



**MORETON BAY REGIONAL COUNCIL**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 June 2020**



**Financial Statements**  
**For the year ended 30 June 2020**  
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**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 30 June 2020

		2020	Restated 2019
	Note	\$'000	\$'000
<b>Income</b>			
<b>Revenue</b>			
<b>Recurring Revenue</b>			
Rates and utility charges	3(a)	321,366	309,891
Fees and charges	3(b)	34,101	36,590
Grants, subsidies and contributions	3(c)(i)	22,986	22,694
Sales revenue		2,869	3,609
		<u>381,322</u>	<u>372,784</u>
<b>Capital Revenue</b>			
Grants, subsidies and contributions	3(c)(ii)	<u>169,747</u>	<u>151,753</u> *
Rental income		5,476	5,237
Interest revenue	3(d)	40,045	44,457
Other revenue	3(e)	33,704	31,110
Share of profit of associate	10	83,510	88,406
		<u>162,735</u>	<u>169,210</u>
<b>Capital Income</b>	3(f)	325	4,566
<b>Total Income</b>		<u>714,129</u>	<u>698,313</u> *
<b>Expenses</b>			
<b>Recurring Expenses</b>			
Employee benefits	4(a)	(142,708)	(124,115)
Materials and services	4(b)	(198,503)	(164,767)
Depreciation and amortisation			
Property, plant and equipment	11	(103,901)	(98,321) *
Intangible assets		(40)	(342)
Right of use assets	14	(9)	-
Finance costs	4(c)	(22,086)	(23,616)
		<u>(467,247)</u>	<u>(411,161)</u> *
<b>Capital Expenses</b>	4(d)	(22,063)	(26,284)
<b>Total Expenses</b>		<u>(489,310)</u>	<u>(437,445)</u> *
<b>NET RESULT</b>		<u>224,819</u>	<u>260,868</u> *
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to net result</b>			
Increase in asset revaluation surplus		65,084	13,259
Changes in the fair value of financial assets at fair value through other comprehensive income		<u>(6,762)</u>	<u>2,961</u>
<b>Total other comprehensive income for the year</b>		<u>58,322</u>	<u>16,220</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>283,141</u>	<u>277,088</u> *

The accompanying notes form part of these financial statements.

The comparatives have not been restated on adoption of AASB 15 / 1058 and therefore the comparative information is presented using the previous standards relating to revenue.

\* Comparative figures have been restated. Refer to Note 26 for details.



**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2020**

		2020	Restated 2019
	Note	\$'000	\$'000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	349,941	361,443
Trade and other receivables	6	45,395	46,941
Inventories		1,293	1,186
Contract assets	7	284	-
<b>Total Current Assets</b>		<u>396,913</u>	<u>409,570</u>
<b>Non-Current Assets</b>			
Trade and other receivables	6	677,487	677,451
Other financial assets	8	103,142	108,528
Investments		15	15
Investment property	9	28,705	28,481
Investment in associate	10	1,257,621	1,193,241
Property, plant and equipment	11	5,125,995	4,866,737 *
Intangible assets		-	40
Right of use assets	14	436	-
<b>Total Non-Current Assets</b>		<u>7,193,401</u>	<u>6,874,493 *</u>
<b>Total Assets</b>		<u>7,590,314</u>	<u>7,284,063 *</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	52,431	52,137
Contract liabilities	13	1,399	-
Lease liabilities	14	52	-
Borrowings	15	38,153	34,685
Provisions	16	15,339	14,631
Other liabilities	17	10,736	15,339
<b>Total Current Liabilities</b>		<u>118,110</u>	<u>116,792</u>
<b>Non-Current Liabilities</b>			
Lease liabilities	14	372	-
Borrowings	15	331,940	344,307
Provisions	16	65,334	60,014
<b>Total Non-Current Liabilities</b>		<u>397,646</u>	<u>404,321</u>
<b>Total Liabilities</b>		<u>515,756</u>	<u>521,113</u>
<b>NET COMMUNITY ASSETS</b>		<u>7,074,558</u>	<u>6,762,950 *</u>
<b>Community Equity</b>			
Retained surplus		6,072,716	5,826,192 *
Asset revaluation surplus		1,001,842	936,758
<b>TOTAL COMMUNITY EQUITY</b>		<u>7,074,558</u>	<u>6,762,950 *</u>

The accompanying notes form part of these financial statements.

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\* Comparative figures have been restated. Refer to Note 26 for details.



## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Retained Surplus	Asset Revaluation Surplus	Total Community Equity
	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2019 (Restated)</b>	<b>5,826,192</b>	<b>936,758</b>	<b>6,762,950</b>
Adjustment on initial application of AASB 15 / AASB 1058	(6,264)	-	(6,264)
<b>Restated balance at 1 July 2019</b>	<b>5,819,928</b>	<b>936,758</b>	<b>6,756,686</b>
Net result	224,819	-	224,819
Other comprehensive income for the year			
Increase in asset revaluation surplus	-	65,084	65,084
Changes in the fair value of financial asset at fair value through other comprehensive income	(6,762)	-	(6,762)
Adjustment to equity on the recognition of assets	34,731	-	34,731
<b>Total comprehensive income for the year</b>	<b>252,788</b>	<b>65,084</b>	<b>317,872</b>
<b>Balance at 30 June 2020</b>	<b>6,072,716</b>	<b>1,001,842</b>	<b>7,074,558</b>
<b>Balance as at 1 July 2018 (Restated)</b>	<b>5,539,736</b>	<b>923,499</b>	<b>6,463,235</b> *
Net result	260,868	-	260,868
Other comprehensive income for the year			
Increase in asset revaluation surplus	-	13,259	13,259
Net change in available-for-sale financial assets	2,961	-	2,961
Adjustment to equity on the recognition of assets	22,627	-	22,627
<b>Total comprehensive income for the year</b>	<b>286,456</b>	<b>13,259</b>	<b>299,715</b> *
<b>Balance at 30 June 2019 (Restated)</b>	<b>5,826,192</b>	<b>936,758</b>	<b>6,762,950</b> *

The accompanying notes form part of these financial statements.

The comparatives have not been restated on adoption of AASB 15 / 1058 and therefore the comparative information is presented using the previous standards relating to revenue.

\* Comparative figures have been restated. Refer to Note 26 for details.

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		508,720	496,237
Payments to suppliers and employees		(386,472)	(318,379)
Interest received		40,316	44,728
Tax equivalent received		23,637	38,148
Borrowing costs		(20,182)	(21,604)
<b>Net cash inflow from operating activities</b>	<b>CF-1</b>	<b>166,019</b>	<b>239,130</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(190,665)	(195,268)
Payments for investment property		(89)	-
Proceeds from sale of property, plant and equipment		2,158	1,528
Net movement in loans to community organisations		(58)	32
Dividends received from associate		20,051	9,173
Other dividends received		2	-
<b>Net cash outflow from investing activities</b>		<b>(168,601)</b>	<b>(184,535)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		25,000	24,000
Repayment of borrowings		(33,899)	(31,004)
Repayments made on leases		(21)	-
<b>Net cash outflow from financing activities</b>		<b>(8,920)</b>	<b>(7,004)</b>
Net increase in cash and cash equivalent held		<b>(11,502)</b>	<b>47,591</b>
Cash and cash equivalents at the beginning of the financial year		<b>361,443</b>	<b>313,852</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>5</b>	<b>349,941</b>	<b>361,443</b>

The accompanying notes form part of these financial statements.

The comparatives have not been restated on adoption of AASB 15 / 1058 and therefore the comparative information is presented using the previous standards relating to revenue.

## STATEMENT OF CASH FLOWS

### For the year ended 30 June 2020

#### Notes to the statement of cash flow

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

	2020 \$'000	Restated 2019 \$'000
Net result	<u>224,819</u>	<u>260,868</u> *
Non-cash items:		
Depreciation and amortisation	103,950	98,663 *
Revaluation adjustments	(135)	154
Change in future rehabilitation and restoration costs	1,323	1,206
Change in infrastructure offsets and credits	6,543	2,836
Impairment of property, plant and equipment	-	(8)
Contributed assets	(84,920)	(85,456) *
Share of profit of associate	<u>(83,510)</u>	<u>(88,406)</u>
	<u>(56,749)</u>	<u>(71,011)</u>
Investing and development activities:		
Net loss on disposal of non-current assets	14,941	22,528
Increase in financial assets at fair value through other comprehensive income	(1,429)	(3,897)
Other dividends received	<u>(2)</u>	<u>-</u>
	<u>13,510</u>	<u>18,631</u>
Changes in operating assets and liabilities:		
Decrease in receivables	2,347	11,844
(Increase)/decrease in other operating assets	(1,753)	2,097
(Increase) in contract assets	(284)	-
Increase in payables	294	3,101
Increase in contract liabilities	1,399	-
(Decrease) in provisions	(6,696)	(1,189)
(Decrease)/increase in other liabilities	<u>(10,868)</u>	<u>14,789</u>
	<u>(15,561)</u>	<u>30,642</u>
Net cash inflow from operating activities	<u><u>166,019</u></u>	<u><u>239,130</u></u>

#### CF-2 Reconciliation of liabilities arising from financing activities

	2020 \$'000	2019 \$'000
Loans and lease liabilities:		
Opening balance at beginning of financial year	378,992	385,996
Loans raised - cash inflow	25,000	24,000
Principal repayment - cash outflow	(33,920)	(31,004)
New Leases - non-cash changes	445	-
Closing balance at end of financial year	<u><u>370,517</u></u>	<u><u>378,992</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 1 Significant accounting policies

##### 1(a) Basis of preparation

These general purpose financial statements are for the period 1 July 2019 to 30 June 2020. They are prepared in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*.

The financial statements comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Council is a not-for-profit entity for financial reporting purposes and complies with Australian Accounting Standards as applicable to not-for-profit entities.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain classes of property, plant and equipment and investment property.

##### 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 adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2019.

Other than *AASB 15 Revenue from Contracts with Customers*, *AASB 1058 Income of Not-for-Profit Entities*, which is detailed in change in accounting policy Note 27, no accounting standards that apply to the Council for the first time in 2019/20 have any material impact on the financial statements.

Council generally applies standards and interpretations in accordance with their respective commencement dates. No Australian Accounting Standards have been early adopted for 2019/20.



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 1 Significant accounting policies (continued)

##### 1(d) Estimates and judgements

Councils make a number of judgements, estimates and assumptions in preparing these financial statements. These are based on the best information available to Council at the time, however due to the passage of time, these assumptions may change and therefore the recorded balances may not reflect the final outcomes. The significant judgements, estimates and assumptions relate to the following items and specific information is provided in the relevant note:

Investment property (Note 9)

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

Impairment of non-current assets (Note 11(d))

Provisions (Note 16)

Contingencies (Note 21)

Financial instruments and financial liabilities (Note 19)

##### **Impact of COVID-19**

During the second half of the financial year the Novel Coronavirus (COVID-19) crisis began to emerge and quickly escalated into a worldwide pandemic by early March 2020. The impacts of the pandemic are still being felt as at the date of this financial report and are expected to continue into the future.

Whilst Council has been financially affected by the pandemic the materiality of the impact has primarily been confined to the measures Council adopted to support the local economy.

Council introduced a range of support measures including, a rates rebate, refunding of certain licence fees and increased spending on maintenance activities and grants to the community. The financial impact for 2019/20 financial year is estimated to be in the amount of \$9 million.

No other material financial impacts have occurred as a result of the COVID-19 pandemic.

Further support measures are planned for 2020/21 with an estimated financial impact in the amount of \$10 million. Additional bring forward capital expenditure is also planned for 2020/21 in the amount of \$23.1 million however the Federal and State Governments will be providing grant assistance to deliver a substantial portion of this expenditure.

##### 1(e) Rounding and comparatives

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

Comparative information is generally restated for reclassifications, errors and changes in accounting policies unless permitted otherwise by transition rules in a new Accounting Standard.

##### 1(f) Taxation

Council is exempt from income tax, however Council is subject to 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.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **For the year ended 30 June 2020**

## **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 infrastructure and public facilities, project management and construction of new infrastructure, coordination of disaster management response activities and the provision of sustainable waste management services to the community.

#### **Infrastructure Planning**

Infrastructure planning is responsible for the strategic functions and responsibilities associated with planning new infrastructure which includes, integrated transport networks, parks and recreational facilities, drainage, waterways and coastal networks, building and facilities and developing, implementing and reviewing long term asset management planning.

#### **Community & Environmental Services**

Community and Environmental Services is responsible for providing well managed and maintained community facilities, ensuring compliance with local laws, protection and management of the natural environment and management of Council's property portfolio.

#### **Office of the Chief Executive Officer**

The role of the Office of the Chief Executive Officer is to ensure open and accountable governance of the region and comprises the Mayor, Councillors, Chief Executive Officer, Legal services, Internal Audit, Strategy and Engagement and Meeting Support.

#### **Planning**

The role of Planning 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.

#### **Finance & Corporate Services**

The Finance and Corporate Services provides professional corporate and financial services to the organisation in the areas of Human Resources, Financial Management, Information and Communication Technology and other related support functions.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2020

**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 2020	Gross program income				Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result	Assets
Function	Operating		Capital				Operating	Capital				
	Grants	Other	Grants	Other								
	\$'000	\$'000	\$'000	\$'000								
Engineering, Construction & Maintenance	782	68,891	1,095	312	(15,411)	55,669	(166,158)	682	13,807	(151,669)	(96,000)	-
Infrastructure Planning	347	3,582	9,752	10	(1,861)	11,830	(21,350)	-	2,981	(18,369)	(6,539)	5,158,902
Community & Environmental Services	4,120	18,261	-	-	(63)	22,318	(69,922)	813	452	(68,657)	(46,339)	1,102
Office of the Chief Executive Officer	-	300	-	-	(102)	198	(12,925)	-	126	(12,799)	(12,601)	30
Planning	-	17,161	17,500	5,369	(95)	39,935	(16,285)	-	87	(16,198)	23,737	9
Finance & Corporate Services	16,962	428,148	(15)	136,049	3,035	584,179	(195,104)	(23,558)	(2,956)	(221,618)	362,561	2,430,271
Total	22,211	536,343	28,332	141,740	(14,497)	714,129	(481,744)	(22,063)	14,497	(489,310)	224,819	7,590,314

Year ended 30 June 2019	Gross program income				Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result	Assets
Function	Operating		Capital				Operating	Capital				
	Grants	Other	Grants	Other								
	\$'000	\$'000	\$'000	\$'000								
Engineering, Construction & Maintenance	732	66,487	2,003	178	(13,729)	55,671	(152,038)	94	12,206	(139,738)	(84,067)	-
Infrastructure Planning	1,106	3,486	7,969	244	(1,728)	11,077	(21,329)	-	2,763	(18,566)	(7,489)	4,898,728
Community & Environmental Services	3,250	28,525	5	-	(33)	31,747	(57,730)	-	499	(57,231)	(25,484)	853
Office of the Chief Executive Officer	-	43	-	-	-	43	(11,864)	-	19	(11,845)	(11,802)	36
Planning	100	10,387	-	-	(176)	10,311	(11,692)	-	-	(11,692)	(1,381)	6
Finance & Corporate Services	16,801	424,026	10,500	135,420	2,717	589,464	(169,457)	(26,378)	(2,538)	(198,373)	391,091	2,384,440
<b>Total</b>	21,989	532,954	20,477	135,842	(12,949)	698,313	(424,110)	(26,284)	12,949	(437,445)	260,868	7,284,063

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

\* Comparative figures have been restated. Refer to Note 26 for details.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

### 3 Revenue

	Note	AASB 15 2020 \$'000	AASB 1058 2020 \$'000
<b>Revenue recognised at a point in time</b>			
Rates, levies and charges (excluding those related to services)	3(a)	-	321,366
Grants, subsidies, donations and contributions	3(c)	-	164,366
Fees and charges	3(b)	-	34,101
Sale of goods and services		-	2,869
		<u>-</u>	<u>522,702</u>
<b>Revenue recognised over time</b>			
Grants and subsidies	3(c)	36	-
Revenue relating to grants for assets controlled by Council	3(c)	-	28,331
		<u>36</u>	<u>28,331</u>
<b>Total revenue</b>		<u>36</u>	<u>551,033</u>

#### 3(a) Rates and utility charges

2020 accounting policy: Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

2019 accounting policy: 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.

	2020 \$'000	2019 \$'000
General rates	266,061	256,252
Cleansing charges	42,791	40,914
Other special levies, rates and charges	17,243	17,096
	<u>326,095</u>	314,262
Less: Pensioner and other rebates	(4,729)	(4,371)
	<u>321,366</u>	<u>309,891</u>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

### 3 Revenue (continued)

#### 3(b) Fees and charges

2020 accounting policy: Revenue arising from fees and charges is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases, the customer is required to pay on arrival, for example caravan parks. There is no material obligation for Council in relation to refunds or returns.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

2019 accounting policy: 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.

	2020 \$'000	2019 \$'000
Administration	4,140	4,347
Community facilities	3,469	4,389
Development services	16,877	18,569
Waste management	5,492	5,212
Animal control	4,088	3,980
Other fees	35	93
	<b>34,101</b>	<b>36,590</b>

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

2020 accounting policy:

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligation is satisfied.

The performance obligations are varied based on the agreement. Payment terms vary depending on the terms of the grants, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

### **3 Revenue (continued)**

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

##### Grant income under AASB 1058

Assets arising from grants in the scope of AASB 1058 are recognised at the assets' fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

##### Capital grants

Capital grants received to enable Council to acquire or construct an item of property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when obligation to contract or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin. Where assets are donated or purchased for significantly below fair value, the revenue is recognised when the asset is acquired and controlled by the Council.

2019 accounting policy: 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.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

### 3 Revenue (continued)

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

	Note	2020 \$'000	2019 \$'000
<b>(i) Operating</b>			
Government grants and subsidies		21,190	21,108
Other grants, subsidies, contributions		1,796	1,586
		<u>22,986</u>	<u>22,694</u>
<b>(ii) Capital</b>			
Government grants and subsidies		28,332	20,477
Infrastructure cash contributions		50,994	44,967
Contributed assets		84,920	85,456 *
Other capital income		5,501	853
		<u>169,747</u>	<u>151,753</u>
<b>3(d) Interest revenue</b>			
Interest received is accrued over the term of the investment.			
Interest from financial institutions		6,305	9,331
Interest from Unitywater		32,904	33,987
Interest from overdue rates and utility charges		836	1,139
		<u>40,045</u>	<u>44,457</u>
<b>3(e) Other revenue</b>			
Dividend		2	-
Tax equivalent	25	25,477	23,153
Other income		8,225	7,957
		<u>33,704</u>	<u>31,110</u>
<b>3(f) Capital income</b>			
Income on financial assets at fair value through other comprehensive income		-	4,400
Revaluation up of investment property	9	135	-
Reversal of loss on impairment of assets held for sale		-	8
Adjustment to landfill and Bio-solids composting sites		190	158
		<u>325</u>	<u>4,566</u>

### 4 Expenses

#### 4(a) Employee benefits

Total staff wages and salaries		117,438	101,822
Annual, sick, long service leave and other entitlements		15,312	13,388
Superannuation	22	14,405	12,776
		<u>147,155</u>	<u>127,986</u>
Other employee related expenses		4,915	4,003
		<u>152,070</u>	<u>131,989</u>
Less: Capitalised employee expenses		(9,362)	(7,874)
		<u>142,708</u>	<u>124,115</u>

Total full time equivalent employees at 30 June 2020 were 1,633 (2019: 1,495).

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 4 Expenses (continued)

##### 4(b) Materials and services

	Note	2020 \$'000	2019 \$'000
Contractors		94,784	89,235
Utilities		21,092	20,873
Total waste levy payment		14,547	-
Waste levy refund*		(11,790)	-
Expensed capital		13,847	3,697
Materials		10,313	9,845
Donations and grants		9,829	3,063
Labour hire services		7,798	6,131
Information technology hardware/software		7,409	4,232
Commissions and contributions		6,888	3,887
Legal costs		4,000	4,450
Other materials and services		3,626	3,351
Fuel		3,214	3,538
Insurance premiums		3,127	2,735
Security		2,868	2,879
Councillors' remuneration		2,003	1,877
Printing, postage and stationery		1,690	2,054
Cleaning		1,656	1,324
Consultants		1,306	1,360
Audit of annual financial statements by the Auditor-General of Queensland		296	236
		<b>198,503</b>	<b>164,767</b>

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

\* The State government rebated \$11,790,464 of the state waste levy to mitigate the direct impacts on households.

##### 4(c) Finance costs

Finance cost on loans	20,182	21,591
Other	1,904	2,025
	<b>22,086</b>	<b>23,616</b>

##### 4(d) Capital expenses

Book value of property, plant and equipment disposed of	17,099	24,056
Less: Proceeds from the sale of property, plant and equipment	(2,158)	(1,528)
Adjustment to landfill and Bio-solids sites	579	262
Management fee on financial assets at fair value through other comprehensive income	-	504
Revaluation down of investment property	9	154
Infrastructure credits recognised	16	3,113
Infrastructure credits extinguished	16	(277)
	<b>22,063</b>	<b>26,284</b>



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 5 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows 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.

	2020 \$'000	2019 \$'000
Cash at bank and on hand	18,218	11,386
Deposits at call	171,723	155,057
Term deposits	160,000	195,000
	<u>349,941</u>	<u>361,443</u>

#### Restricted cash and cash equivalents

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 imposed expenditure restrictions at the reporting date relate to the following cash assets:

	2020 \$'000	2019 \$'000
Unspent government grants and subsidies	1,727	1,094
Waste levy refund received in advance	-	14,877
	<u>1,727</u>	<u>15,971</u>

#### 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 custodial 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 since Council has no control over the assets. Council holds \$10.092 million in trust monies at 30 June 2020 (2019: \$10.266 million).

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 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.

The subordinated debt receivable from Unitywater is an interest only loan with the interest rate to be set by Queensland Treasury Corporation annually.

	2020 \$'000	2019 \$'000
<b>Current</b>		
Rates and utility charges	10,013	8,837
Loans to community organisations	115	93
Accrued receivable from Unitywater	21,519	20,871
Other debtors	4,402	10,269
GST recoverable	4,173	3,344
Prepayments	5,173	3,527
	<u>45,395</u>	<u>46,941</u>
<b>Non-current</b>		
Loans to community organisations	462	426
Subordinated debt receivable from Unitywater	677,025	677,025
	<u>677,487</u>	<u>677,451</u>

#### 7 Contract assets

Contract assets arise when a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

	2020 \$'000	2019 \$'000
Contract assets	<u>284</u>	-
	<u>284</u>	-

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 8 Other non-current financial assets

Managed funds invested with Queensland Investment Corporation (QIC) are recognised as a 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 fair value through other comprehensive income (FVTOCI) reserve. Where the investment is disposed of or determined to be impaired, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to revenue or expense in the Statement of Comprehensive Income.

	2020 \$'000	2019 \$'000
Financial assets at fair value through other comprehensive income	<u>103,142</u>	<u>108,528</u>
	<u>103,142</u>	<u>108,528</u>

#### 9 Investment property

Investment property is property held for the primary purpose of earning rentals and/or capital appreciation but does not include residential properties or other property held to provide a social service.

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 for significantly below fair value it is recorded at fair value on initial recognition.

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.

	2020 \$'000	2019 \$'000
Owned investment property		
Fair value at beginning of financial year	28,481	28,635
Additions from subsequent expenditure recognised	89	-
Net gain/(loss) from fair value adjustments	135	(154)
Fair value at end of financial year	<u>28,705</u>	<u>28,481</u>

Investment property fair values were determined by independent valuer Australis Asset Advisory Group as at 30 June 2020.

For investment property classified as level 2 (\$26.440 million), fair value has been determined using a market approach using the income capitalisation method.

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 (\$2.265 million), this is a specialised building and fair value has been measured utilising the cost approach, determined by using current replacement cost.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 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 and accrued, are adjusted against the cost of the investment.

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

	2020 \$'000	2019 \$'000
Total assets	4,052,307	3,902,190
Total liabilities	(1,896,095)	(1,865,263)
Net assets	<u>2,156,212</u>	<u>2,036,927</u>
Share of net assets of associate	<u>1,255,739</u>	<u>1,186,270</u>
Total revenue	<u>730,046</u>	<u>730,579</u>
Total profit for the year	<u>143,394</u>	<u>151,800</u>
<b>Share of profit of associate</b>	<u><b>83,510</b></u>	<u><b>88,406</b></u>
Council investment in the associate comprises:		
Participation rights	<u>1,257,621</u>	<u>1,193,241</u>
Details of movements in participation rights:		
Opening Balance	1,193,241	1,125,208
Share of profit of associate	83,510	88,406
Less share of dividends received and accrued	<u>(19,130)</u>	<u>(20,373)</u>
Closing balance at end of year	<u><b>1,257,621</b></u>	<u><b>1,193,241</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 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 (which have a recognition threshold of greater than \$1), 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 are 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.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 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. During the financial year an analysis performed by management has indicated that, on average, the variance between an indexed asset value and the valuation by an independent valuer when performed is not significant and the indices used by Council are sound with the exception of the land asset class which was indexed upwards using an appropriate index. Further details in relation to the land indexation is contained under Note 11(f).

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).

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 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 2020 as either level 2 or level 3 in accordance with AASB 13.

	Level 2		Level 3		Total	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Buildings	2,453	1,007	333,328	317,912	335,781	318,919
Land	183,302	116,404	517,279	518,645	700,581	635,049
Stormwater Infrastructure	-	-	1,552,441	1,504,129	1,552,441	1,504,129
Transport Infrastructure	-	-	1,828,420	1,769,981	1,828,420	1,769,981
Waterways and Canals	-	-	231,673	233,737	231,673	233,737
	<b>185,755</b>	<b>117,411</b>	<b>4,463,141</b>	<b>4,344,404</b>	<b>4,648,896</b>	<b>4,461,815</b>

In the course of revaluing land and buildings 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 11(g), where the below table reflects the additional detail of hierarchy movement. It is Council's policy to recognise such transfers at the end of the reporting period.

	Level 2		Level 3		Total	
	Land	Buildings	Land	Buildings	Land	Buildings
	2020	2020	2020	2020	2020	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening balance as at 1 July 2019</b>	116,404	1,007	518,645	317,912	635,049	318,919
Additions	707	-	18,044	15,398	18,751	15,398
Disposals	(800)	(409)	(373)	(1,093)	(1,173)	(1,502)
Depreciation	-	(125)	-	(12,464)	-	(12,589)
Internal transfer	-	-	(394)	(1,181)	(394)	(1,181)
Asset revaluation surplus	27,345	721	21,003	16,015	48,348	16,736
Transfer between levels	39,646	1,259	(39,646)	(1,259)	-	-
<b>Closing Balance as at 30 June 2020</b>	<b>183,302</b>	<b>2,453</b>	<b>517,279</b>	<b>333,328</b>	<b>700,581</b>	<b>335,781</b>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 11 Property, plant and equipment (continued)

##### 11(f) Fair value measurements (continued)

For the below asset classes, management has performed an analysis of suitable indices for the intervening period being the period since valuation by an independent valuer to 30 June 2020. This analysis identified that the movement in the indices was not material, therefore no indexation has been applied to any asset class.

##### **Buildings (Level 2 and 3)**

The fair values of buildings (including pools) were determined by independent valuer Australis Asset Advisory Group as at 31 January 2020.

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 AssetVal Pty Ltd as at 31 December 2019.

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 AssetVal Pty Ltd as at 31 December 2018.

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. Level 3 input have been determined by utilising unit rates provided by a suitably qualified valuation specialist.

##### **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. Level 3 input have been determined by utilising unit rates provided by a suitably qualified valuation specialist.

##### **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 that of 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. Level 3 input have been determined by utilising unit rates provided by a suitably qualified valuation specialist.





**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2020

**11 Property, plant and equipment (continued)**

**11(g) Movements**

**30 June 2020**

**Note**

**For the year ended 30 June 2020**

Gross value / cost

Less accumulated depreciation

Book value as at 30 June 2020

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
700,581	552,576	2,501,728	2,013,912	325,775	254,941	170,226	115,858	2,546	129,953	6,768,096
-	(216,795)	(673,308)	(461,471)	(94,102)	(71,955)	(73,576)	(50,894)	-	-	(1,642,101)
700,581	335,781	1,828,420	1,552,441	231,673	182,986	96,650	64,964	2,546	129,953	5,125,995

Basis of measurement

Opening net value as at 1 July 2019 (Restated)

Plus capital expenses

Transfers between asset classes

Plus contributed assets

Plus assets not previously recognised

Plus restoration assets

Less disposals

Less depreciation provided in period

Revaluation adjustment to asset revaluation surplus

Transfers from WIP to other non PP&E assets or expense

Transfers from work in progress

Book value as at 30 June 2020

Land	Buildings	Transport Infrastructure	Stormwater Infrastructure	Waterways and Canals	Land Improvements	Park Equipment	Plant and Equipment	Cultural and Heritage	Work in Progress	Total
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
635,049	318,919	1,769,981	1,504,129	233,737	159,611	82,335	60,959	2,573	99,444	4,866,737
-	-	-	-	-	-	-	-	-	204,601	204,601
(394)	(1,182)	902	85	-	364	8	217	-	-	-
11,353	276	31,113	37,274	412	1,213	3,256	23	-	-	84,920
1,139	(9)	14,249	14,188	-	3,258	1,788	118	-	-	34,731
-	-	-	-	-	4,858	-	-	-	-	4,858
(1,173)	(1,502)	(9,279)	(1,261)	-	(72)	(1,123)	(2,655)	(34)	-	(17,099)
-	(12,601)	(44,468)	(20,627)	(2,476)	(8,323)	(7,320)	(8,086)	-	-	(103,901)
48,348	16,736	-	-	-	-	-	-	-	-	65,084
-	-	-	-	-	-	-	-	-	(13,936)	(13,936)
6,259	15,144	65,922	18,653	-	22,077	17,706	14,388	7	(160,156)	-
700,581	335,781	1,828,420	1,552,441	231,673	182,986	96,650	64,964	2,546	129,953	5,125,995

Range of estimated useful life in years

unlimited	7 - 120	3 - unlimited	4 - 157	9 - unlimited	3 - 100	5 - 100	1 - 110	unlimited	-	
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**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2020

**11 Property, plant and equipment (continued)**

**11(g) Movements (continued)**

**30 June 2019 (Restated)**

**Note**

**For the year ended 30 June 2019**

Gross value / cost

Less accumulated depreciation

Book value as at 30 June 2019

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
635,049	525,415	2,417,609	1,937,638	325,362	221,836	135,809	112,358	2,573	99,444	6,413,093
-	(206,496)	(647,628)	(433,509)	(91,625)	(62,225)	(53,474)	(51,399)	-	-	(1,546,356)
635,049	318,919	1,769,981	1,504,129	233,737	159,611	82,335	60,959	2,573	99,444	4,866,737

Basis of measurement

Opening net value as at 1 July 2018

Opening net value as at 1 July 2018 not previously recognised \*

Plus capital expenses

Transfers between asset classes

Plus contributed assets

Plus contributed assets not previously recognised \*

Plus assets not previously recognised

Plus restoration assets

Less disposals

Less depreciation provided in period

Less depreciation provided in period not previously recognised \*

Revaluation adjustment to asset revaluation surplus

Transfer from assets withdrawn from held for sale

Transfers from WIP to other non PP&E assets or expense

Transfers from work in progress

Book value as at 30 June 2019

Land	Buildings	Transport Infrastructure	Stormwater Infrastructure	Waterways and Canals	Land Improvements	Park Equipment	Plant and Equipment	Cultural and Heritage	Work in Progress	Total
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
563,828	307,933	1,701,695	1,492,871	236,162	120,478	77,673	58,379	2,562	86,693	4,648,274
1	-	3,469	4,815	-	41	61	-	-	-	8,387
-	-	-	-	-	-	-	-	-	198,965	198,965
-	(17)	8	(346)	-	355	(5)	5	-	-	-
39	20	33,918	44,977	-	905	2,177	-	-	-	82,036
480	-	954	1,796	-	170	20	-	-	-	3,420
-	-	7,938	14,144	-	543	2	-	-	-	22,627
-	-	-	-	-	15,433	-	-	-	-	15,433
(1,390)	(2,452)	(8,309)	(8,096)	(31)	(1,103)	(716)	(1,959)	-	-	(24,056)
-	(12,004)	(42,580)	(20,352)	(2,539)	(6,390)	(6,014)	(8,304)	-	-	(98,183)
-	-	(75)	(58)	-	(2)	(3)	-	-	-	(138)
64,602	-	-	(51,343)	-	-	-	-	-	-	13,259
410	-	-	-	-	-	-	-	-	-	410
-	-	-	-	-	-	-	-	-	(3,697)	(3,697)
7,079	25,439	72,963	25,721	145	29,181	9,140	12,838	11	(182,517)	-
635,049	318,919	1,769,981	1,504,129	233,737	159,611	82,335	60,959	2,573	99,444	4,866,737

Range of estimated useful life in years

unlimited	1 - 128	3 - unlimited	4 - 157	9 - unlimited	3 - 100	5 - 100	1 - 110	unlimited	-	
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\* Not previously recognised adjustments as disclosed in Note 26 Restated balances.



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 12 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.

	2020 \$'000	2019 \$'000
<b>Current</b>		
Trade creditors and accruals	38,711	41,510
Employee entitlements	13,720	10,627
	<u>52,431</u>	<u>52,137</u>

#### 13 Contract liabilities

Contract liabilities arise when an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

	2020 \$'000	2019 \$'000
<b>Current</b>		
Funds received upfront to construct Council Controlled assets	1,363	-
Deposits received in advance of services provided (e.g. caravan park fees, hire fees, performance obligation in grants)	36	-
	<u>1,399</u>	<u>-</u>



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 14 Leases

##### ***Council as a lessee***

Council has leases in place over buildings. Council has applied the exception to lease accounting for leases of low-value assets and short-term leases.

Where Council assesses that an agreement contains a lease, a right of use asset and lease liability is recognised on inception of the lease. Council doesn't separate lease and non-lease components for any class of assets and has accounted for lease payments as a single component.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is in the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

##### **Exceptions to lease accounting**

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

##### **Leases at significantly below market value / concessionary leases**

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

##### **Terms and conditions of leases**

###### **Buildings**

Council leases a building which is used for an art gallery, the lease is 4 years and contains a renewal option which is not reasonably certain to be exercised at Council's discretion.

The lease is subject to annual CPI increases.

Council leases part of a floor of a building which is used for tourist information. A capacity portion of the asset is not physically distinct, and it represents only a small part of the capacity of the entire asset and therefore is not subject to lease accounting.

##### **Right of use assets**

	<b>Buildings</b> <b>\$'000</b>
Opening Balance	-
Additions to right-of-use assets	445
Depreciation charge	(9)
Balance as at 30 June	<u>436</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2020

**14 Leases (continued)**

**Lease liability**

**2020**  
**\$'000**

**Current**

Lease liability

52

**Non-current**

Lease liability

372

The table below shows the maturity analysis of the lease liabilities based on contractual cashflows and therefore the amounts will not be the same as the recognised lease liability in the statement of financial position.

**2020**  
**\$'000**

Not later than one year

52

One to five years

380

Total

432

**Total per statement of financial position**

425

**Liabilities not recognised - extension options**

The building lease includes extension options which can be exercised at Council's discretion. At each reporting date Council assesses whether it is reasonably certain that the extension options will be exercised based on current operations and Council strategy.

There is \$134,783 in potential future lease payments which is not included in the lease liability as the exercise of the option has been assessed as not reasonably certain.

**Amounts included in the statement of comprehensive income related to leases**

The following amounts have been recognised in the statement of comprehensive income for leases where Council is the lessee.

**2020**  
**\$'000**

Depreciation of right-of-use assets

(9)

(9)

**Amounts included in the statement of cash flows related to leases**

**2020**  
**\$'000**

Repayments made on leases

21

21



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 14 Leases (continued)

##### Leases at significantly below market value - concessionary / peppercorn leases

Council has a number of leases at significantly below market for land and buildings which are used for:

- \* Beautification
- \* Toilet block
- \* Bikeway
- \* Carparking
- \* Pedestrian pathway

The leases are generally 10 years and require payments between \$1 and \$1,000 per annum. The use of the right-of-use asset is restricted by the lessors to specified community services which Council must provide these services are detailed in the leases.

Council does not believe that any of the leases in place are individually material.

##### **Council as a lessor**

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the assets have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

If the lease contains lease and non-lease components the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on straight-line bases over the lease term.

Council does not have any lease that is classified as finance lease.

##### **Operating leases:**

Where Council retains the risks and rewards relating to leases, they are classified as operating leases and recognised as assets under operating lease on the statement of financial position.

##### **Rental income**

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

	2020 \$'000	2019 \$'000
Investment property rental	2,207	2,363
Other rental income	3,269	2,874
	<u>5,476</u>	<u>5,237</u>

No amounts were recognised in respect of variable lease payments other than CPI-based or market rent review.

There are no restrictions on the realisability of investment property or remittance of income and proceeds of disposal. The Council does not have any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 14 Leases (continued)

##### *Maturity analysis*

The following table sets out a maturity analysis of future undiscounted lease payments receivable under the Council's operating leases.

	2020 \$'000	2019 \$'000
Not later than one year	2,308	3,018
1 to 2 years	1,126	-
2 to 3 years	846	-
3 to 4 years	751	-
4 to 5 years	630	6,184
Later than five years	4,187	3,342
Total	<u>9,848</u>	<u>12,544</u>

#### 15 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 include 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.

	2020 \$'000	2019 \$'000
<b>Current</b>		
Loans - Queensland Treasury Corporation	<u>38,153</u>	<u>34,685</u>
<b>Non-current</b>		
Loans - Queensland Treasury Corporation	<u>331,940</u>	<u>344,307</u>

The QTC loan market value at the reporting date was \$434,018,159. This represents the value of the debt if Council repaid it as at 30 June 2020.

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

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

## 16 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) are 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.



**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2020

**16 Provisions (continued)**

	2020 \$'000	2019 \$'000
<b>Current</b>		
Long service leave	15,008	14,415
Bio-solids composting site rehabilitation	99	72
Refuse restoration	232	144
	<u>15,339</u>	<u>14,631</u>
<b>Non-current</b>		
Long service leave	3,481	3,005
Bio-solids composting site rehabilitation	1,333	1,023
Refuse restoration	59,699	53,970
Infrastructure credits	821	2,016
	<u>65,334</u>	<u>60,014</u>

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

	2020	2020
	<b>Long service leave</b>	<b>Infrastructure credits</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of financial year	17,420	2,016
Provisions arising	3,735	6,595
Provisions extinguished	(1,057)	(52)
Provisions paid	(1,609)	(7,738)
Balance at end of financial year	<u>18,489</u>	<u>821</u>

	<b>Bio-solids composting site rehabilitation</b>	<b>Refuse landfill sites restoration</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of financial year	1,095	54,114
Amount incurred and charged against the provision	(22)	(5)
Increase in provision due to unwinding of discount	12	922
Increase in provision due to change in estimate	362	915
Increase in provision due to change in discount rate	36	4,124
Unused amounts reversed	(51)	(139)
Balance at end of financial year	<u>1,432</u>	<u>59,931</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 16 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 composting site	closed	2032

### 17 Other liabilities

	2020 \$'000	2019 \$'000
<b>Current</b>		
Revenue received in advance	415	462
Waste levy refund received in advance	3,281	14,877
Prepaid rates	7,040	-
	<u>10,736</u>	<u>15,339</u>

Based on the waste levy payable in 2019/20, the portion of the waste levy refund not applied to the waste levy payment is reported as a liability as at 30 June 2020.

### 18 Asset revaluation surplus

The asset revaluation surplus comprises revaluation movements on property, plant and equipment. Increases and decreases on revaluation are offset within a class of assets.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 19 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.

The Council's audit committee oversees how management monitors compliance with the Council's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Council. Council's audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

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.

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

The carrying amounts of financial assets at the end of the reporting period represent the maximum exposure to credit risk for the Council.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 19 Financial instruments (continued)

##### *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 investments are held with highly rated/regulated banks and financial institutions and whilst not capital guaranteed, the likelihood of a credit failure is assessed as remote.

##### *Other non-current financial assets*

Other non-current financial assets are held with Queensland Investment Corporation (QIC), which is highly rated and regulated, and whilst not capital guaranteed, the likelihood of a credit failure is considered remote.

##### *Trade and other receivables*

In the case of rate receivables, interest is charged on outstanding debts at a rate of 9.83% per annum (as from 1 July 2020, 8.53%) and Council has the power to sell the property to recover any defaulted amounts and therefore generally for rates debtors the credit risk is low.

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 Council's 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 Council does not require collateral in respect of trade and other receivables. The Council does not have trade receivables for which no loss allowance is recognised because of collateral.

At 30 June 2020, the exposure to credit risk for trade receivables by type of counterparty was as follows:

	2020 \$'000	2019 \$'000
Rates and utility charges	10,013	8,837
GST recoverable	4,173	3,344
Associates	698,544	697,896
Community organisations	577	519
Other	4,402	10,269
	<b>717,709</b>	<b>720,865</b>

A summary of the Council's exposure to credit risk for trade receivables is as follows:

	2020 \$'000	2019 \$'000
Not past due	39,189	40,079
Past due 31-60 days	121	52
Past due 61-90 days	126	3,076
More than 90 days	1,248	633
<b>Total gross carrying amount</b>	<b>40,684</b>	<b>43,840</b>

The above analysis does not include the non-current receivable of \$677.025 million (2019: \$677.025 million), which represents a fixed rate of 4.86% on loans to Unitywater. The credit risk on these loans is considered low. Refer to Note 6 for further information.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 19 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.

The Council's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Council's reputation.

Council is exposed to liquidity risk through its normal course of business and through its 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
<b>2020</b>					
Trade and other payables	38,711	-	-	38,711	38,711
Loans - QTC	55,958	211,752	191,156	458,866	370,093
	<b>94,669</b>	<b>211,752</b>	<b>191,156</b>	<b>497,577</b>	<b>408,804</b>
<b>2019</b>					
Trade and other payables	41,510	-	-	41,510	41,510
Loans - QTC	54,081	209,604	221,046	484,731	378,992
	<b>95,591</b>	<b>209,604</b>	<b>221,046</b>	<b>526,241</b>	<b>420,502</b>

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 indices, 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.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 19 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 Council does not account for any fixed-rate financial assets or financial liabilities at Fair Value through Profit or Loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

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 \$'000	Effect on Net Result		Effect on Equity	
		1% increase \$'000	1% decrease \$'000	1% increase \$'000	1% decrease \$'000
<b>2020</b>					
QTC cash fund	120,904	1,209	(1,209)	1,209	(1,209)
Other investments	153,962	1,540	(1,540)	1,540	(1,540)
Net total	274,866	2,749	(2,749)	2,749	(2,749)
<b>2019</b>					
QTC cash fund	116,811	1,168	(1,168)	1,168	(1,168)
Other investments	146,775	1,468	(1,468)	1,468	(1,468)
Net total	263,586	2,636	(2,636)	2,636	(2,636)

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 15.

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 20 Commitments

#### Contractual commitments for capital expenditure

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

	2020 \$'000	2019 \$'000
Property, plant and equipment	<u>70,824</u>	<u>86,570</u>
These expenditures are due for payment:		
Not later than one year	69,135	83,647
One to five years	<u>1,689</u>	<u>2,923</u>
	<u>70,824</u>	<u>86,570</u>

#### Contractual commitments for operating expenditure

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

	2020 \$'000	2019 \$'000
Waste and maintenance services	<u>188,141</u>	<u>214,474</u>
These expenditures are due for payment:		
Not later than one year	47,366	46,505
One to five years	73,992	87,139
More than five years	<u>66,783</u>	<u>80,830</u>
	<u>188,141</u>	<u>214,474</u>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

## 21 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 \$5.6 million (2019: approximately \$12 million).

#### Local Government Mutual

Council is a member of the local government mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or 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 2019 the financial statements of LGM Queensland reported a members' equity balance of \$76,992,954.

#### 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 be insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. Council's maximum exposure to the bank guarantee is \$3,518,579.





## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

## 22 Superannuation - Regional Defined Benefits Fund

Council contributes to the LGIASuper Regional Defined Benefits 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 Council's 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 liability of the Council.

Technically Moreton Bay Regional Council can be liable to the scheme for a portion of another local government's 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 2018. The actuary indicated that "At the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date". Council acknowledges that the Novel Coronavirus (COVID-19) global pandemic may have impacted on the net assets of the scheme however until the next actuarial assessment is undertaken the exact impact is not known.

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.

The next triennial review is not due until 1 July 2021.

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.

	2020 \$'000	2019 \$'000
	<b>Note</b>	
Superannuation contributions made to the Regional Defined Benefits Fund	<b>770</b>	831
Other superannuation contributions for employees	<b>13,635</b>	11,945
Total superannuation contributions paid by Council for employees:	<b>4(a) 14,405</b>	12,776

Council expects to make contributions of \$787,555 to the Regional Defined Benefits Fund in 2020/21.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

**23 National competition policy**

**Business activity 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 statement is for activity subject to the competitive code of conduct:**

	Waste Function
Revenue	<b>2020</b>
	<b>\$'000</b>
Revenue for services provided to Council	4,027
Revenue for services provided to external clients	52,615
Community service obligations	741
	57,383
Expenditure	49,768
Surplus/(deficiency)	7,615

**Community Service Obligations:**

The CSO value is determined by Council and represents an activity's cost(s) which would not be incurred if the activity's primary objective was 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 CSOs by Council.

Activities and CSO Description	2020 \$'000
<b>Waste</b>	
Pensioner Discounts	545
Litter Management	166
Clean Up Australia	30

**24 Events subsequent to balance date**

Council is listing for sale properties with an estimated value of \$23 million that are surplus to Council's requirements. Some of these properties are yet to be actively marketed.

On August 6, 2020 Council registered a new company called Millovate Pty Ltd, a company limited by shares, with the Australian Securities and Investment Commission. The purpose of Millovate Pty Ltd is to oversee the strategic direction and investment associated with the Priority Development Area (PDA) at "The Mill" at Petrie.

During the financial year a Crime and Corruption Commission (CCC) investigation resulted in one Councillor being charged with misconduct in relation to public office. In accordance with section 182A of the *Local Government Act 2009*, the Councillor was suspended from office. The suspended Councillor's term concluded in March 2020 and accordingly is no longer a Councillor. To the best of Council's knowledge at the date of this financial report, there is no material impact in relation to the matters identified through the CCC investigation, on this financial report.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

## 25 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 details of transactions and balances with Unitywater are as follows;

	2020 \$'000	2019 \$'000
<b>Revenue</b>		
Interest on loans	32,904	33,987
Taxation equivalents	25,477	23,153
Dividends	19,130	20,373
Other revenue	237	216
	<u>77,748</u>	<u>77,729</u>
<b>Expenses</b>		
Material and services	7,763	7,567
	<u>7,763</u>	<u>7,567</u>
<b>Amounts receivable</b>		
Interest	8,226	8,497
Dividends	10,279	11,200
Taxation equivalents	3,014	1,174
Other	3	113
	<u>21,522</u>	<u>20,984</u>
<b>Loans</b>		
Loans	677,025	677,025
	<u>677,025</u>	<u>677,025</u>
<b>Amounts payable</b>		
Material and services	1,378	1,628
	<u>1,378</u>	<u>1,628</u>

During 2019/20 Council constructed certain water and sewerage infrastructure at the Petrie Mill site which upon completion was handed over to Unitywater. The infrastructure had a value of \$3.2 million.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

## 25 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 2019/20 year.

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

	2020 \$'000	2019 \$'000
Short-term benefits	4,471	3,959
Post-employment benefits	447	437
Other long-term benefits	58	50
Termination benefits	31	89
	<u>5,007</u>	<u>4,535</u>

#### (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:

	2020 \$'000	2019 \$'000
<b>Expense</b>		
Employee expenses for close family members of KMP <sup>1</sup>	212	196
Purchase of material and services from entities controlled by close family member of KMP <sup>2</sup>	218	-
<b>Revenue</b>		
Infrastructure contributions and development fees received from entities controlled by KMP <sup>3</sup>	129	24
Infrastructure charges received from close family member by KMP <sup>4</sup>	18	-

<sup>1</sup>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. Council employs 1750 staff of which only 2 are close family members of KMP.

<sup>2</sup>U&U Pty Ltd is a company controlled by a close family member of KMP that provided services to Council during the financial year. All purchases were at arm's length, on normal terms and conditions and were in the normal course of Council's operations. During the reporting period there were no amounts owing by Council to the company.

<sup>3</sup>A company controlled by KMP, paid infrastructure contributions and development application fees to Council. Contributions and fees paid were in accordance with Council's normal terms and conditions.

<sup>4</sup>A close family member of KMP, paid infrastructure contributions to Council. Contributions paid were in accordance with Council's normal terms and conditions.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

**25 Related party transactions (continued)**

**(c) Outstanding balances**

There were no balances outstanding at the end of reporting period in relation to transactions with related parties.

No expenses has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

**(d) Loans and guarantees to/from related parties**

Apart from its associate (Unitywater) Council does not make loans to or receive loans from related parties. No guarantees have been provided.

**(e) Commitments to/from related parties**

There were no commitments outstanding at the end of reporting period in relation to transactions with related parties.

**(f) Transaction with related parties not disclosed**

On a regular basis ordinary citizen transactions occur between Council and its related parties. Examples include rates, use of Council pools, payment of animal registration and library borrowings. Council has not included these types of transactions in its disclosure where they are made on the same terms and conditions available to the general public.

**(g) LGIAsuper**

Information about superannuation is included in Note 22.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 26 Restated balances

##### Contributed assets not previously recognised

During 2019/20, Council identified a prior period error that related to contributed assets that had commission dates prior to 1 July 2019. As a result, for 2018/19 Council had understated its contributed revenue and property, plant and equipment by \$3.420 million and applicable depreciation of \$0.138 million. Prior to 1 July 2018, contributed revenue and property, plant and equipment had been understated by \$8.602 million and applicable depreciation of \$0.214 million. To correct the impact of the prior period error, Council has adjusted the 2018/19 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 2019 Comparative year

Financial statement line item / balance affected	Note	Actual 2019 \$'000	Adjustments 2019 \$'000	Restated Actual 2019 \$'000
<b>Statement of Comprehensive Income (Extract)</b>				
<b>Capital Revenue</b>				
Grants, subsidies and contributions	3(c)(ii)	148,333	3,420	151,753
<b>Total Income</b>		<b>694,893</b>	<b>3,420</b>	<b>698,313</b>
<b>Recurring Expenses</b>				
Depreciation and amortisation				
Property, plant and equipment	11	(98,183)	(138)	(98,321)
<b>Total Expenses</b>		<b>(437,307)</b>	<b>(138)</b>	<b>(437,445)</b>
<b>NET RESULT</b>		<b>257,586</b>	<b>3,282</b>	<b>260,868</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>273,806</b>	<b>3,282</b>	<b>277,088</b>
<b>Statement of Financial Position (Extract)</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	11	4,855,068	11,669	4,866,737
<b>Total Non-Current Assets</b>		<b>6,862,824</b>	<b>11,669</b>	<b>6,874,493</b>
<b>Total Assets</b>		<b>7,272,394</b>	<b>11,669</b>	<b>7,284,063</b>
<b>NET COMMUNITY ASSETS</b>		<b>6,751,281</b>	<b>11,669</b>	<b>6,762,950</b>
<b>Community Equity</b>				
Retained surplus		5,814,523	11,669	5,826,192
<b>TOTAL COMMUNITY EQUITY</b>		<b>6,751,281</b>	<b>11,669</b>	<b>6,762,950</b>
<b>Statement of Changes in Equity (Extract)</b>				
<b>Retained Surplus</b>				
Balance as at 1 July 2018		5,531,349	8,387	5,539,736
Net result		257,586	3,282	260,868
<b>Total comprehensive income for the year</b>		<b>283,174</b>	<b>3,282</b>	<b>286,456</b>
<b>Balance at 30 June 2019</b>		<b>5,814,523</b>	<b>11,669</b>	<b>5,826,192</b>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 27 Changes in accounting policy

During the year ended 30 June 2020, the Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contract*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions and associated Accounting Interpretations*.

Based on Council's assessment, no material impact occurred from transitioning to AASB15, AASB 1058 and AASB 16 on adoption at 1 July 2019.

*Comparison of affected financial statements lines between AASB 15 / AASB 1058*

The following table shows the amount by which the financial statement line item is affected by the application of AASB 15 and AASB 1058 as compared to the previous revenue standards.

*Statement of financial position at 30 June 2020*

	Carrying amount per Statement of Financial Position Dr / Cr \$	Adjustments Dr / Cr \$	Carrying amount if previous standards had been applied Dr / Cr \$
Contract assets	284	(284)	-
Contract liabilities - current	(1,399)	1,399	-
Retained earnings	(6,072,716)	(1,115)	(6,073,831)
	<u>(6,073,831)</u>	<u>-</u>	<u>(6,073,831)</u>

*Statement of comprehensive income for the year ended 30 June 2020*

	Carrying amount per Statement of Comprehensive Income Dr / Cr \$	Adjustments Dr / Cr \$	Carrying amount if previous standards had been applied Dr / Cr \$
Revenue - operating Grants	22,986	23	23,010
Revenue - capital	169,747	1,092	170,839
	<u>192,733</u>	<u>1,115</u>	<u>193,849</u>

The adjustments above relate to the recognition of contract assets and contract liabilities for revenue streams where the revenue is recognised over time rather than on receipt of funding under AASB 1004.

*Statement of cash flows for the year ended 30 June 2020*

The adoption of AASB 15 and AASB 1058 has not caused a material change to the Statement of Cash Flows for the year ended 30 June 2020

#### Lease standard - AASB 16

*Council as lessee*

Under the previous lease accounting standard, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership have been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the Statement of Financial Position (except for short-term leases and leases of low-value assets).

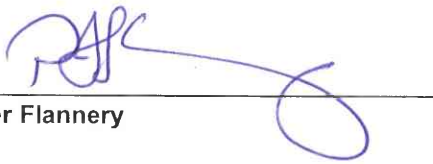
Council has used the exception to lease accounting for short-term leases of low-value assets, and the lease expense relating to these leases is recognised in the Statement of Comprehensive Income on a straight-line basis.

**MANAGEMENT CERTIFICATE**  
**For the year ended 30 June 2020**

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 45, 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.



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**Cr Peter Flannery**  
**Mayor**

Date: 12 / 10 / 2020



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**Mr Anthony Martini**  
**Acting Chief Executive Officer**

Date: 12 / 10 / 20



## 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 2020, 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 2020, 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 Acting Chief Executive Officer.

#### Basis for opinion

I conducted my audit in accordance with the *Auditor-General 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 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 financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Moreton Bay Regional Council's annual report for the year ended 30 June 2020 was the current year financial sustainability statement and long-term financial sustainability statement.

The councillors are responsible for the other information.

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 councillors for the financial report**

The councillors are 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 councillors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The councillors are 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.

- 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 2020:

- 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.



C G Strickland  
as delegate of the Auditor-General

13 October 2020

Queensland Audit Office  
Brisbane

## CURRENT-YEAR FINANCIAL SUSTAINABILITY STATEMENT

For the year ended 30 June 2020

### Measures of Financial Sustainability

Council's performance at 30 June 2020 against key financial ratios and targets:

	How the measure is calculated	Actual	Target
<b>Operating surplus ratio</b>	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	<b>14.1%</b>	between 0% and 10%
<b>Asset sustainability ratio</b>	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	<b>55.5%</b>	greater than 90%
<b>Net financial liabilities ratio</b>	Total liabilities less current assets divided by total operating revenue (excluding capital items)	<b>21.8%</b>	not greater than 60%

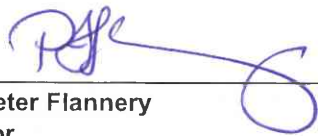
### Note 1 - Basis of Preparation

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 2020.

**CERTIFICATE OF ACCURACY**  
**For the year ended 30 June 2020**

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 Peter Flannery**  
**Mayor**

Date: 12 / 10 / 2020



**Mr Anthony Martini**  
**Acting Chief Executive Officer**

Date: 12 / 10 / 20

## **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 2020 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Acting 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 2020 has been accurately calculated.

#### **Basis of opinion**

I conducted my audit in accordance with the *Auditor-General 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 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 financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Moreton Bay Regional Council's annual report for the year ended 30 June 2020 was the general purpose financial statements and long-term financial sustainability statement.

The councillors are responsible for the other information.

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 councillors for the current year financial sustainability statement**

The councillors are responsible for the preparation and fair presentation of the current year financial sustainability statement in accordance with the Local Government Regulation 2012. The councillors' responsibility also includes such internal control as the councillors determine 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 G Strickland  
as delegate of the Auditor-General

13 October 2020

Queensland Audit Office  
Brisbane





**LONG-TERM FINANCIAL SUSTAINABILITY STATEMENT**  
Prepared as at 30 June 2020

**Measures of Financial Sustainability**

			Actual	Projected for the years ended								
	Measure	Target	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029
<b>Operating surplus ratio</b>	Net result divided by total operating revenue	between 0% and 10%	14.1%	10.9%	11.7%	12.2%	12.6%	13.1%	12.3%	14.0%	13.2%	13.9%
<b>Asset sustainability ratio</b>	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	55.5%	69.0%	73.1%	76.0%	81.4%	74.3%	70.3%	69.9%	72.4%	69.8%
<b>Net financial liabilities ratio</b>	Total liabilities less current assets divided by total operating revenue	not greater than 60%	21.8%	24.0%	28.8%	41.9%	34.5%	39.1%	39.9%	38.0%	38.4%	33.6%

**Council's Financial Management Strategy**

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

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

**CERTIFICATE OF ACCURACY**  
**For the long-term financial sustainability statement prepared as at 30 June 2020**

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.

  
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**Cr Peter Flannery**  
**Mayor**

Date: 12 / 10 / 2020

  
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**Mr Anthony Martini**  
**Acting Chief Executive Officer**

Date: 12 / 10 / 20