MORETON BAY REGIONAL COUNCIL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 June 2018

Financial Statements
For the year ended 30 June 2018

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Moreton Bay Regional Council

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2018

	Note	2018 $'000	Restated 2017 $'000	
Income				
Revenue				
Recurring Revenue				
Rates and utility charges	3(a)	295,462	277,534	
Fees and charges	3(b)	36,667	38,625	
Rental income		7,015	7,026	
Grants, subsidies and contributions	3(c)(i)	20,866	27,317	
Interest revenue	3(d)	45,691	44,621	
Sales revenue		3,447	3,183	
Other revenue	3(e)	49,493	26,396	
Share of profit of associate	10	69,539	78,917	
		528,180	503,619	
Capital Revenue				
Grants, subsidies and contributions	3(c)(ii)	141,289	111,382	*
Total Revenue		669,469	615,001	*
Capital Income	3(f)	2,773	2,420	
Total Income		672,242	617,421	*
Expenses				
Recurring Expenses				
Employee benefits	4(a)	(120,062)	(120,184)	
Materials and services	4(b)	(155,487)	(142,003)	
Depreciation and amortisation	11,12	(95,939)	(86,495)	*
Finance costs	4(c)	(24,142)	(24,352)	
		(395,630)	(373,034)	*
Capital Expenses	4(d)	(52,493)	(16,104)	
Total Expenses		(448,123)	(389,138)	*
NET RESULT		224,119	228,283	*
Other Comprehensive Income				
Items that will not be reclassified to net result				
Increase in asset revaluation surplus	16	26,569	34,081	
Items that may be reclassified subsequently to net result				
Net change in available-for-sale financial assets		(311)	-	
Total other comprehensive income for the year		26,258	34,081	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		250,377	262,364	*

The accompanying notes form part of these financial statements.

** Comparative figures have been restated. Refer to Note 24 for details.*

STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Note	2018 $'000	Restated 2017 $'000	
Assets				
Current Assets				
Cash and cash equivalents	5	313,852	299,760	
Trade and other receivables	6	49,653	115,792	
Inventories		1,163	1,159	
		364,668	416,711	
Non-current assets held for sale	7	402	45,758	
Total Current Assets		365,070	462,469	
Non-Current Assets				
Trade and other receivables	6	677,485	677,488	
Other financial assets	8	101,721	-	
Investments		15	15	
Investment property	9	28,635	44,970	
Investment in associate	10	1,125,208	1,056,084	
Property, plant and equipment	11	4,636,026	4,405,780	*
Intangible assets	12	382	1,744	
Total Non-Current Assets		6,569,472	6,186,081	*
Total Assets		6,934,542	6,648,550	*
Liabilities				
Current Liabilities				
Trade and other payables	13	49,036	47,034	
Borrowings	14	31,533	28,479	
Provisions	15	13,778	13,394	
Other		550	410	
Total Current Liabilities		94,897	89,317	
Non-Current Liabilities				
Trade and other payables	13	-	213	
Borrowings	14	354,463	359,071	
Provisions	15	42,582	33,382	
Total Non-Current Liabilities		397,045	392,666	
Total Liabilities		491,942	481,983	
NET COMMUNITY ASSETS		6,442,600	6,166,567	*
Community Equity				
Retained surplus		5,519,101	5,269,637	*
Asset revaluation surplus	16	923,499	896,930	
TOTAL COMMUNITY EQUITY		6,442,600	6,166,567	*

The accompanying notes form part of these financial statements.

* *Comparative figures have been restated. Refer to Note 24 for details.*

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2018

	Note	Retained Surplus	Asset Revaluation Surplus	Total Community Equity	
			16		
		$'000	$'000	$'000	
Balance as at 1 July 2017 (Restated)		**5,269,637**	**896,930**	**6,166,567**	
Net result		**224,119**	**-**	**224,119**	
Other comprehensive income for the year					
Increase in asset revaluation surplus		**-**	**26,569**	**26,569**	
Net change in available-for-sale financial assets		**(311)**	**-**	**(311)**	
Adjustment to equity on the recognition of assets		**25,656**	**-**	**25,656**	
Total comprehensive income for the year		**249,464**	**26,569**	**276,033**	
Balance at 30 June 2018		**5,519,101**	**923,499**	**6,442,600**	
Balance as at 1 July 2016 (Restated)		5,041,354	862,849	5,904,203	*
Net result		228,283	-	228,283	*
Other comprehensive income for the year					
Increase in asset revaluation surplus		-	34,081	34,081	
Total comprehensive income for the year		228,283	34,081	262,364	*
Balance at 30 June 2017 (Restated)		5,269,637	896,930	6,166,567	*

The accompanying notes form part of these financial statements.

** Comparative figures have been restated. Refer to Note 24 for details.*

STATEMENT OF CASH FLOWS
For the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		**369,810**	350,340
Payments to suppliers and employees		**(305,277)**	(290,400)
Interest received		**45,945**	44,672
Rental income		**7,015**	7,026
Non capital grants and contributions		**20,866**	27,317
Tax equivalent received		**32,392**	16,418
Borrowing costs		**(22,392)**	(23,271)
Net cash inflow from operating activities	**CF-1**	**148,359**	132,102
Cash flows from investing activities			
Payments for property, plant and equipment		**(156,883)**	(144,593)
Payments for intangible assets		**-**	(4)
Payments for investment property		**(210)**	(96)
Payments for an available for sale investment		**(100,000)**	-
Proceeds from sale of property, plant and equipment		**48,960**	16,714
Net movement in loans to community organisations		**6**	(8)
Dividends received from associate		**13,096**	22,737
Grants, subsidies and contributions		**62,318**	58,506
Net cash outflow from investing activities		**(132,713)**	(46,744)
Cash flows from financing activities			
Proceeds from borrowings		**26,000**	21,000
Repayment of borrowings		**(27,554)**	(24,909)
Net cash outflow from financing activities		**(1,554)**	(3,909)
Net increase in cash and cash equivalent held		**14,092**	81,449
Cash and cash equivalents at the beginning of the financial year		**299,760**	218,311
Cash and cash equivalents at the end of the financial year	**5**	**313,852**	299,760

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2018

Notes to the statement of cash flow

CF-1 Reconciliation of net result for the year to net cash inflow from operating activities

	2018 $'000	Restated 2017 $'000	
Net result	**224,119**	228,283	*
Non-cash items:			
Depreciation and amortisation	**95,939**	86,495	*
Revaluation adjustments	**24,283**	(2,313)	
Change in future rehabilitation and restoration costs	**2,949**	508	
Change in infrastructure offsets and credits	**(571)**	(752)	
Impairment of property, plant and equipment	**(640)**	459	
Contributed assets	**(78,971)**	(52,876)	*
Share of profit of associate	**(69,539)**	(78,917)	
	(26,550)	(47,396)	
Investing and development activities:			
Net loss on disposal of non-current assets	**26,628**	16,121	
Increase in available-for-sale investment	**(2,038)**	-	
Capital grants and contributions	**(62,318)**	(58,506)	
	(37,728)	(42,385)	
Changes in operating assets and liabilities:			
(Increase) in receivables	**(11,625)**	(5,314)	
(Increase)/decrease in other operating assets	**(1,670)**	223	
Increase in payables	**1,788**	1,146	
(Decrease) in provisions	**(115)**	(2,248)	
Increase/(decrease) in other liabilities	**140**	(207)	
	(11,482)	(6,400)	
Net cash inflow from operating activities	**148,359**	132,102	

CF-2 Reconciliation of liabilities arising from financing activities

	Note	2018 $'000	2017 $'000
Loans:			
Opening balance at beginning of financial year		**387,550**	391,459
Loans raised - cash inflow		**26,000**	21,000
Principal repayment - cash outflow		**(27,554)**	(24,909)
Closing balance at end of financial year	**14**	**385,996**	387,550

1 Significant accounting policies

1(a) Basis of preparation

These general purpose financial statements are for the period 1 July 2017 to 30 June 2018. They are prepared in accordance with the Local Government Act 2009 and the Local Government Regulation 2012.

They comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). 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). Therefore in some instances these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation gains and losses within a class of assets and the timing of recognition of non-reciprocal grant revenue.

These financial statements have been prepared under the historical cost convention except where stated.

1(b) Constitution

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

1(c) New and revised Accounting Standards

Council has applied AASB 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107* for the first time in 2018. As a result Council has disclosed more information to explain changes in liabilities arising from financing activities. Disclosure of the relevant information is presented in Note CF-2.

Council generally applies standards and interpretations in accordance with their respective commencement dates.

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards and Interpretations that have been recently issued with future commencement dates are set out below:

AASB 9 *Financial Instruments*

This standard will become effective from reporting periods beginning on or after 1 January 2018. AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement* and changes the classification, measurement and disclosure of financial assets. This change will require Council to measure all financial assets at fair value or amortised cost rather than at cost. The impact is expected to be immaterial.

AASB 16 *Leases*

This standard will become effective for reporting periods beginning on or after 1 January 2019. AASB 16 will require the recognition of all leases on the balance sheet. A lease liability will be initially measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised to record the right to use the leased item over the lease term. Council has undertaken a preliminary analysis to identify and quantify the impacts of introducing AASB 16. The current assessment indicates the impact is expected to be immaterial.

1 Significant accounting policies (continued)

1(c) New and revised Accounting Standards (continued)

AASB 15 *Revenue from Contracts with Customers,* AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will become effective for reporting periods beginning on or after 1 January 2018. AASB 1058 and AASB 2016-8 will become effective for reporting periods beginning on or after 1 January 2019. AASB 15 will replace AASB 118 *Revenue* , AASB 111 *Construction Contracts* and a number of Interpretations. AASB 1058 will replace AASB 1004 *Contributions* . Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure for income including revenue from contracts with customers. Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards. To date the following impact has been identified.

At 30 June 2018 Council had received pre-paid rates totalling $5.8 million. These rates are recognised as revenue in the Statement of Comprehensive Income. If Council had applied AASB 1058 this year these rates would have been recognised as a liability in the Statement of Financial Position and Council's net result would decrease by $5.8 million.

1(d) Estimates and judgements

Where necessary judgements, estimates and assumptions have been used in preparing these financial statements. Those that have a significant effect, or risk of causing an adjustment to council's assets or liabilities relate to:

Investment Property (Note 9)

Valuation and depreciation of property, plant and equipment (Note 11)

Impairment of non-current assets (Note 4(d))

Provisions (Note 15)

Contingencies (Note 19)

1(e) Rounding and comparatives

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

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

1(f) Taxation

Income of local authorities and public authorities is exempt from Commonwealth taxation except for Fringe Benefits Tax (FBT) 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.

2 Analysis of Results by Function

2(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, public facilities and infrastructure, provide sustainable and cost-effective solid waste management services to the community, as well as identifying, planning and delivering infrastructure to support the community and ensure a high standard of infrastructure within the Moreton Bay Region.

Community & Environmental Services

Community and Environmental Services is responsible for providing well managed and maintained community facilities, ensuring compliance with the local laws of Council, monitoring, reporting and engaging with the community to advance the protection and management of the natural environment, manage Council's property portfolio, acquire and dispose of strategic land holdings and manage Council's enterprises.

Governance

The role of the Governance section is to ensure open and accountable governance of the region and comprises the Councillors, Chief Executive Officer, Internal Audit, Legal, Financial Management, Human Resources, Information Technology Support, Communications and other related support functions.

Planning & Economic Development

The role of Planning and Economic Development is to support increased levels of employment within the region, foster a dynamic and prosperous business environment, stimulate economic activities, maintain a strategic plan of Council's longer term functions and responsibilities in relation to land use planning, planning scheme development, development assessment and engineering.

2 Analysis of Results by Function (continued)

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

Year ended 30 June 2018	Gross program income				Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result	Assets
	Operating		Capital									
Function	Grants	Other	Grants	Other			Operating	Capital				
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Engineering, Construction & Maintenance	792	66,312	16,742	4,293	(14,650)	73,489	(169,179)	(445)	14,176	(155,448)	(81,959)	4,668,369
Community & Environmental Services	3,468	30,531	-	30,406	(42)	64,363	(60,365)	16,512	432	(43,421)	20,942	906
Governance	15,974	412,706	15	92,606	2,774	524,075	(167,010)	(68,560)	(2,602)	(238,172)	285,903	2,265,049
Planning and Economic Development	100	10,309	-	-	(94)	10,315	(11,088)	-	6	(11,082)	(767)	218
Total	**20,334**	**519,858**	**16,757**	**127,305**	**(12,012)**	**672,242**	**(407,642)**	**(52,493)**	**12,012**	**(448,123)**	**224,119**	**6,934,542**

Year ended 30 June 2017	Gross program income				Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result	Assets
	Operating		Capital									
Function	Grants	Other	Grants	Other			Operating	Capital				
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Engineering, Construction & Maintenance	781	67,259	18,660	2,318	(18,606)	70,412	(164,303)	1,367	17,065	(145,871)	(75,459)	4,500,830 *
Community & Environmental Services	3,334	30,421	-	-	(50)	33,705	(60,288)	14,884	1,322	(44,082)	(10,377)	769
Governance	22,482	382,769	-	92,824 *	2,389	500,464	(149,280) *	(32,355)	(2,240)	(183,875) *	316,589 *	2,146,946
Planning and Economic Development	190	12,666	-	-	(16)	12,840	(15,446)	-	136	(15,310)	(2,470)	5
Total	26,787	493,115	18,660	95,142 *	(16,283)	617,421	(389,317) *	(16,104)	16,283	(389,138) *	228,283 *	6,648,550 *

Comparative information has been restated to be consistent with disclosures in the current reporting period.
** Comparative figures have been restated. Refer to Note 24 for details.*

3 Revenue

Revenue is recognised at the fair value of consideration received or receivable, on the basis it meets the recognition criteria set out below.

3(a) Rates and utility charges

Rates are recognised as revenue at the start of the rating period. If a ratepayer pays their rates before the start of the rating period, they are recognised as revenue when they are received.

	2018	2017
	$'000	$'000
General rates	**242,895**	228,108
Cleansing charges	**39,769**	38,680
Other special levies, rates and charges	**16,742**	14,580
	299,406	281,368
Less: Pensioner and other rebates	**(3,944)**	(3,834)
	295,462	277,534

3(b) Fees and charges

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

	2018	2017
	$'000	$'000
Administration	**4,614**	4,521
Community facilities	**4,308**	4,633
Development services	**19,230**	21,652
Waste management	**4,424**	4,032
Animal control	**3,921**	3,673
Other fees	**170**	114
	36,667	38,625

3(c) Grants, subsidies and contributions

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

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

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

3 Revenue (continued)

3(c) Grants, subsidies and contributions (continued)

		Note	2018 $'000	2017 $'000
(i)	**Operating**			
	Government grants and subsidies		**19,637**	26,253
	Other grants, subsidies, contributions		**1,229**	1,064
			20,866	27,317
(ii)	**Capital**			
	Government grants and subsidies		**16,757**	18,660
	Infrastructure cash contributions		**41,323**	38,020
	Contributed assets		**78,971**	52,876 *
	Other capital income		**4,238**	1,826
			141,289	111,382

3(d) Interest revenue

Interest received is accrued over the term of the investment.

	Note	2018 $'000	2017 $'000
Interest from financial institutions		**9,603**	7,527
Interest from Unitywater		**35,070**	36,085
Interest from overdue rates and utility charges		**1,018**	1,009
		45,691	44,621

3(e) Other revenue

	Note	2018 $'000	2017 $'000
Tax equivalent	**23**	**42,029**	19,947
Other income		**7,464**	6,449
		49,493	26,396

3(f) Capital income

	Note	2018 $'000	2017 $'000
Gain on sale of assets classified as held for sale		**481**	-
Reinvestment on available-for-sale investment		**2,098**	-
Revaluation up of investment property	**9**	**-**	2,313
Reversal of loss on impairment of assets held for sale		**167**	-
Adjustment to landfill and Bio-solids composting sites		**27**	107
		2,773	2,420

4 Expenses

4(a) Employee benefits

	Note	2018 $'000	2017 $'000
Total staff wages and salaries		**100,005**	101,014
Annual, sick, long service leave and other entitlements		**11,987**	11,711
Superannuation	**20**	**12,391**	12,561
		124,383	125,286
Other employee related expenses		**4,352**	3,461
		128,735	128,747
Less: Capitalised employee expenses		**(8,673)**	(8,563)
		120,062	120,184

Total full time equivalent employees at 30 June 2018 were 1,449 (2017: 1,419).

4 Expenses (continued)

4(b) Materials and services

	Note	2018 $'000	2017 $'000
Contractors		**79,528**	75,727
Utilities		**19,512**	21,226
Materials		**9,339**	10,087
Other materials and services		**5,355**	6,107
Information technology hardware/software		**6,982**	4,886
Expensed capital		**2,862**	2,045
Commissions and contributions		**6,842**	3,350
Labour hire services		**5,179**	3,971
Insurance premiums		**2,706**	2,525
Fuel		**3,007**	2,743
Printing, postage and stationery		**2,029**	2,049
Donations, grants and contributions		**2,105**	2,068
Councillors' remuneration		**1,835**	1,797
Cleaning		**1,299**	1,619
Legal costs		**6,668**	1,556
Audit of annual financial statements by the Auditor-General of Queensland		**239**	246
Other audit assurance services performed		**-**	1
		155,487	142,003

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

4(c) Finance costs

	Note	2018 $'000	2017 $'000
Finance cost on loans		**22,367**	23,235
Other		**1,775**	1,117
		24,142	24,352

4(d) Capital expenses

	Note	2018 $'000	2017 $'000
Book value of property, plant and equipment disposed of		**45,182**	18,454
Less: Proceeds from the sale of property, plant and equipment		**(18,554)**	(2,333)
Adjustment to landfill and Bio-solids sites		**2,085**	276
Loss on impairment of assets classified as held for sale	**7**	**8**	459
Management fee on available-for-sale investment		**60**	-
Revaluation down of investment property	**9**	**565**	-
Revaluation down of property, plant and equipment	**11**	**23,718**	-
Infrastructure credits recognised	**15**	**530**	61
Infrastructure credits extinguished	**15**	**(1,101)**	(813)
		52,493	16,104

The loss on impairment of assets classified as held for sale arises because of the transfer of land and buildings from non-current property, plant and equipment as it is no longer measured at its fair value but at fair value less selling costs (Note 7). The impairment loss of $7,800 is the estimated amount of the selling costs.

5 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 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.

	2018	2017
	$'000	$'000
Cash at bank and on hand	**8,986**	5,646
Deposits at call	**109,866**	134,114
Term deposits	**195,000**	160,000
	313,852	299,760

Conditions over contributions

Council cash and cash equivalents are subject to a number of external restrictions that limit amounts available for discretionary or future use. These include:

Externally restricted contributions recognised as income during the reporting period that were unspent at the reporting date:

	2018	2017
	$'000	$'000
Government grants and subsidies	**152**	336

Externally restricted contributions recognised as income during the previous reporting period that were spent at the current reporting date:

	2018	2017
	$'000	$'000
Government grants and subsidies	**336**	1,906

Trust funds held for outside parties

In accordance with the Local Government Act 2009 and Local Government Regulation 2012, a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties. Funds held in the trust account on behalf of outside parties include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies paid into the trust account by Council. Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements. Council holds $10.154 million in trust monies at 30 June 2018 (2017: $8.669 million).

6 Trade and other receivables

Receivables are amounts owed to council at year end. They are recognised at the amount due at the time of sale or service delivery. Settlement is required within 30 days after the invoice is issued.

Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. All known bad debts were written-off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue.

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

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

	2018	2017
	$'000	$'000
Current		
Rates and utility charges	**7,824**	7,445
Loans to community organisations	**91**	94
Accrued receivable from Unitywater	**24,936**	28,234
Works receivable	**-**	66,753
Other debtors	**7,627**	6,226
GST recoverable	**3,535**	3,072
Prepayments	**5,647**	3,980
	49,660	115,804
Less: Allowance for impaired debts	**(7)**	(12)
	49,653	115,792
Non-current		
Loans to community organisations	**460**	463
Subordinated debt receivable from Unitywater	**677,025**	677,025
	677,485	677,488

7 Non-current assets classified as held for sale

Items of property, plant and equipment are reclassified as non-current assets as held for sale when the carrying amount of these assets will be recovered principally through a sales transaction rather than continuing use. Non-current assets classified as held for sale are available for immediate sale in their present condition and management believe the sale is highly probable, and are expected to be sold within the next twelve months. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell and are not depreciated. On the eventual sale of these assets a gain or loss is recognised.

7 Non-current assets classified as held for sale (continued)

	Note	2018 $'000	2017 $'000
Opening balance		**45,758**	7,068
Withdrawn from sale	11	**(18,000)**	-
Internal transfer from land and buildings	11	**2,410**	53,530
Impairment adjustment in the period		**640**	(459)
Proceeds from sale		**(30,406)**	(14,381)
		402	45,758

8 Other non-current financial assets

Managed funds invested with Queensland Investment Corporation (QIC) are recognised as an available for sale financial asset and carried at fair value, represented by net market value less any impairment. Net market value is determined as the redemption value provided by QIC. Unrealised changes in net market value are recognised in other comprehensive income and accumulated in the available for sale investment reserve. Where the investment is disposed of or determined to be impaired, the cumulative gain or loss previously accumulated in the available for sale investment reserve is reclassified to revenue or expense in the Statement of Comprehensive Income.

	2018 $'000	2017 $'000
Queensland Investment Corporation managed fund	**101,721**	-

9 Investment property

Investment property is property held for the primary purpose of earning rentals and/or capital appreciation. This includes land held by Council for a currently undetermined future use but does not include residential properties, swimming pools, aerodrome hangers and caravan parks.

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

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

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

9 Investment property (continued)

	Note	2018 $'000	2017 $'000
Fair value at beginning of financial year		**44,970**	42,936
Additions from subsequent expenditure recognised		**210**	96
Net (loss)/gain from fair value adjustments	**4(d),3(f)**	**(565)**	2,313
Disposal		**(15,980)**	(375)
Fair value at end of financial year		**28,635**	44,970

Investment property fair values were determined by independent valuer Australis Asset Advisory Group as at 30 June 2015 and indexed by Australis Asset Advisory Group as at 30 June 2018.

For investment property classified as level 2 ($26.200 million), fair value has been determined using the income capitalisation approach and market approach.

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

The market approach utilises inputs such as capital value and price per square metre, which is derived by assessing market based sales evidence of comparable properties.

For investment property classified at level 3 ($2.435 million), no active market exists and fair value has been measured utilising the cost approach, determined by using current replacement cost.

10 Investment in associate

Council holds 58.2382% of participation rights in Unitywater, a water distribution and retail business established in accordance with the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009,* to deliver water and waste water services to customers within the local government areas of Moreton Bay Regional Council, Sunshine Coast Regional Council and Noosa Council. The participation rights effectively represent an investment in an associate by Moreton Bay Regional Council.

Associates are entities over which Moreton Bay Regional Council exerts significant influence. Significant influence is the power to participate in the financial and operating policy decisions but is not control or joint control. Accordingly as Council has no control over Unitywater *AASB 10 Consolidated Financial Statements* is not applied.

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

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

	2018 $'000	2017 $'000
Total assets	**3,777,942**	3,619,542
Total liabilities	**(1,858,898)**	(1,819,190)
Net assets	**1,919,044**	1,800,352
Share of net assets of associate	**1,117,612**	1,048,488
Total revenue	**696,248**	669,523
Total profit for the year	**119,405**	135,507
Share of profit of associate	**69,539**	78,917
Council investment in the associate comprises of:		
Participation rights	**1,125,208**	1,056,084
Details of movements in participation rights:		
Opening Balance	**1,056,084**	998,651
Share of profit of associate	**69,539**	78,917
Less share of dividends received	**(415)**	(21,484)
Closing balance at end of year	**1,125,208**	1,056,084
Reconciliation of the participation rights to the share of net assets:		
Closing value of participation rights	**1,125,208**	1,056,084
Less share of net assets	**(1,117,612)**	(1,048,488)
Share of loss of associate for the year ended 2009/10	**7,596**	7,596
Share of loss of associate comprises:		
Total loss for the year ended 2009/10		13,043
Proportion of participation interest		58.2382%
Share of loss of associate for the year ended 2009/10		7,596

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

11 Property, plant and equipment

11(a) Recognition

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 and included in the relevant asset class.

Replacement of a major component of an asset, in order to maintain its service potential, is treated as the acquisition of a new asset. However, routine operating maintenance, repair costs and minor renewals to maintain the operational capacity and useful life of the non-current asset is expensed as incurred.

11(b) Measurement

Property plant and equipment assets are initially recorded at cost. Subsequently, each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss.

Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect's fees and engineering design fees and all other establishment costs. Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are also included in their cost.

Property, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value.

11(c) Depreciation

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, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

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

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.

11 Property, plant and equipment (continued)

11(c) Depreciation (continued)

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. Any condition assessments for assets measured at written down current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in Note 11(g).

11(d) Impairment of non-current assets

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

11(e) Valuation

Land, buildings and infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 *Property, Plant and Equipment and* AASB 13 *Fair Value Measurement.* All other non-current assets, principally plant and equipment and cultural and heritage assets are measured at cost.

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

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

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

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life. Separately identified components of assets are measured on the same basis as the assets to which they relate. Details of valuers and methods of valuations are disclosed in Note 11(f).

11 Property, plant and equipment (continued)

11(f) Fair value measurements

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

Level 1 - the fair value is based on quoted prices (unadjusted) in active markets for identical assets.

Level 2 - the fair value is estimated using inputs that are directly or indirectly observable for the assets, such as prices for similar assets.

Level 3 - the fair value is estimated using unobservable inputs for the asset.

All fair value measurements are recurrent and categorised as either level 2 or level 3 in the fair value hierarchy. None of Council's valuations of assets are eligible for categorisation into level 1 of the fair value hierarchy.

The following table represents Council's assets as at 30 June 2018 as either level 2 or level 3 in accordance with AASB 13.

	Level 2		Level 3		Total	
	2018	2017	**2018**	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Buildings	**1,090**	1,173	**306,843**	308,426	**307,933**	309,599
Land	**104,707**	151,782	**459,107**	397,693	**563,814**	549,475
Stormwater Infrastructure	**-**	-	**1,485,594**	1,403,469	**1,485,594**	1,403,469
Transport Infrastructure	**-**	-	**1,697,609**	1,623,134	**1,697,609**	1,623,134
Waterways and Canals	**-**	-	**236,162**	213,187	**236,162**	213,187
	105,797	152,955	**4,185,315**	3,945,909	**4,291,112**	4,098,864

In the course of revaluing land the nature of the inputs are reviewed and as such, Council recognises transfers between level 2 and 3 in the fair value hierarchy. Details of the valuation movement are shown in Note 16, where the below table reflects the additional detail of hierarchy movement. It is Council's policy is to recognise such transfers at the end of the reporting period.

	Level 2	Level 3	Total
	2018	**2018**	**2018**
	$'000	**$'000**	**$'000**
Land			
Opening balance as at 1 July 2017	**151,782**	**397,693**	**549,475**
Additions	**400**	**4,061**	**4,461**
Disposals	**-**	**(7,102)**	**(7,102)**
Internal transfer	**(2,410)**	**18,000**	**15,590**
Asset revaluation surplus	**1,175**	**215**	**1,390**
Transfer between levels	**(46,240)**	**46,240**	**-**
Closing Balance as at 30 June 2018	**104,707**	**459,107**	**563,814**

11 Property, plant and equipment (continued)

11(f) Fair value measurements (continued)

Buildings (Level 2 and 3)

The fair value of buildings were determined by independent valuer Australis Asset Advisory Group as at 31 March 2016 and pools by independent valuer Cardno (QLD) Pty Ltd as at 31 May 2017.

For buildings classified as level 2, fair value has been derived by utilising inputs such as market based sales evidence of comparable properties within the relevant geographic location.

For buildings and pools classified as level 3, no active market exists and fair value has been determined using the current replacement cost method valuation and is deemed to be a Level 3 input.

Land (Level 2 and 3)

The fair value of land was determined by independent valuer Australis Asset Advisory Group as at 31 December 2016

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

For land classified at level 3 no active market exists and fair value has been measured utilising a discounted price per square metre. The price per square metre is based upon market based sales evidence and is discounted because the land has specific characteristics or particular restrictions.

Stormwater Infrastructure (Level 3)

The fair value of stormwater infrastructure was determined by unit rates provided by independent valuers Cardno Pty Ltd as at 31 December 2015.

Due to the specialised nature of Council's stormwater infrastructure there is no active market for the assets. As such, fair value has been determined using the current replacement cost method of valuation and is deemed to be a Level 3 input.

Transport Infrastructure (Level 3)

The fair value of transport unit rates was determined by independent valuers AssetVal Pty Ltd as at 31 December 2017 and bridge infrastructure was determined by independent valuer Cardno Pty Ltd as at 31 December 2017.

Due to the specialised nature of Council's transport infrastructure there is no active market for the assets. As such, fair value has been determined using the current replacement cost method of valuation and is deemed to be a Level 3 input.

Waterways and Canals (Level 3)

The fair value of canal assets was determined by independent valuer AssetVal Pty Ltd as at 31 March 2018 and seawall assets was determined by external consultants BFA JFA Consultants Pty Ltd as at 4 August 2017.

Due to the specialised nature of Council's waterway and canal infrastructure, the valuations have been determined using the current replacement cost method of valuation and is deemed to be a Level 3 input.

11 Property, plant and equipment (continued)

11(g) Movements

30 June 2018	Note	Land	Buildings	Transport Infrastructure	Stormwater Infrastructure	Waterways and Canals	Land Improvements	Park Equipment	Plant and Equipment	Cultural and Heritage	Work in Progress	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
For the year ended 30 June 2018												
Gross value / cost		563,814	503,778	2,307,796	1,911,298	325,295	176,000	125,817	107,260	2,562	86,693	6,110,313
Less accumulated depreciation		-	(195,845)	(610,187)	(425,704)	(89,133)	(56,131)	(48,337)	(48,950)	-	-	(1,474,287)
Book value as at 30 June 2018		563,814	307,933	1,697,609	1,485,594	236,162	119,869	77,480	58,310	2,562	86,693	4,636,026

		Land	Buildings	Transport Infrastructure	Stormwater Infrastructure	Waterways and Canals	Land Improvements	Park Equipment	Plant and Equipment	Cultural and Heritage	Work in Progress	Total
Basis of measurement		Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	Cost	Cost	Cost	
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening net value as at 1 July 2017 (Restated)		549,475	309,599	1,623,134	1,403,469	213,187	96,293	75,843	59,576	2,538	72,666	4,405,780
Plus capital expenses		-	-	-	-	-	-	-	-	-	159,955	159,955
Transfers between asset classes		-	(14)	(5,416)	113	-	5,305	12	-	-	-	-
Plus contributed assets		53	-	31,155	45,311	-	1,352	1,100	-	-	-	78,971
Plus assets not previously recognised		-	-	2,692	22,964	-	-	-	-	-	-	25,656
Plus restoration assets		-	-	-	-	-	7,321	-	-	-	-	7,321
Less disposals		(7,102)	(129)	(13,849)	(4,039)	(16)	(355)	(245)	(3,461)	-	-	(29,196)
Less depreciation provided in period		-	(11,861)	(39,690)	(19,779)	(2,400)	(5,516)	(5,684)	(9,653)	-	-	(94,583)
Revaluation adjustment to asset revaluation surplus	16	1,390	-	-	-	25,179	-	-	-	-	-	26,569
Revaluation adjustment to capital expense	4(d)	-	-	(23,718)	-	-	-	-	-	-	-	(23,718)
Transfer to assets classified as held for sale	7	(2,410)	-	-	-	-	-	-	-	-	-	(2,410)
Transfer from assets withdrawn from held for sale	7	18,000	-	-	-	-	-	-	-	-	-	18,000
Transfers from WIP to other non PP&E assets or expense		-	-	-	-	-	-	-	-	-	(3,072)	(3,072)
Transfers from works receivable		-	-	45,842	20,518	-	192	201	-	-	-	66,753
Transfers from work in progress		4,408	10,338	77,459	17,037	212	15,277	6,253	11,848	24	(142,856)	-
Book value as at 30 June 2018		563,814	307,933	1,697,609	1,485,594	236,162	119,869	77,480	58,310	2,562	86,693	4,636,026
Range of estimated useful life in years		unlimited	1 - 128	1 - unlimited	4 - 162	14 - unlimited	3 - 100	5 - 100	1 - 110	unlimited	-	

11 Property, plant and equipment (continued)

11(g) Movements (continued)

30 June 2017 (Restated)	Note	Land	Buildings	Transport Infrastructure	Stormwater Infrastructure	Waterways and Canals	Land Improvements	Park Equipment	Plant and Equipment	Cultural and Heritage	Work in Progress	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
For the year ended 30 June 2017												
Gross value / cost		549,475	493,907	2,200,684	1,796,736	222,777	143,309	118,820	107,928	2,538	72,666	5,708,840
Less accumulated depreciation		-	(184,308)	(577,550)	(393,267)	(9,590)	(47,016)	(42,977)	(48,352)	-	-	(1,303,060)
Book value as at 30 June 2017		549,475	309,599	1,623,134	1,403,469	213,187	96,293	75,843	59,576	2,538	72,666	4,405,780

	Note	Land	Buildings	Transport Infrastructure	Stormwater Infrastructure	Waterways and Canals	Land Improvements	Park Equipment	Plant and Equipment	Cultural and Heritage	Work in Progress	Total
Basis of measurement		Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	Cost	Cost	Cost	
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening net value as at 1 July 2016		573,018	301,372	1,585,303	1,386,256	212,494	89,985	68,759	58,298	2,529	36,677	4,314,691
Opening net value as at 1 July 2016 not previously recognised *		14	-	3,018	3,059	-	78	41	-	-	-	6,210
Plus capital expenses		-	-	-	-	-	-	-	-	-	146,737	146,737
Transfers between asset classes		-	(57)	62	(3)	-	(5,849)	5,772	75	-	-	-
Plus contributed assets		-	-	21,293	18,210	-	425	643	385	-	-	40,956
Plus contributed assets not previously recognised *		36	15	4,121	7,397	-	316	13	22	-	-	11,920
Plus restoration assets		-	-	-	-	-	13,323	-	-	-	-	13,323
Less disposals		(1,922)	(809)	(10,518)	(1,290)	(195)	(482)	(361)	(2,502)	-	-	(18,079)
Less depreciation provided in period		-	(11,639)	(38,078)	(17,901)	(544)	(4,698)	(5,087)	(7,776)	-	-	(85,723)
Less depreciation provided in period not previously recognised *		-	-	(99)	(127)	-	(3)	(3)	-	-	-	(232)
Revaluation adjustment to asset revaluation surplus	16	30,334	3,747	-	-	-	-	-	-	-	-	34,081
Transfer to assets classified as held for sale	7	(53,530)	-	-	-	-	-	-	-	-	-	(53,530)
Transfers from WIP to other non PP&E assets or expense		-	-	-	-	-	-	-	-	-	(4,574)	(4,574)
Transfers from work in progress		1,525	16,970	58,032	7,868	1,432	3,198	6,066	11,074	9	(106,174)	-
Book value as at 30 June 2017		549,475	309,599	1,623,134	1,403,469	213,187	96,293	75,843	59,576	2,538	72,666	4,405,780
Range of estimated useful life in years		unlimited	1 - 128	1 - unlimited	4 - 150	38 - unlimited	3 - 100	5 - 100	1 - 110	unlimited	-	

* Not previously recognised adjustments as disclosed in Note 24 Restated balances.

12 Intangible assets

Intangible assets with a cost or other value exceeding $5,000 are recognised as intangible assets in the financial statements, items with a lesser value being expensed. Amortisation methods, estimated useful lives and residual values are reviewed at the end of each reporting period and adjusted where appropriate.

Intangible assets are assessed for indicators of impairment on an annual basis.

Computer software is capitalised and amortised on a straight-line basis over the period of expected benefit to Council.

Software has a finite life estimated between 3 to 19 years. Straight line amortisation has been used with no residual value.

	2018 $'000	2017 $'000
Gross value / cost	**8,392**	11,354
Less accumulated amortisation	**(8,010)**	(9,610)
Book value as at 30 June 2018	**382**	1,744
Movements		
Opening net value as at 1 July 2017	**1,744**	2,280
Transfers from work in progress	**-**	4
Less disposals	**(6)**	-
Less amortisation provided in period	**(1,356)**	(540)
Book value as at 30 June 2018	**382**	1,744

13 Trade and other payables

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

Liabilities are recognised for employee benefits such as vested sick leave and annual leave in respect of services provided by the employees up to the reporting date. The liability is calculated using the present value of remuneration rates that will be paid when the liability is expected to be settled and includes related on-costs.

As Council does not have an unconditional right to defer settlement of annual leave beyond twelve months after the reporting date, all annual leave is classified as current.

Council has an obligation to pay sick leave on termination to certain employees and therefore a liability has been recognised for this obligation.

13 Trade and other payables (continued)

	2018 $'000	2017 $'000
Current		
Trade creditors and accruals	**38,328**	36,312
Employee entitlements	**10,708**	10,722
	49,036	47,034
Non-Current		
Trade creditors and accruals	**-**	213

14 Borrowings

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

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

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

	2018 $'000	2017 $'000
Current		
Loans - Queensland Treasury Corporation	**31,533**	28,479
Non-current		
Loans - Queensland Treasury Corporation	**354,463**	359,071

The QTC loan market value at the reporting date was $434,752,343. This represents the value of the debt if Council repaid it as at 30 June 2018.

No assets have been pledged as security by the Council for any liabilities.

15 Provisions

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. Long service leave is treated as current where Council does not have an unconditional right to defer settlement beyond twelve months. All other long service leave is treated as non-current.

Restoration and rehabilitation

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

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

Changes in the provision not arising from the passing of time are treated as an adjustment to the provision and associated asset. Once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in profit and loss. Changes to the provision resulting from the passing of time (the unwinding of the discount) is treated as a finance cost.

Infrastructure offsets and credits

Infrastructure offsets occur when infrastructure has been contributed to Council by a developer in lieu of paying infrastructure charges. Terms and conditions surrounding the delivery of the contributed infrastructure and the realisation of the offset are set out in “Infrastructure Agreements” that the Council and the developer(s) enter into. When the value of the contributed infrastructure is greater than what the developer would have paid in infrastructure charges to Council an infrastructure credit results. The credit is recognised when the contributed asset is accepted as “on maintenance” (when Council accepts ownership of the asset) by Council. Once the credit is created the developer is entitled to be refunded that amount in cash or can use it to offset any infrastructure charges for future developments that the developer may undertake.

15 Provisions (continued)

	2018 $'000	2017 $'000
Current		
Long service leave	**13,565**	13,320
Bio-solids composting site rehabilitation	**71**	26
Refuse restoration	**142**	48
	13,778	13,394
Non-current		
Long service leave	**3,023**	3,286
Bio-solids composting site rehabilitation	**985**	573
Refuse restoration	**37,428**	27,756
Infrastructure credits	**1,146**	1,767
	42,582	33,382

Movements in the provisions during the financial year are set out below:

	2018 Long service leave $'000	2018 Infrastructure credits $'000
Balance at beginning of financial year	**16,606**	**1,767**
Provisions arising	**2,320**	**530**
Provisions extinguished	**(946)**	**(1,101)**
Provisions paid	**(1,392)**	**(50)**
Balance at end of financial year	**16,588**	**1,146**

	Bio-solids composting site rehabilitation $'000	Refuse landfill sites restoration $'000
Balance at beginning of financial year	**599**	**27,804**
Amount incurred and charged against the provision	**(24)**	**(23)**
Increase in provision due to unwinding of discount	**15**	**876**
Increase in provision due to change in estimate	**450**	**5,162**
Increase in provision due to change in discount rate	**18**	**3,776**
Unused amounts reversed	**(2)**	**(25)**
Balance at end of financial year	**1,056**	**37,570**

15 Provisions (continued)

Site	Expected site closure year	Post closure monitoring cost completion year
Bunya landfill site	2091	2105
Dakabin landfill site	2048	2062
Caboolture landfill site	2053	2067
Ningi landfill site	closed	2032
Woodford landfill site	closed	2032
Bio-solid compositing site	closed	2032

16 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 and not transferred to retained surplus.

	Balance at beginning of year $'000	**Movements $'000**	**Balance at end of year $'000**
2018			
Land	**133,423**	**1,390**	**134,813**
Buildings	**72,235**	**-**	**72,235**
Stormwater infrastructure	**653,848**	**-**	**653,848**
Waterways and canals	**37,424**	**25,179**	**62,603**
	896,930	**26,569**	**923,499**

	Balance at beginning of year $'000	Movements $'000	Balance at end of year $'000
2017			
Land	103,089	30,334	133,423
Buildings	68,488	3,747	72,235
Stormwater infrastructure	653,848	-	653,848
Waterways and canals	37,424	-	37,424
	862,849	34,081	896,930

17 Financial instruments

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

- credit risk
- liquidity risk
- market risk

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

Financial risk management

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

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

Council does not enter into derivatives.

Credit risk exposure

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

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

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

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

17 Financial instruments (continued)

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

Financial assets	Note	**2018 $'000**	2017 $'000
Cash and cash equivalents	**5**	**313,852**	299,760
Receivables - rates	**6**	**7,824**	7,445
Receivables - Unitywater		**701,961**	705,259
Receivables - other		**11,713**	76,608
Other non-current financial assets	**8**	**101,721**	-
		1,137,071	1,089,072

Cash and cash equivalents
The Council may be exposed to credit risk through its investments in the QTC Cash Fund. The QTC Cash Fund is an asset management portfolio that invests with a wide range of high credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed.

Other financial assets
The credit risk of financial assets that have been recognised on the Statement of Financial Position, is the carry amount net of any impairment

Trade and other receivables
In the case of rate receivables, interest is charged on outstanding debts at a rate of 11% per annum and Council has the power to sell the property to recover any defaulted amounts. In effect this power protects the Council against credit risk in the case of defaults.

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

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

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

	2018 $'000	2017 $'000
Not past due	**43,555**	110,648
Past due 31-60 days	**39**	979
Past due 61-90 days	**229**	16
More than 90 days	**650**	644
Impaired	**(7)**	(12)
Total	**44,466**	112,275

The above analysis does not include the non-current receivable of $677.025 million (2017: $677.025 million), which represents a fixed rate of 5.18% loan to Unitywater. The credit risk on these loans is considered low. Refer to Note 6 for further information.

17 Financial instruments (continued)

Liquidity risk

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

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

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

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
2018					
Trade and other payables	**38,554**	**-**	**-**	**38,554**	**38,328**
Loans - QTC	**52,153**	**207,190**	**248,813**	**508,156**	**385,996**
	90,707	**207,190**	**248,813**	**546,710**	**424,324**
2017					
Trade and other payables	36,337	226	-	36,563	36,525
Loans - QTC	49,921	199,627	275,107	524,655	387,550
	86,258	199,853	275,107	561,218	424,075

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

Council does not have access to a fixed overdraft facility.

Market risk

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

Interest rate risk

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

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

17 Financial instruments (continued)

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

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

	Net carrying amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
2018					
QTC cash fund	**61,224**	**612**	**(612)**	**612**	**(612)**
Other investments	**48,642**	**486**	**(486)**	**486**	**(486)**
Net total	**109,866**	**1,098**	**(1,098)**	**1,098**	**(1,098)**
2017					
QTC cash fund	105,821	1,058	(1,058)	1,058	(1,058)
Other investments	28,293	283	(283)	283	(283)
Net total	134,114	1,341	(1,341)	1,341	(1,341)

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

QTC Fixed Rate Loan - financial instruments with fixed interest rates which are carried at amortised cost are not subject to interest rate sensitivity.

Fair value

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

The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is disclosed in Note 14.

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

18 Commitments

Contractual commitments for capital expenditure

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

	2018 $'000	2017 $'000
Property, plant and equipment	**59,264**	54,991
These expenditures are due for payment:		
Not later than one year	**43,257**	34,888
One to five years	**16,007**	20,103
	59,264	54,991

Contractual commitments for operating expenditure

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

	2018 $'000	2017 $'000
Waste and maintenance services	**77,242**	56,378
These expenditures are due for payment:		
Not later than one year	**39,487**	28,044
One to five years	**34,106**	28,308
More than five years	**3,649**	26
	77,242	56,378

Operating lease income

Future operating lease rental commitments receivable for property, plant and equipment comprise:

	2018 $'000	2017 $'000
The minimum lease receipts are as follows:		
Not later than one year	**2,798**	6,533
One to five years	**5,620**	13,442
Later than five years	**3,947**	7,075
	12,365	27,050

19 Contingencies

Contingent liabilities

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

Legal claims

Council is subject to a number of compensation claims with regards to the compulsory acquisition of land and contract disputes. Information in respect of individual claims has not been disclosed in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets on the basis that Council considers such disclosures would seriously prejudice the outcome of the claims. In total the claims amount to approximately $10 million (2017: approximately $11m).

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 2017 the financial statements of LGM Queensland reported a members' equity balance of $70,521,289.

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 $2,807,736.

20 Superannuation - Regional Defined Benefit Fund

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

The scheme is a defined benefit plan, however Council is not able to account for it as a defined benefit plan in accordance with AASB 119 because LGIAsuper is unable to account for its proportionate share of the defined benefit obligation, plan assets and costs.

Any amount by which the scheme is over or under funded may affect future benefits and result in a change to the contribution rate, but has not been recognised as an asset or liabilities of the Council.

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

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date". The Council is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

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

Another actuarial investigation is being conducted as at 1 July 2018. At the time of signing these financial statements this investigation is still in progress.

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

Investment risk - The risk that the scheme's investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.

Salary growth risk - The risk that wages or salaries will rise more rapidly than assumed, increasing vested benefits to be funded.

There are currently 63 entities contributing to the scheme and any changes in contribution rates would apply equally to all 63 entities. Moreton Bay Regional Council made 4.65% of the total contributions to the scheme for the 2017-2018 financial year.

	Note	2018 $'000	2017 $'000
Superannuation contributions made to the Regional Defined Benefits Fund		**855**	979
Other superannuation contributions for employees		**11,536**	11,582
Total superannuation contributions paid by Council for employees:	**4(a)**	**12,391**	12,561

Contributions Council expects to make to the Regional Defined Benefits Funds for 2018-19 is $873,558.

21 National competition policy

Business activities to which the code of competitive conduct is applied

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

Waste Function

This requires the application of full cost pricing, identifying the cost of community service obligations (CSO) and eliminating the advantages and disadvantages of public ownership within that activity.

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

	Waste Function
	2018
Revenue	**$'000**
Revenue for services provided to Council	2,819
Revenue for services provided to external clients	48,668
Community service obligations	541
	52,028
Expenditure	43,806
Surplus/(deficiency)	8,222

Community Service Obligations:

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

Activities and CSO Description	**2018 $'000**
Waste	
Pensioner Discounts	541

22 Events subsequent to balance date

Council is in the process of listing for sale properties with an estimated value of $8.9 million that are surplus to Council requirements. Some of these properties are yet to be actively marketed.

23 Related party transactions

(a) Associate

Council has a participating interest in the Northern SEQ Distributor-Retailer Authority (trading as Unitywater) governed by a Participation Agreement.

Transactions with Unitywater

The amount of revenue and expenditure included in the Statement of Comprehensive Income, and the amount receivable or payable to Unitywater are as follows;

	2018 $'000	2017 $'000
Revenue		
Interest on loans	**35,070**	36,085
Taxation equivalents	**42,029**	19,947
Dividends	**415**	21,484
Other revenue	**1,426**	1,129
	78,940	78,645
Expenses		
Material and services	**6,493**	8,006
	6,493	8,006
Amounts receivable		
Interest	**8,767**	9,021
Dividends	**-**	12,681
Taxation equivalents	**16,169**	6,532
Other	**2**	10
	24,938	28,244
Loans		
Loans	**677,025**	677,025
	677,025	677,025
Amounts payable		
Material and services	**1,308**	2,022
	1,308	2,022

Unitywater operates under an income tax equivalent regime; with all tax paid being distributed to the participating Councils on a pro-rata basis to their participation rights. Income tax equivalent payments from Unitywater are recognised as revenue when the significant risks and rewards related to the corresponding assets have been transferred to Council.

Dividends received by Council from Unitywater are recorded as a reduction in the carrying value of the non-current asset.

Participant loans provide for a fixed interest rate with monthly interest only payments.

Further detail regarding Unitywater is contained in Note 10 Investment in associate.

23 Related party transactions (continued)

(b) Key management personnel

(i) Details of compensation

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of Council directly or indirectly. The Mayor, Councillors, CEO and the Executive Management Team are the KMP of Council for 2017/18 year.

Total compensation for key management personnel of Council is set out below:

	2018 $'000	2017 $'000
Short-term benefits	**4,157**	4,075
Post-employment benefits	**436**	482
Other long-term benefits	**53**	52
Termination benefits	**126**	-
	4,772	4,609

(ii) Transactions with other related parties - KMP's close family members and organisations in which the KMP and/or their close family members have controlling interests (individually or jointly)

Details of transactions between Council and KMP are disclosed below:

1 July 2017 - 30 June 2018

Nature of transaction	Nature of relationship	Total value of transactions for the year ended 30 June 2018	Amount of outstanding balance at 30 June 2018	Committed amount as at 30 June 2018 to be incurred in the following years	Terms and conditions
Economic Development Strategy Services provided to Council	Consulting Company controlled by a related party of KMP	$141,752	Nil	Nil	Services were provided in accordance with Council's normal terms and conditions

There were no allowances for doubtful debts or bad debt expenses recognised during the reporting period in relation to the above transactions.

All other related party transactions between Council and KMP that occurred during the financial year were trivial in nature and occurred on an arm’s length basis on terms and conditions no more favourable than those available, or which might reasonably be expected to be available, to members of the public.

All close family members of key management personnel were employed through an arm's length process. They are paid in accordance with the relevant award for the job they perform. The total employee expenses for close family members of KMP during 2017-18 were $216,234. Council employs 1559 staff of which only 2 are close family members of KMP.

23 Related party transactions (continued)

(b) Key management personnel (continued)

(ii) Transactions with other related parties - KMP's close family members and organisations in which the KMP and/or their close family members have controlling interests (individually or jointly) (continued)

1 July 2016 - 30 June 2017

Nature of transaction	Nature of relationship	Total value of transactions for the year ended 30 June 2017	Amount of outstanding balance at 30 June 2017	Committed amount as at 30 June 2017 to be incurred in the following years	Terms and conditions
Infrastructure contributions and a condition payment received by Council from a development company	Development company controlled by KMP	$219,101	Nil	Nil	Assessed and approved in accordance with Council's normal terms and conditions.
Economic Development Strategy Services provided to Council	Consulting Company controlled by a related party of KMP	$270,446	$47,284 (outstanding pending payment of invoice)	Nil	Services were provided in accordance with Council's normal terms and conditions

(c) Loans and guarantees to/from related parties

Council does not make loans to or receive loans from related parties. No guarantees have been provided.

(d) LGIAsuper

Information about superannuation is included in Note 20.

24 Restated balances

Contributed assets not previously recognised

During 2017/18, Council identified a prior period error that related to contributed assets that had commission dates prior to 1 July 2017. As a result, for 2016/17 Council had understated its contributed revenue and property, plant and equipment by $11.920 million and applicable depreciation of $0.232 million. Prior to 1 July 2016, contributed revenue and property, plant and equipment had been understated by $6.275 million and applicable depreciation of $0.065 million. To correct the impact of the prior period error, Council has adjusted the 2016/17 comparative amounts in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes where indicated.

Details of the adjustments impacting financial statement line items is provided below:

30 June 2017 Comparative year

Financial statement line item / balance affected	Note	Actual 2017 $'000	Adjustments 2017 $'000	Restated Actual 2017 $'000
Statement of Comprehensive Income (Extract)				
Capital Revenue				
Grants, subsidies and contributions	3(c)(ii)	99,462	11,920	111,382
Total Revenue		**603,081**	**11,920**	**615,001**
Total Income		**605,501**	**11,920**	**617,421**
Recurring Expenses				
Depreciation and amortisation	11,12	(86,263)	(232)	(86,495)
Total Expenses		**(388,906)**	**(232)**	**(389,138)**
NET RESULT		**216,595**	**11,688**	**228,283**
TOTAL COMPREHENSIVE INCOME/(DEFICIT) FOR THE YEAR		**250,676**	**11,688**	**262,364**
Statement of Financial Position (Extract)				
Non-Current Assets				
Property, plant and equipment	11	4,387,882	17,898	4,405,780
Total Non-Current Assets		**6,168,183**	**17,898**	**6,186,081**
Total Assets		**6,630,652**	**17,898**	**6,648,550**
NET COMMUNITY ASSETS		**6,148,669**	**17,898**	**6,166,567**
Community Equity				
Retained surplus		5,251,739	17,898	5,269,637
TOTAL COMMUNITY EQUITY		**6,148,669**	**17,898**	**6,166,567**
Statement of Changes in Equity (Extract)				
Retained Surplus				
Balance as at 1 July 2016		**5,035,144**	**6,210**	**5,041,354**
Net result		216,595	11,688	228,283
Total comprehensive income for the year		**216,595**	**11,688**	**228,283**
Balance at 30 June 2017		**5,251,739**	**17,898**	**5,269,637**

Moreton Bay
Regional Council

MANAGEMENT CERTIFICATE
For the year ended 30 June 2018

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

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

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

(ii) the general purpose financial statements, as set out on pages 1 to 40, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.

Cr Allan Sutherland
Mayor

Date: 2 / 10 / 18

Mr Daryl Hitzman
Chief Executive Officer

Date: 2 / 10 / 18

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INDEPENDENT AUDITOR'S REPORT

To the Councillors of Moreton Bay Regional Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Moreton Bay Regional Council (the Council).

In my opinion, the financial report:

a) gives a true and fair view of the Council's financial position as at 30 June 2018, and of its financial performance and cash flows for the year then ended

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

The financial report comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the management certificate given by the Mayor and the Chief Executive Officer.

Basis for opinion

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

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

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

Other information

Other information comprises the information included in the Moreton Bay Regional Council annual report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long-term financial sustainability statement.

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

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

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

Responsibilities of the Council for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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- Conclude on the appropriateness of the Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the Council. I remain solely responsible for my audit opinion.

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

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2018:

a) I received all the information and explanations I required.

b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

8 October 2018

Carolyn Dougherty
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Moreton Bay Regional Council

CURRENT-YEAR FINANCIAL SUSTAINABILITY STATEMENT

For the year ended 30 June 2018

Measures of Financial Sustainability

Council's performance at 30 June 2018 against key financial ratios and targets:

	How the measure is calculated	Actual	Target
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	**25.1%**	between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	**62.5%**	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	**24.0%**	not greater than 60%

Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the Local Government Regulation 2012 and the Financial Management (Sustainability) Guideline 2013. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2018.

Moreton Bay Regional Council

CERTIFICATE OF ACCURACY
For the year ended 30 June 2018

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

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

Cr Allan Sutherland	**Mr Daryl Hitzman**
Mayor	**Chief Executive Officer**
Date: 2 / 10 / 18	Date: 2 / 10 / 18

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INDEPENDENT AUDITOR'S REPORT

To the Councillors of Moreton Bay Regional Council

Report on the Current Year Financial Sustainability Statement

Opinion

I have audited the accompanying current year statement of financial sustainability of Moreton Bay Regional Council (the Council) for the year ended 30 June 2018 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Moreton Bay Regional Council for the year ended 30 June 2018 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other Information

Other information comprises the information included in Moreton Bay Regional Council's annual report for the year ended 30 June 2018, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and the long-term financial sustainability statement.

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

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

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

Responsibilities of the Council for the current year financial sustainability statement

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- Evaluate the overall presentation, structure and content of the statement, including the disclosures, and whether the statement represents the underlying transactions and events in a manner that achieves fair presentation.

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

C Dougherty

8 October 2018

Carolyn Dougherty
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Moreton Bay Regional Council

LONG-TERM FINANCIAL SUSTAINABILITY STATEMENT

Prepared as at 30 June 2018

Measures of Financial Sustainability

			Actual	Projected for the years ended								
	Measure	Target	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027
Operating surplus ratio	Net result divided by total operating revenue	between 0% and 10%	25.1%	20.5%	20.0%	21.2%	20.2%	21.6%	20.7%	20.8%	20.9%	21.6%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	62.5%	64.5%	67.3%	76.3%	72.2%	72.5%	77.6%	80.2%	82.1%	81.4%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	24.0%	19.1%	12.9%	11.7%	14.7%	18.0%	20.4%	15.6%	10.3%	1.0%

Council's Financial Management Strategy

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

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

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

Moreton Bay Regional Council

CERTIFICATE OF ACCURACY

For the long-term financial sustainability statement prepared as at 30 June 2018

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

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

Cr Allan Sutherland
Mayor

Date: 2 / 10 / 18

Mr Daryl Hitzman
Chief Executive Officer

Date: 2 / 10 / 18