormwater Infrastructure	Other	Waterways and Canals	Cultural and Heritage	Recycled Water Infrastructure	Intangible Assets	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
72,502	10,187	1,874	53	558	-	1,131	324,892
62,808	4,530	1,545	285	15	2,245	2,973	316,182
(529)	(3)	(491)	-	(8)	(82)	(468)	(9,410)
(31,213)	(5,436)	(836)	-	(66)	-	(3,532)	(274,854)
-	-	-	-	-	-	(4,646)	-
103,568	9,278	2,092	338	499	2,163	104	352,364

30 June 2009

Capital work in progress

Opening balance as at 15 March 2008
Additions
Expensed
Capitalised
Transferred to Queensland Bulk Water Transport Authority
Capital work in progress as at 30 June 2009

Land	Land Improvements	Buildings	Park Equipment	Plant and Equipment	Water Infrastructure	Sewerage Infrastructure
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
-	5,253	5,247	5,290	1,621	69,407	26,823
38,548	17,529	14,814	11,104	21,680	62,899	157,684
(21)	(652)	(2,988)	(1,593)	(152)	(526)	(502)
(36,551)	(14,416)	(7,392)	(7,638)	(18,239)	(52,113)	(10,831)
-	-	-	-	-	(45,698)	-
1,976	7,714	9,681	7,163	4,910	33,969	173,174

30 June 2009

Capital work in progress

Opening balance as at 15 March 2008
Additions
Expensed
Capitalised
Transferred to Queensland Bulk Water Transport Authority
Capital work in progress as at 30 June 2009

Roads Infrastructure	Stormwater Infrastructure	Other	Waterways and Canals	Cultural and Heritage	Recycled Water Infrastructure	Intangible Assets	Policy Alignment	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
9,242	1,668	114	-	-	-	-	-	11,247
74,579	8,421	3,329	53	629	-	3,155	1,366	415,780
(2,114)	(188)	(157)	-	(7)	-	(26)	-	(8,926)
(9,205)	286	(1,412)	-	(64)	-	(1,998)	(12,603)	(172,176)
-	-	-	-	-	-	-	-	(45,698)
72,502	10,187	1,874	53	558	-	1,131	-	324,892

**Moreton Bay Regional Council
Notes to the Financial Report
For the year ended 30 June 2010**

	2010	Restated 2009
Note	\$'000	\$'000
22 Intangible assets		
Software		
Opening gross carrying value	11,174	9,020
Adjustment to opening balance	-	428
Additions through acquisitions	3,587	1,998
Transfers between classes	-	25
Disposals	-	(126)
Realignment of accounting policies	-	(171)
Closing gross carrying value	<u>14,761</u>	<u>11,174</u>
Accumulated amortisation		
Opening balance	7,459	6,040
Adjustment to opening balance	-	174
Amortisation in the period	1,616	1,494
Transfers between classes	-	45
Depreciation on disposals	-	(126)
Realignment of accounting policies	-	(168)
Closing balance	<u>9,075</u>	<u>7,459</u>
Net carrying value at end of financial year	<u>5,686</u>	<u>3,715</u>
The software has a finite life estimated at 10 years Straight line amortisation has been used with no residual value		
Total intangible assets	<u>5,686</u>	<u>3,715</u>
23 Trade and other payables		
Current		
Trade creditors and accruals	56,289	37,784
Annual leave	10,539	10,008
Sick leave	891	2,529
Other entitlements	951	1,108
	<u>68,670</u>	<u>51,429</u>
Non-Current		
Trade creditors and accruals	1,406	1,441
Annual leave	3,764	3,616
Sick leave	420	1,202
	<u>5,590</u>	<u>6,259</u>
24 Borrowings		
Current		
Loans - Queensland Treasury Corporation	13,366	56,577
Finance leases	25 <u>4</u>	<u>3</u>
	<u>13,370</u>	<u>56,580</u>
Non-current		
Loans - Queensland Treasury Corporation	321,118	212,388
Finance lease	25 <u>-</u>	<u>4</u>
	<u>321,118</u>	<u>212,392</u>

**Moreton Bay Regional Council
Notes to the Financial Report
For the year ended 30 June 2010**

	2010 \$'000	Restated 2009 \$'000
Note		
Loans - Queensland Treasury Corporation		
Opening balance at beginning of financial year	268,965	143,226
Loans raised	85,000	258,444
Principal repayment	<u>(19,480)</u>	<u>(132,705)</u>
Book value at end of financial year	<u>334,485</u>	<u>268,965</u>
<p>The QTC loan market value at the reporting date was \$347,966,404.01. This represents the value of the debt if Council repaid it at that date.</p>		
25 Finance leases		
Movements in the finance lease during the reporting period were as follows:		
Balance at beginning of financial year	8	8
Payments made in the period	<u>(4)</u>	<u>(4)</u>
Minimum lease payments	<u>4</u>	<u>4</u>
The above minimum lease payments are payable as follows:		
Not later than one year	4	4
Later than one year but not later than 5 years	-	4
Total minimum lease payments	<u>4</u>	<u>8</u>
Less: Future finance charges	-	(1)
Lease liability recognised in the financial statements	<u>4</u>	<u>7</u>
Classified as:		
Current	4	3
Non-current	<u>-</u>	<u>4</u>
	<u>4</u>	<u>7</u>
The present value of above minimum lease payments are payable as follows:		
Not later than one year	4	3
Later than 1 year but not later than 5 years	<u>-</u>	<u>4</u>
	<u>4</u>	<u>7</u>
The balance of the lease contract is for a period of 1 year. The interest rate was fixed at inception of the lease at 14.37%.		
The carrying value of the leased assets is as follows:		
Plant and equipment	6	6
26 Provisions		
Current		
Long service leave	1,812	1,822
Bio-solids composting site rehabilitation	<u>11</u>	<u>285</u>
	<u>1,823</u>	<u>2,107</u>
Non-current		
Long service leave	16,910	17,700
Bio-solids composting site rehabilitation	256	302
Refuse restoration	<u>9,526</u>	<u>11,019</u>
	<u>26,692</u>	<u>29,021</u>
Details of movements in provisions:		

**Moreton Bay Regional Council
Notes to the Financial Report
For the year ended 30 June 2010**

	2010 \$'000	Restated 2009 \$'000
Note		
Long service leave		
Balance at beginning of financial year	19,522	
Long service leave entitlement arising	962	
Long service leave entitlement extinguished	(897)	
Long service leave entitlement paid	(865)	
Balance at end of financial year	<u>18,722</u>	

Bio-solids composting site rehabilitation

Balance at beginning of financial year	587	
Amount incurred and charged against the provision	(285)	
Increase in provision due to unwinding of discount	16	
Increase (decrease) in provision due to change in discount rate	(51)	
Balance at end of financial year	<u>267</u>	

This provision is the present value of the estimated post closure monitoring cost of the bio-solids composting site. The projected cost is \$10,800 for every year and expected to be completed in 2038.

Refuse restoration

Balance at beginning of financial year	11,019	
Increase in provision due to unwinding of discount	613	
Increase (decrease) in provision due to change in discount rate	(2,106)	
Balance at end of financial year	<u>9,526</u>	

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

Landfill site	Expected site closure year	Post closure monitoring cost completion year
Bunya	2039	2054
Dakabin	2025	2040
Caboolture	2025	2040
Ningi	2011	2026
Woodford	2011	2026

27 Other liabilities

Current

Revenue received in advance	<u>1,838</u>	<u>2,631</u>
	<u>1,838</u>	<u>2,631</u>

28 Retained surplus

Movements in the retained surplus were as follows:

Retained surplus at beginning of financial year	3,569,525	-
Net result attributable to Council	123,739	3,807,881
Transfers (to) / from reserves:		
Constrained works reserve	(9,533)	(162,460)
Unspent grants reserve	2,042	(6,068)
Other reserves	31,388	(69,828)
Retained surplus at end of financial year	<u>3,717,161</u>	<u>3,569,525</u>

Moreton Bay Regional Council
Notes to the Financial Report
For the year ended 30 June 2010

		2010	Restated 2009
29	Note	\$'000	\$'000
Asset revaluation surplus			
Movements in the asset revaluation surplus were as follows:			
	Balance at beginning of financial year	560,943	-
	Net adjustment to non-current assets at end of period to reflect change in current fair value:		
	Land	177,135	59,417
	Buildings	-	79,521
	Water infrastructure	-	53,292
	Sewerage infrastructure	-	51,944
	Roads infrastructure	-	129,715
	Stormwater infrastructure	-	146,936
	Waterways and canals	-	39,537
	Recycled water infrastructure	-	581
	Balance at end of financial year	<u>738,078</u>	<u>560,943</u>
Refer to Note 20 for details of asset valuations.			
Asset revaluation surplus analysis			
The closing balance of the asset revaluation surplus comprises the following asset categories:			
	Land	236,552	59,417
	Buildings	79,521	79,521
	Water infrastructure	53,292	53,292
	Sewerage infrastructure	51,944	51,944
	Roads infrastructure	129,715	129,715
	Stormwater infrastructure	146,936	146,936
	Waterways and canals	39,537	39,537
	Recycled water infrastructure	581	581
		<u>738,078</u>	<u>560,943</u>
30 Reserves			
Reserves held for funding future capital and recurrent expenditure			
	Constrained works reserve	171,993	162,460
	Unspent grants reserve	4,026	6,068
	Other reserves	<u>38,440</u>	<u>69,828</u>
		<u>214,459</u>	<u>238,356</u>
Movements in reserves:			
Constrained works reserve			
	Balance at beginning of financial year	162,460	124,714
	Transfer from retained surplus for future expenditure	44,169	56,955
	Transfer to retained surplus	<u>(34,636)</u>	<u>(19,209)</u>
	Balance at end of financial year	<u>171,993</u>	<u>162,460</u>
Unspent grants reserve			
	Balance at beginning of financial year	6,068	2,739
	Transfer from retained surplus for future expenditure	4,026	6,068
	Transfer to retained surplus	<u>(6,068)</u>	<u>(2,739)</u>
	Balance at end of financial year	<u>4,026</u>	<u>6,068</u>

**Moreton Bay Regional Council
Notes to the Financial Report
For the year ended 30 June 2010**

	2010 \$'000	Restated 2009 \$'000
Note		
Other reserves		
Balance at beginning of financial year	69,828	71,157
Transfer from retained surplus for future expenditure	2,156	68,452
Transfer to retained surplus	<u>(33,544)</u>	<u>(69,781)</u>
Balance at end of financial year	<u>38,440</u>	<u>69,828</u>
31 Commitments for expenditure		
Operating leases		
Minimum lease payments in relation to non-cancellable operating leases are as follows:		
Within one year	206	580
One to five years	-	434
	<u>206</u>	<u>1,014</u>
Contractual commitments		
Commitments for capital expenditure		
Contractual commitments at end of financial year but not recognised in the financial statements are as follows:		
Plant and Equipment	1,124	675
Building, Land and Improvements	1,200	5,622
Water, Recycled Water, and Sewerage	-	119,983
Roads, Drains and Bridges	7,715	2,524
	<u>10,039</u>	<u>128,804</u>
These expenditures are due for payment:		
Not later than one year	10,039	72,448
One to five years	-	56,356
	<u>10,039</u>	<u>128,804</u>
Commitments for operating expenditure		
Contractual commitments at end of financial year but not recognised in the financial statements are as follows:		
Waste removal and recycling services	26,448	39,839
Water purchases (raw and treated)	-	32,551
Outsourced management of facilities of other services	10,132	15,343
Total contractual commitments at reporting date	<u>36,580</u>	<u>87,733</u>
These expenditures are due for payment:		
Not later than one year	16,987	48,048
One to five years	19,593	39,685
	<u>36,580</u>	<u>87,733</u>

32 Contingent liabilities

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

Local Government Mutual

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

As at 30 June 2009 the financial statements reported an accumulated surplus of \$9,768,415 and it is not anticipated any liability will arise.

**Moreton Bay Regional Council
Notes to the Financial Report
For the year ended 30 June 2010**

Local Government Workcare

Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. Council's maximum exposure to the bank guarantee is \$3,631,867.

33 Superannuation

Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the AASB119 *Employee Benefits*.

The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

The scheme has 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 AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the *Local Government Act 1993*.

The DBF is a defined benefit plan as defined in AASB119. 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.

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 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 2009 (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 most recent actuarial assessment of the scheme was undertaken as at 1 July 2009. The actuary indicated that the DBF is in a very modest financial position with regard to the net asset coverage of vested liabilities. Investment returns will be volatile under the required investment strategy, particularly over short periods. The DBF therefore needs sufficient reserves to be able to withstand a reasonable range of such influences. Because the DBF is now running down and cash flows are negative, the VBI (vested benefit index) should not be allowed whenever possible to retreat below 100%. Once below 100%, benefits drawn reduce the available assets for remaining members and hence the net asset coverage of vested benefits declines further.

In order to withstand a one in ten 'low return' outcome, the DBF would need reserves of the order of 8% to 10% having regard to the investment strategy adopted. Given the current position of the DBF, such reserve can essentially only eventuate from either excess investment returns over salary increases or additional employer contributions.

Council has been advised by the trustee of the scheme, following advice from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of DBF members. 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.

The next actuarial investigation will be made as at 1 July 2012.

	Note	2010 \$'000	Restated 15 Mar 2008 to 30 June 2009 \$'000
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	11	15,141	17,062

**Moreton Bay Regional Council
Notes to the Financial Report
For the year ended 30 June 2010**

	2010 \$'000	Restated 2009 \$'000
Note		
34 Operating lease income		
The minimum lease receipts are as follows:		
Not later than one year	4,828	2,945
One to five years	14,237	8,597
Later than five years	15,672	14,278
	<u>34,737</u>	<u>25,820</u>
35 Trust funds		
Trust funds held for outside parties		
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	6,979	5,883
	<u>6,979</u>	<u>5,883</u>
Council performs only a custodial role in respect of these monies. As these funds cannot be used by Council, they are not brought to account in these financial statements.		
36 Reconciliation of net operating surplus for the year to net inflow from operating activities		
Net operating result	<u>123,739</u>	<u>3,807,881</u>
Non-cash operating items:		
Depreciation and amortisation	96,369	105,753
Net gain on market realisation of borrowings	(28)	1,028
Accrued interest expense	3,218	-
Change in future rehabilitation and restoration costs	579	403
	<u>100,138</u>	<u>107,184</u>
Investing and development activities:		
Net (profit)/loss on disposal of non-current assets	(2,701)	1,189
Net (profit) on transfer of bulk water	-	(42,486)
Assets and liabilities transferred from abolished councils	-	(3,509,766)
Capital grants and contributions	(139,762)	(320,479)
	<u>(142,463)</u>	<u>(3,871,542)</u>
Changes in operating assets and liabilities:		
(Increase) in receivables	(3,087)	(7,754)
(Increase) in other operating assets	(2,990)	(658)
Increase in payables	16,946	4,815
(Decrease)/increase in employee provisions	(2,985)	7,177
	<u>7,884</u>	<u>3,580</u>
Net cash inflow from operating activities	<u>89,298</u>	<u>47,103</u>

**Moreton Bay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2010**

37 Correction of prior period errors

Contributed assets

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

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

During 2009/10 Council initiated a fundamental review of its processes to ensure that all assets contributed and controlled by Council as at the 30 June 2010 are recognised in the fixed asset register. The result of this review has to date led to a substantial dollar value of contributed assets being recognised and necessitated a restatement of prior reporting periods as disclosed in this note. Council review is nearing its conclusion and will be completed by the 31 December 2010

To date \$142,497,000 of contributed assets have been identified during the review. Of these contributed assets, it has been determined that \$112,117,000 of contributed assets identified in the 2009-10 met the asset recognition criteria in the 2008-09 financial year (15 March 2008 to 30 June 2009) and \$22,933,000 of contributed assets met the asset recognition criteria prior 15 March 2008.

In accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, material errors not discovered until a subsequent period are to be corrected retrospectively by restating the comparative amounts for the prior period presented in which the error occurred. Where the error occurred before the earliest prior period presented, by restating the opening balances for the earliest period presented.

Land asset

In the 2008-09 financial year (15 March 2008 to 30 June 2009) an incorrect entry was processed which understated the land asset class by \$149,000 and understated capital income by \$149,000. Although not material, the prior period balances were corrected for this error as detailed below.

30 June 2009 Comparative year

Financial statement line item / balance affected	Note	Actual 2009 \$'000	Correction of Error Adj \$'000	Restated Actual 2009 \$'000
<i>Statement of Comprehensive Income (Extract)</i>				
Capital Revenue				
Grants, subsidies and contributions	6(b)	208,213	112,266	320,479
Total Revenue		666,650	112,266	778,916
Capital Income	10	3,529,473	22,779	3,552,252
Total Income		4,196,123	135,045	4,331,168
Operating Expenses				
Depreciation and amortisation	13	(103,005)	(2,748)	(105,753)
Total Expenses		(519,350)	(2,748)	(522,098)
NET OPERATING SURPLUS		3,675,584	132,297	3,807,881
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,236,527	132,297	4,368,824
Note 6 Grants, subsidies and contributions				
(b) Capital				
Contributed assets		72,889	112,118	185,007
Other capital income		2,025	148	2,173
		208,213	112,266	320,479
Note 10 Capital income				
Restructure of local government				
Gain on restructure of local government		3,486,987	22,779	3,509,766
Total capital income		3,529,473	22,779	3,552,252

Moreton Bay Regional Council
Notes to the Financial Statements
For the year ended 30 June 2010

Note 13 Depreciation and amortisation

Depreciation of non-current assets			
Roads infrastructure	28,096	2,748	30,844
Total depreciation and amortisation	<u>103,005</u>	<u>2,748</u>	<u>105,753</u>

Statement of Financial Position (Extract)

Non-Current Assets				
Property, plant and equipment	20	3,894,793	132,297	4,027,090
Total Non-Current Assets		<u>4,225,287</u>	<u>132,297</u>	<u>4,357,584</u>
Total Assets		<u>4,596,946</u>	<u>132,297</u>	<u>4,729,243</u>
NET COMMUNITY ASSETS		<u>4,236,527</u>	<u>132,297</u>	<u>4,368,824</u>
Community Equity				
Retained surplus	28	3,437,228	132,297	3,569,525
TOTAL COMMUNITY EQUITY		<u>4,236,527</u>	<u>132,297</u>	<u>4,368,824</u>

Note 20 Property, plant and equipment

Land

Asset Values				
Disposals		(149)	149	-
Closing gross value as at 30 June 2009		<u>451,771</u>	<u>149</u>	<u>451,920</u>
Total written down value as at 30 June 2009		<u>451,771</u>	<u>149</u>	<u>451,920</u>

Roads Infrastructure

Asset Values				
Opening gross value 15 March 2008		736,781	22,933	759,714
Contributed assets		18,852	112,117	130,969
Closing gross value as at 30 June 2009		<u>1,531,777</u>	<u>135,050</u>	<u>1,666,827</u>
Accumulated depreciation and impairment				
Opening gross value 15 March 2008		273,452	154	273,606
Depreciation provided in period		28,096	2,749	30,845
Accumulated depreciation as at 30 June 2009		<u>397,724</u>	<u>2,903</u>	<u>400,627</u>
Total written down value as at 30 June 2009		<u>1,134,053</u>	<u>132,147</u>	<u>1,266,200</u>

Statement of Changes in Equity (Extract)

Balance as at 15 March 2008				
Net operating surplus		3,675,584	132,297	3,807,881
Total comprehensive income for the year		<u>4,236,527</u>	<u>132,297</u>	<u>4,368,824</u>
Balance at 30 June 2009		<u>4,236,527</u>	<u>132,297</u>	<u>4,368,824</u>

Statement of Cash Flows (Extract)

Cash flows from operating activities				
Receipts from customers		440,188	(149)	440,039
Net cash inflow from operating activities	36	<u>47,252</u>	<u>(149)</u>	<u>47,103</u>
Cash flows from investing activities				
Grants, subsidies, contributions and donations		135,324	149	135,473
Net cash outflow from investing activities		<u>(269,738)</u>	<u>149</u>	<u>(269,589)</u>

**Moreton Bay Regional Council
Notes to the Financial Report
For the year ended 30 June 2010**

38 Financial instruments

Council's activities expose it to a variety of financial risks including interest rate risk, credit risk, and liquidity risk.

Exposure to financial risks is managed in accordance with Council approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of Council. 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. Council does not invest in derivatives or other high risk investments.

When Council borrows, it borrows from the Queensland Treasury Corporation unless another financial institution can offer a more beneficial rate, taking into account any risk. Borrowing by Council is constrained by the provisions of the *Statutory Bodies Financial Arrangements Act 1982*.

Council measures risk exposure using a variety of methods as follows:

Risk exposure	Measurement method
Interest rate risk	Sensitivity analysis
Liquidity risk	Maturity analysis
Credit risk	Ageing analysis

Credit risk exposure

Credit risk exposure refers to the situation where Council may incur financial loss as a result of another party to a financial instrument failing to discharge their obligations.

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

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

Council is exposed to credit risk through its investments with the Queensland Treasury Corporation (QTC) and deposits held with banks or other financial institutions. The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rating counterparties. Deposits are capital guaranteed. Other investments are held with highly regulated financial institutions and whilst not capital guaranteed, the likelihood of a credit failure is remote.

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

The maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provisions for impairment.

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

Council's maximum exposure to credit risk is as follows:

	Note	2010 \$'000	Restated 2009 \$'000
Financial assets			
Cash and cash equivalents	16	270,157	317,160
Receivables - rates	17	14,073	10,423
Receivables - other		40,412	40,190
		<u>324,642</u>	<u>367,773</u>

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated.

**Moreton Bay Regional Council
Notes to the Financial Report
For the year ended 30 June 2010**

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

	Fully performing	Past due			Impaired	Total
		Less than 30 days	30-60 days	More than 60 days		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	51,980	635	267	1,603	-	54,485

Liquidity risk

Liquidity risk refers to the situation where Council may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Council is exposed to liquidity risk through its trading in the normal course of business and borrowings from the Queensland Treasury Corporation for capital works.

Council manages its exposure to liquidity risk by maintaining sufficient undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in the Note 24.

The following table sets out the liquidity risk of financial liabilities held by Council in a format as it might be provided to management. The amounts disclosed in the maturity analysis represent the contractual undiscounted cash flows at reporting date:

	0 to 1 year	1 to 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000
2010				
Trade and other payables	74,259	-	-	74,259
Loans - QTC	34,703	131,749	389,500	555,952
Loans - other	-	-	-	-
Finance leases	4	-	-	4
	108,966	131,749	389,500	630,215
2009				
Trade and other payables	57,688	-	-	57,688
Loans - QTC	73,551	88,959	248,190	410,700
Loans - other	-	-	-	-
Finance leases	4	4	-	8
	131,243	88,963	248,190	468,396

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

Council does not have access to a fixed overdraft facility.

Interest rate risk

Council is exposed to interest rate risk through its finance lease borrowings, borrowings from Queensland Treasury Corporation and investments held with financial institutions.

**Moreton Bay Regional Council
Notes to the Financial Report
For the year ended 30 June 2010**

The risk in borrowing is effectively managed by borrowing only from Queensland Treasury Corporation and having access to a mix of floating and fixed funding sources such that the desired interest rate risk exposure can be constructed. Interest rate risk in other areas is minimal.

Council does not undertake any hedging of interest rate risk.

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss should there be a 1% increase in market interest rates. The calculations assume that the rate would be held constant over the next financial year, with the change occurring at the beginning of that year. It is assumed that interest rates on overdue rates would not change. If the rates decreased by 1% the impact would be equal in amount in the reverse direction.

	Net carrying amount		Profit		Equity	
	2010 \$'000	Restated 2009 \$'000	2010 \$'000	Restated 2009 \$'000	2010 \$'000	Restated 2009 \$'000
Financial assets	-	-	2,166	2,726	2,166	2,726
Financial liabilities	(38)	(335)	(38)	(335)	(38)	(335)
Net total	(38)	(335)	2,128	2,391	2,128	2,391

Fair value

Council does not record any financial assets or financial liabilities at fair value.

39 Statement of activities to which the code of competitive conduct applies

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 2010 is as follows:

Type 1:

- i) for water and sewerage combined activities - \$39.4 million
- ii) for other activities - \$23.6 million

Type 2:

- i) for water and sewerage combined activities - \$11.8 million
- ii) for other activities - \$7.9 million

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

**Moreton Bay Regional Council
Notes to the Financial Report
For the year ended 30 June 2010**

Details of community service obligations are as follows:

Activities and CSO Description	2010 \$'000
Waste	
Pensioner Discounts	321
Litter Management	352
Clean Up Australia	33
Moreton Bay Water	
Pensioner Discounts	1,009

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.

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

Type 2 Business Activities

	Moreton Bay Water	Waste Function
Revenue	2010 \$'000	2010 \$'000
Revenue for services provided to Council	1,382	597
Revenue for services provided to external clients	157,858	34,898
Community service obligations	1,009	706
	160,249	36,201
Expenditure	164,606	30,561
Surplus/(deficiency)	(4,357)	5,640

Type 3 Business Activities

	Certification Professionals	Birrilee Child Care	Family Day Care	Bongaree Caravan Park
Revenue	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000
Revenue for services provided to Council	-	-	-	-
Revenue for services provided to external clients	6,733	951	517	1,232
Community service obligations	-	-	-	-
	6,733	951	517	1,232
Expenditure	6,525	964	486	551
Surplus/(deficiency)	208	(13)	31	681

**Moreton Bay Regional Council
Notes to the Financial Report
For the year ended 30 June 2010**

40 Events after the reporting date - water reform

The Queensland Water Commission's report to the Queensland Government on the Urban Water Supply Arrangement in South East Queensland proposed a range of structural and regulatory reforms for urban water supply arrangements in South East Queensland including enhanced economic regulation and pricing.

Distribution and retail water

The *South East Queensland Water (Distribution and Retail Restructuring) Act 2009* (the Act) established a statutory body called the Northern SEQ Distributor-Retailer Authority on 3 November 2009 to deliver water and wastewater services to customers within the local government areas of the participating Councils Moreton Bay Regional Council and Sunshine Coast Regional Council.

On 1 July 2010 the Authority acquired legislative power to begin trading, using the business name Unitywater.

Under the Act, governance arrangements for the Authority were established in a Participation Agreement, which is operative from 1 July 2010. The Agreement provides for participation rights to be held by the participating Councils. As at the disclosure date the participation rights to be held by Moreton Bay Regional Council holding has yet to be finalised.

The Authority's Board is comprised of independent directors. No individual Council has the ability to dominate the Authority's decision making so as to obtain greater benefits from its activities than any other participant.

The total contribution of each Council to the Authority has been calculated using a regulatory asset base (RAB) valuation approved by the Queensland Government for water pricing purposes. The RAB is intended to represent the market value of the assets at 25 June 2008 at which time the bulk assets were transferred, adjusted to 30 June 2010.

The investment Council will hold in Unitywater will comprise loans receivable and equity.

The loans receivable are subject to a separate agreement and are outlined in the below table:

	Interest rate
Senior Debt (rated at A) (based on quarterly interest only repayments)	6.6723%
Working Capital (rated at A) (based on quarterly principal and interest repayments)	6.7864%
Subordinated Debt (rated at BBB) (based on quarterly interest only repayments)	7.5125%

Since RAB is not considered a 'fair value' methodology under the relevant accounting standards, and there is uncertainty around the robustness of some of the underlying data and assumptions used to calculate the RAB, the transferred property, plant and equipment assets remain valued in the financial statements at depreciated current replacement cost in accordance with Council's ongoing accounting policy.

The Authority will operate under a tax equivalent regime; with all tax paid being distributed to the participating Councils on a pro-rata basis to their participation rights. Tax is to be payable quarterly based on a percentage of the Authority's gross revenue until its first tax assessment.

As a party to the Participation Agreement, the Council will receive a proportional share of net profits as a participation return. Returns will be paid from post-tax operating profits (after adjusting for capital receipts).

**Moreton Bay Regional Council
Notes to the Financial Report
For the year ended 30 June 2010**

(i) Transfer on 1 July 2010

On 1 July 2010 the Council transferred the assets, liabilities, instruments and employees necessary for the Authority to commence trading under a scheme made in accordance with the Act and gazetted on 29 June 2010.

Details of the transferred assets and liabilities are:

	Amount \$'000
Assets	
Property, plant and equipment	1,399,452
Capital work in progress	191,905
Inventories	1,875
Total assets	1,593,232
Liabilities	
Employee benefits	7,640
Unearned revenue	553
Total liabilities	8,193
Book value of net assets transferred	1,585,039

(ii) Transitional arrangements

Transitional arrangements to support the separation of the distribution and retail water business from the participating Councils include service level agreements for Council to provide a range of records, information technology and customer service to the Authority over the next 2-3 years on commercial terms.

(iii) Establishment costs

Costs of \$8.3 million incurred by the Council for the establishment of the Northern SEQ Distributor Retailer Authority are included as a receivable in these financial statements. Council will be seeking reimbursement of these establishment cost in 2010/11.

41 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:

	2009 \$'000
<u>Transfer Details</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.

Moreton Bay Regional Council
Notes to the Financial Report
For the year ended 30 June 2010

42 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:

	Caboolture Shire Council 14-March-2008 \$'000	Pine Rivers Shire Council 14-March-2008 \$'000	Redcliffe City Council 14-March-2008 \$'000	Transferred to MBRC 15-March-2008 \$'000	Restated Accounting policy alignment 15-March-2008 \$'000	Restated Gain on restructure 15-March-2008 \$'000
ASSETS						
Current Assets						
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
Total Current Assets	182,300	108,671	52,620	343,591	-	343,591
Non-Current Assets						
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	19,531*	3,246,733*
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
Total Non-Current Assets	1,234,520	1,593,082	538,684	3,366,286	19,531	3,385,817
TOTAL ASSETS	1,416,820	1,701,753	591,304	3,709,877	19,531	3,729,408
LIABILITIES						
Current Liabilities						
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
Total Current Liabilities	52,787	80,275	7,810	140,872	236	141,108
Non-Current Liabilities						
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
Total Non-Current Liabilities	11,038	57,265	11,561	79,863	(1,329)	78,534
TOTAL LIABILITIES	63,825	137,540	19,371	220,735	(1,093)	219,642
NET COMMUNITY ASSETS	1,352,995	1,564,213	571,933	3,489,142	18,438	3,509,766

* The accounting policy alignment and gain on restructure columns have been restated where indicated in accordance with the disclosures in Note 37

Moreton Bay Regional Council

Management Certificate
For the year ended 30 June 2010

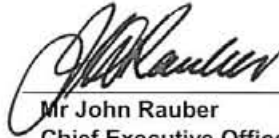
These general purpose financial statements have been prepared pursuant to Section 532 of the *Local Government Act 1993*, the *Local Government Finance Standard 2005* (the Standard) and other prescribed requirements.

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, as set out on pages 1 to 39, have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the financial performance and cash flows of Moreton Bay Regional Council for the financial year 1 July 2009 to 30 June 2010 and of the financial position as at the end of that year.



Cr Allan Sutherland
Mayor



Mr John Rauber
Chief Executive Officer

Date: 23 / 11 / 10

Date: 23 / 11 / 2010

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Moreton Bay Regional Council

Matters Relating to the Electronic Presentation of the Audited Financial Report

The auditor's report relates to the financial report of Moreton Bay Regional Council for the financial year ended 30 June 2010 included on Moreton Bay Regional Council's website. The Council is responsible for the integrity of the Moreton Bay Regional Council's website. I have not been engaged to report on the integrity of the Moreton Bay Regional Council's website. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from Moreton Bay Regional Council, to confirm the information included in the audited financial report presented on this website.

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

Report on the Financial Report

I have audited the accompanying financial report of Moreton Bay Regional Council, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Financial Report

The Council is responsible for the preparation and fair presentation of the financial report in accordance with the *Local Government Act 1993* and *Local Government Finance Standard 2005* including compliance with 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 is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. 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 all 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 year 1 July 2009 to 30 June 2010 and of the financial position as at the end of that year.

Emphasis of Matter - Significant Uncertainty Regarding the Completeness of Contributed Assets

Without qualification to my opinion, attention is drawn to Note 37 to the financial statements which identifies that the Council is performing a review of its processes to ensure that all non cash contributions from developers are completely and appropriately recognised. As at 30 June 2010 this review has resulted in the correction of prior period errors of \$112,117,000 (relating to contributed assets for the 2009 comparative period), \$22,933,000 (relating to contributed assets for the pre-amalgamation period), and \$2,748,000 of associated depreciation expense, disclosed in Note 37 and incorporated into the movements disclosed in Note 20. Once the Council's review is completed the full population of contributed assets under the Council's control will be known. The ultimate outcome of this matter cannot presently be determined and therefore significant

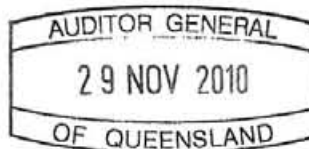
uncertainty exists in relation to the completeness of contributed assets recognised in the 2009-10 financial statements and the associated depreciation expense.

Emphasis of Matter - Significant Uncertainty Regarding the Valuation of Water and Wastewater Assets

Without qualification to my opinion, attention is drawn to Note 40 to the financial statements which identifies that Moreton Bay Regional Council has entered a participation agreement with another local government to transfer all its remaining water and wastewater assets to the Northern SEQ Distributor-Retailer Authority on 1 July 2010. In exchange the Council will receive a financial asset in the form of a right to receive a percentage of the Authority's future profits. While the calculation of this financial asset is underpinned by a financial model, given that the Authority had not traded prior to 1 July 2010 and the regulator has not set the Authority's future pricing structure there is significant uncertainty regarding some of the key assumptions used in the financial model. Consequently, as the value of this financial asset equates to the consideration the Council will receive for its water and wastewater assets on 1 July 2010, significant uncertainty exists in relation to the valuation of these assets reported in Note 40(i) at a depreciated replacement cost of \$1,585,039,000.



G G POOLE FCPA
Auditor-General of Queensland



Queensland Audit Office
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