

THE COMMUNITY FINANCIAL REPORT

The purpose of the Community Financial Report is to provide residents and interested parties with a better understanding of Council's financial performance and position over the previous financial year.

The financial information that is presented in the Community Financial Report is identical to Council's financial statements however it is presented in a simplified format so that members of the community are able to gain insights into how the Council's financial performance and position measure up at the end of the financial year.

The Community Financial Report uses plain language and pictorial aids such as graphs and tables to give readers an easy to follow summary of the financial statements for the past financial year. In addition, this report includes key financial statistics and ratios that can also be useful indicators of Council's performance and position.

FINANCIAL STATEMENTS

The financial statements of Council are audited records of financial performance and position for a financial year (12 months). There are four statements that comprise what is termed "the financial statements", the statements are;

1. STATEMENT OF COMPREHENSIVE INCOME

A statement detailing the income and expenditure of Council. This statement shows what Council has earned (Revenue) and what costs Council has incurred (Expenses) throughout the year. This is presented on an 'accrual' basis, that is it records revenue when it is earned and expenses when they are incurred, regardless of the timing of the receipts or payment of cash.

Statement of Comprehensive Income For the year ended 30 June 2020		\$'000
Operating Revenue		
Rates and utility charges		321,366
Fees and charges		34,101
Grants, subsidies and contributions		22,986
Interest revenue		40,045
Other revenue		42,049
Share of profit of associate		83,510
Total Operating Revenue		544,057
Operating Expenses		
Employee benefits		(142,708)
Materials and services		(198,503)
Depreciation and amortisation		(103,950)
Finance costs		(22,086)
Total Operating Expenses		(467,247)
Operating Result		76,810
Capital Revenue and Expenses		
Grants, subsidies and contributions		169,747
Capital Income		325
Capital Expenses		(22,063)
Capital Result		148,009
NET RESULT		224,819
Other Comprehensive Income		58,322
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		283,141

SOURCING OUR REVENUE: WHAT IT COMPRISES

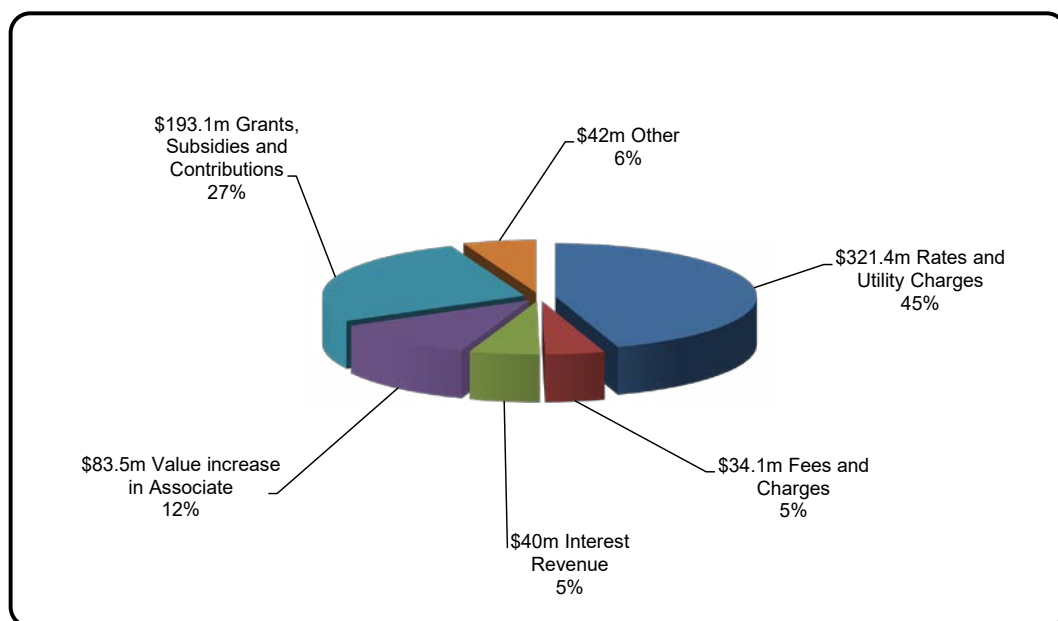
(Statement of Comprehensive Income)

Key Council's revenue sources include:

- **Rate and Utility Charges** - these are the taxes levied on property owners within the region. Each year, as part of the budget process, Council decide the rates and utility charges to be levied in the financial year. The level of rates and utility charges that landowners must pay is at the sole discretion of Council.
- **Fees and Charges** - Council generate a level of income through the charging of fees for services and some goods. The fees can vary from admission to an aquatic facility through to the payment of a hall hire fee. A key function of Council is the administration of a range of regulatory functions. These can vary from administering the town planning process through to animal registration.
- **Grants, Subsidies and Contributions** - Council receive grants and subsidies from Federal and State Governments which can be for general or specific purposes. Council also receives monetary and non-monetary contributions, typically from developers, in relation to the development activities occurring within the Council region. Non-monetary contributions are received in the form of gifted assets, such as roads, footpaths, drainage and other community facilities. Monetary contributions are received to assist Council deliver essential infrastructure related to the growth of the region.
- **Interest Revenue** - received from the investment of available cash.
- **Other Revenue** - is predominately tax payments received from Unitywater and other miscellaneous forms of revenue.
- **Share of Profit of Associate** - is Council's portion of Unitywater's annual net operating profit. This is a non-cash revenue source.
- **Other Comprehensive Income** - is predominately increases in the value of Council's infrastructure as a result of asset revaluations. This is a non-cash income source.

The graph below shows the breakdown for 2019/20.

Sources of revenue - \$714.1 million



IDENTIFYING OUR EXPENSES: WHAT IT COMPRISES

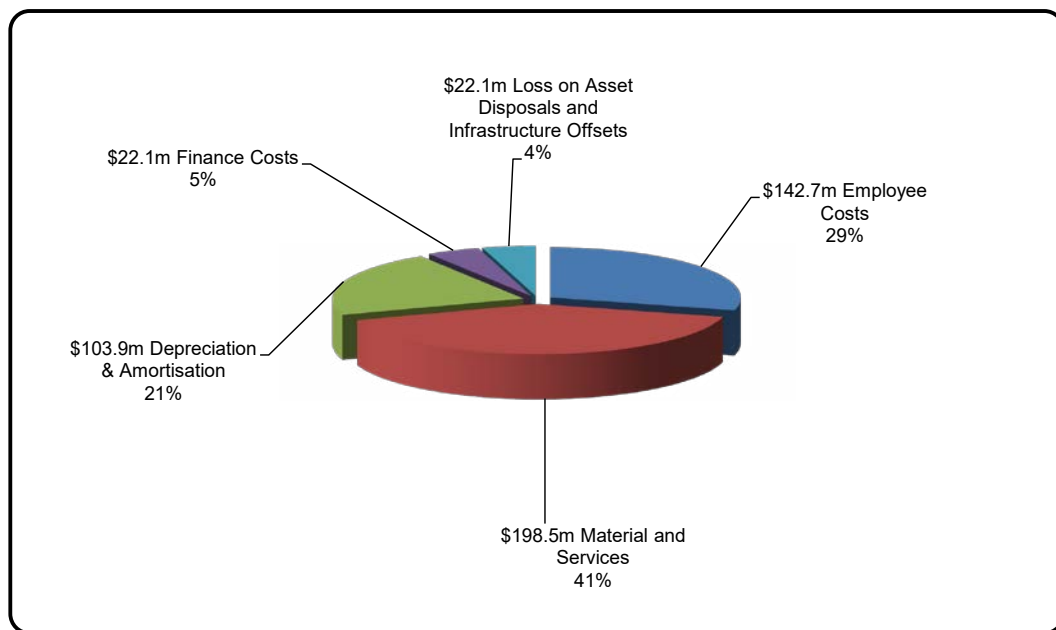
(Statement of Comprehensive Income)

Key Council's expense components are:

- **Employee Costs** - These represent the total cost of staff employed in the delivery of Council services. The costs are typically inclusive of items such as wages, superannuation, employee leave entitlements, training and other employee related expenses.
- **Materials and Services** - These are the operating costs incurred for the purchase of materials or other services necessary to deliver Council services.
- **Depreciation and Amortisation** - is recognised as a cost to Council and is measured as an estimate in the consumption of Council's asset base. This is a non-cash expense.
- **Finance Costs** - These are the costs mainly associated with interest on borrowings and banking fees.
- **Capital Expenses** - These represent predominantly the value of assets replaced or disposed of throughout the year.

The expenditure by type graph shows the various classifications of Council's expenditure incurred during 2019/20.

Expenditure by type - \$489.3 million



2. STATEMENT OF FINANCIAL POSITION

A statement detailing the assets and liabilities of Council. The statement measures what Council owns (Assets) and what Council owes (Liabilities). The difference between these two components is the net wealth (Equity) of Council and our community.

Statement of Financial Position For the year ended 30 June 2020		\$'000
Assets		
Cash Balance		349,941
Other Current Assets		46,972
Non-Current Assets		7,193,401
Total Assets		7,590,314
Liabilities		
Current Liabilities		118,110
Non-Current Liabilities		397,646
Total Liabilities		515,756
NET COMMUNITY ASSETS		7,074,558
Community Equity		
Retained Surplus		6,072,716
Asset Revaluation Surplus		1,001,842
TOTAL COMMUNITY EQUITY		7,074,558

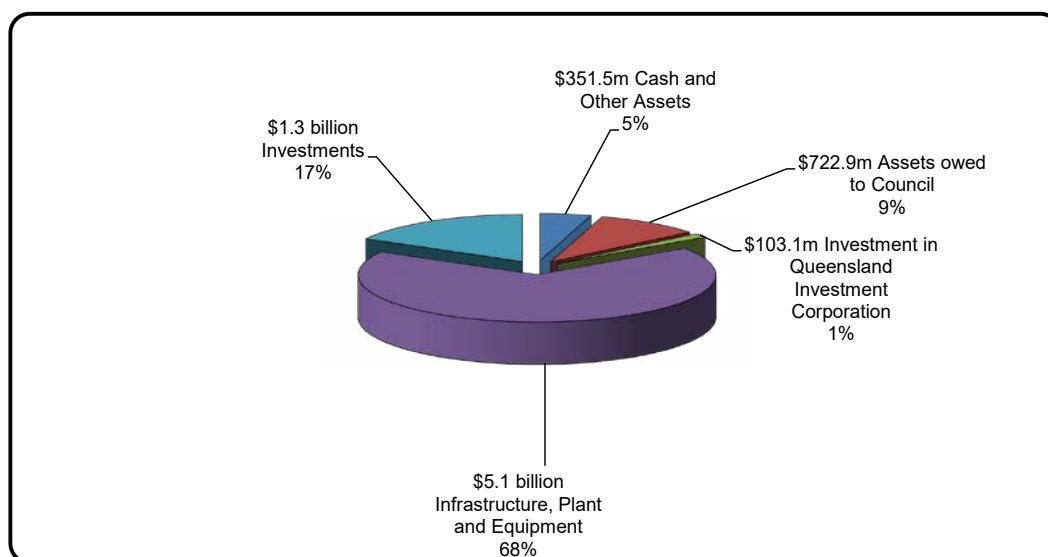
ASSETS: WHAT THE COMMUNITY OWNS

(Statement of Financial Position)

- Assets** - Can be current or non-current. Current assets are those that are readily available to meet expenses and mainly include cash and amounts owed by customers. Non-current assets include property, plant and equipment, investment in associate and financial investments.

The value of all assets Council owns totals \$7.6 billion as at 30 June 2020. The major classes of assets are shown in the graph below:

What the community owns - \$7.6 billion



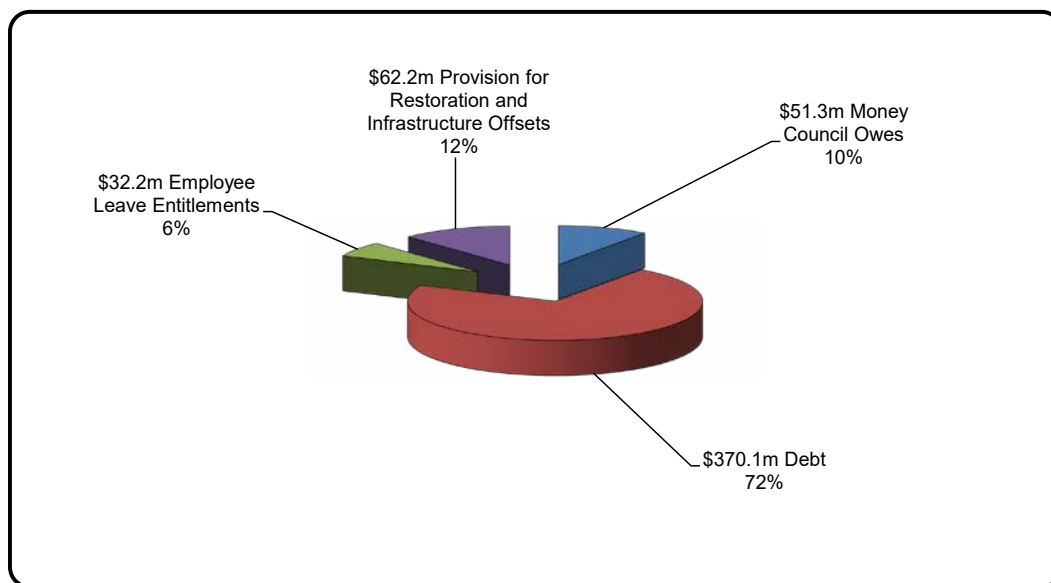
LIABILITIES: WHAT THE COMMUNITY OWES

(Statement of Financial Position)

- **Liabilities** - Can be current or non-current. Liabilities mainly consist of loans, amounts owing to suppliers, amounts owing to employees for leave entitlement and future estimates to rehabilitate landfill sites administered by Council. Current liabilities are those amounts that are payable by Council within the next twelve months, and non-current liabilities are payable beyond the twelve month horizon.

Council's liabilities totalled \$515.8 million as at 30 June 2020. The major classes of liabilities are shown in the graph below:

What the community owes - \$515.8 million



3. STATEMENT OF CHANGES IN EQUITY

A statement detailing the changes in equity of Council. This statement details the movement in the net assets (Equity) of Council and shows the overall change in Council's net wealth over the year

Statement of Changes in Equity For the year ended 30 June 2020		\$'000
Balance as at 1 July 2019		6,756,686
Add: Net Result		224,819
Add: Other Comprehensive Income		58,322
Add: Increase to equity on the recognition of assets		34,731
Balance at 30 June 2020		7,074,558

COMMUNITY EQUITY

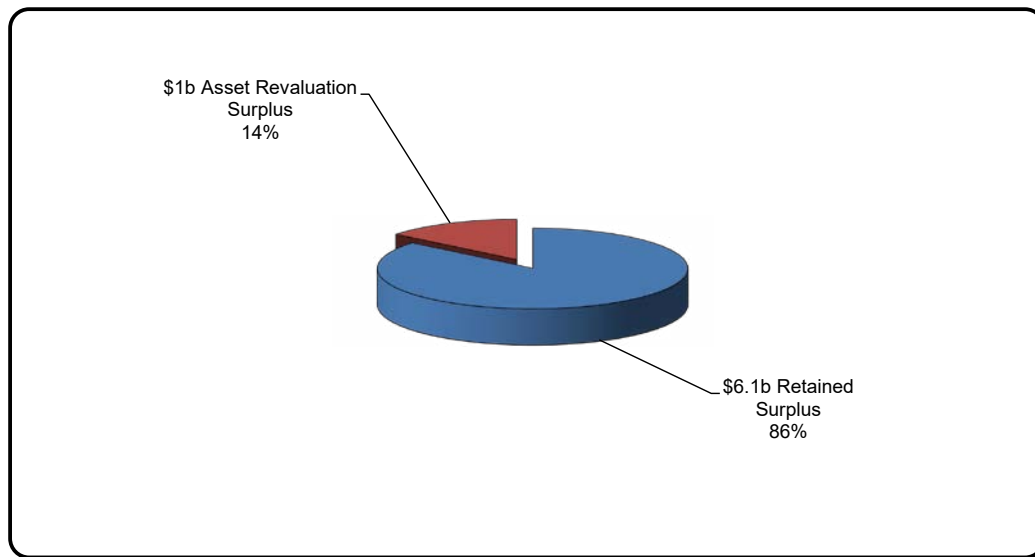
(Statement of Changes in Equity)

- **Community equity** - Community equity (what the Council is worth) is measured as the net of Council's assets less liabilities.

Council's total community equity as at 30 June 2020 is \$7.1 billion. Community equity consists of an asset revaluation surplus and retained surplus.

The graph below shows the breakdown of community equity:

Breakdown of community equity - \$7.1 billion



4. STATEMENT OF CASH FLOWS

The statement of cash flows provides information on the cash inflows and outflows of Council, classified by different types of cash flows activities.

Statement of Cash Flows For the year ended 30 June 2020		\$'000
Opening Cash Balance		361,443
Net cash flows from Operating Activities		166,019
Net cash flows from Investing Activities		(168,601)
Net cash flows from Financing Activities		(8,920)
Net increase in cash held		(11,502)
Cash at the end of the financial year		349,941

CASH: WHAT WERE THE MAJOR INFLOWS AND OUTFLOWS OF CASH?

(Statement of Cash Flows)

There are three types of activities that have an impact on cash balances:

- **Cash flows from operating activities** including cash receipts or inflows and cash payments or outflows from the day-to-day operation of Council.
- **Cash flows from investing activities** include payments and receipts on purchase and disposal of investments as well as the cash flows associated with new capital works and the purchase of other non-current assets.
- **Cash flows from financing activities** include the cash movement from borrowings, loans received and loans repaid.

Council ended the year with \$349.9m in cash. This is very strong cash position. Council holds a large portion of cash with various banks where it earns income through interest on term deposits.

The table below outlines the main sources of cash coming into Council and what cash is going out.

Cash Holdings For the year ended 30 June 2020	\$'000
Cash at beginning of the financial year	361,443
Cash Flows from Operating Activities:	
Cash received from rates and utility charges	320,190
Cash received from fees and charges	66,106
Cash received from other revenue	9,136
Cash received from interest earned	40,316
Cash received from rent	5,476
Cash received from operational grants and contributions	22,986
Cash received from capital grants, subsidies, contributions	84,826
Cash received from tax equivalents	23,637
Cash used to pay employees and material and services	(386,472)
Cash used to pay interest on debt	(20,182)
Net Cash Provided by Operating Activities	166,019
Cash Flows from Investing Activities:	
Cash used to pay for property, plant and equipment	(190,754)
Cash from the sale of assets	2,158
Cash received from dividends	20,053
Cash net movement in loans to community organisations	(58)
Net Cash Provided by Investing Activities	(168,601)
Cash Flows from Financing Activities:	
Cash received for new loans	25,000
Cash spent on the repayment of loans	(33,899)
Cash spent on the repayment of lease	(21)
Net Cash Provided by Financing Activities	(8,920)
Cash at end of the financial year	349,941

RESPONSIBLE FINANCIAL MANAGEMENT

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

MEASURES OF FINANCIAL SUSTAINABILITY

This Community Financial Report includes three relevant measures of financial sustainability used to demonstrate that the Council is operating in a prudent financial manner and ensuring the Council's long-term financial sustainability and viability.

	2019/2020 Actual	Target	Analysis
Asset sustainability ratio Demonstrates whether Council is renewing infrastructure assets at the same rate that it is wearing out its overall stock of assets.	55.5%	greater than 90%	While this result is below the recommended target, council believes its assets are generally renewed within appropriate timeframes, and is working to improve this ratio through the implementation of robust condition-based asset renewal programs.
Net financial liabilities ratio Demonstrates the extent to which the net financial liabilities of Council can be serviced by its operating revenues.	21.8%	not greater than 60%	This ratio indicates Council has the capacity to fund its financial liabilities and may have the capacity to increase its loan borrowings if required. Council's ratio is well under the 60% upper limit for this ratio.
Operating surplus ratio Demonstrates the extent to which operating revenues cover operating expenses only or are available for capital purposes.	14.1%	between 0% and 10%	This positive ratio indicates Council has achieved an operating surplus with recurring operating revenue exceeding recurring operating expenses. This facilitates utilising operating surpluses to help fund capital expenditure thus placing less reliance on borrowings. The flow on effects of reduced borrowings is reduced levels of associated interest expense. Council is committed to achieving strong operating surplus ratios into the future to ensure long-term financial sustainability.

The targets indicated are recommended by the Department of Local Government, Racing and Multicultural Affairs in accordance with the 'Financial management (sustainability) guideline 2013'. The guideline is available from the Department's website: www.dlgrma.qld.gov.au

FINANCIAL SNAPSHOT

The financial snapshot table below compares key financial information at the end of the current reporting period with the previous reporting period:

	2019/20 \$	2018/19 \$
Net rate revenue	321.4 million	309.9 million
Fees and charges revenue	34.1 million	36.6 million
Total operating revenue	544.1 million	542 million
Operating expenses	467.2 million	411.2 million
Operating result	76.8 million	130.8 million
Net Result	224.8 million	260.9 million
Total assets	7.6 billion	7.3 billion
Total liabilities	515.8 million	521.1 million
Total equity	7.1 billion	6.8 billion
Capital expenditure on assets	204.6 million	199 million
Cash on hand	349.9 million	361.4 million
Operating surplus ratio	14.1%	24.1%
Net financial liabilities ratio	21.8%	20.6%
Asset sustainability ratio	55.5%	54.8%

Further detailed information on Councils financial performance and position can be obtained from the financial statements.

FEEDBACK

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