



**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 June 2011**



Financial Statements
For the year ended 30 June 2011
TABLE OF CONTENTS

Statement of Comprehensive Income	1
Statement of Financial Position	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
Notes to the financial statements	
1 Significant accounting policies	5
2 Analysis of results by function	17
3 Rates and utility charges	19
4 Fees and charges	19
5 Rental income	19
6 Grants, subsidies and contributions	19
7 Interest revenue	20
8 Sales revenue	20
9 Other revenue	20
10 Capital income	20
11 Employee benefits	21
12 Material and services	21
13 Depreciation and amortisation	22
14 Finance costs	22
15 Capital expenses	22
16 Cash and cash equivalents	23
17 Trade and other receivables	23
18 Inventories	23
19 Investments	23
20 Investments in associate	24
21 Property, plant and equipment	25
22 Intangible assets	28
23 Capital work in progress	28
24 Trade and other payables	29
25 Borrowings	29
26 Finance leases	30
27 Provisions	30
28 Other liabilities	32
29 Retained surplus	32
30 Asset revaluation surplus	32
31 Reserves	33
32 Commitments for expenditure	33
33 Contingent liabilities	34
34 Superannuation	35
35 Operating lease income	36
36 Trust funds	36
37 Reconciliation of net operating surplus for the year to net inflow from operating activities	36
38 Correction of prior period errors	37
39 Financial instruments	40
40 Statement of activities to which the code of competitive conduct applies	43
41 Water reform in South East Queensland	45
Management Certificate	48
Independent Auditor's Report	49

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2011

	Note	2011 \$'000	Restated 2010 \$'000
Income			
Revenue			
Operating Revenue			
Rates and utility charges	3	197,701	325,439
Fees and charges	4	31,356	44,218
Rental income	5	5,230	4,152
Grants, subsidies and contributions	6(a)	27,939	19,955
Interest revenue	7	64,686	13,932
Share of profit of associate	20	39,979	-
Sales revenue	8	3,653	3,675
Other revenue	9	12,312	14,175
		<u>382,856</u>	<u>425,546</u>
Capital Revenue			
Grants, subsidies and contributions	6(b)	78,928	167,702
Total Revenue		<u>461,784</u>	<u>593,248</u>
Capital Income	10	-	2,701
Total Income		<u>461,784</u>	<u>595,949</u>
Expenses			
Operating Expenses			
Employee benefits	11	(115,852)	(146,461)
Materials and services	12	(160,036)	(182,417)
Depreciation and amortisation	13	(69,864)	(96,900)
Finance costs	14	(22,582)	(19,023)
		<u>(368,334)</u>	<u>(444,801)</u>
Capital Expenses	15	(89,738)	-
Total Expenses		<u>(458,072)</u>	<u>(444,801)</u>
NET RESULT		<u>3,712</u>	<u>151,148</u>
Other Comprehensive Income			
Increase in asset revaluation surplus	30	42,828	177,135
Total other comprehensive income for the year		<u>42,828</u>	<u>177,135</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>46,540</u>	<u>328,283</u>

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

STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	Note	2011 \$'000	Restated 2010 \$'000	Restated 2009 \$'000
Assets				
Current Assets				
Cash and cash equivalents	16	205,693	270,157	317,160
Trade and other receivables	17	55,494	58,136	51,955
Inventories	18	1,008	3,022	2,544
Total Current Assets		262,195	331,315	371,659
Non-Current Assets				
Trade and other receivables	17	691,856	369	1,872
Investments	19	15	15	15
Investment in associate	20	849,361	-	-
Property, plant and equipment	21	3,206,147	4,460,906	4,041,537
Intangible assets	22	4,714	5,686	3,715
Capital works in progress	23	161,626	352,364	324,892
Total Non-Current Assets		4,913,719	4,819,340	4,372,031
Total Assets		5,175,914	5,150,655	4,743,690
Liabilities				
Current Liabilities				
Trade and other payables	24	45,237	68,670	51,429
Borrowings	25	13,461	13,370	56,580
Provisions	27	2,061	1,823	2,107
Other	28	918	1,838	2,631
Total Current Liabilities		61,677	85,701	112,747
Non-Current Liabilities				
Trade and other payables	24	3,947	5,590	6,259
Borrowings	25	328,828	321,118	212,392
Provisions	27	23,368	26,692	29,021
Total Non-Current Liabilities		356,143	353,400	247,672
Total Liabilities		417,820	439,101	360,419
NET COMMUNITY ASSETS		4,758,094	4,711,554	4,383,271
Community Equity				
Retained surplus	29	3,897,068	3,759,017	3,583,972
Asset revaluation surplus	30	656,411	738,078	560,943
Reserves	31	204,615	214,459	238,356
TOTAL COMMUNITY EQUITY		4,758,094	4,711,554	4,383,271

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2011

	Retained Surplus	Asset Revaluation Surplus	Reserves	Total Community Equity
Note	29	30	31	
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2010	3,759,017	738,078	214,459	4,711,554
Net result	3,712	-	-	3,712
Other comprehensive income for the year				
Increase in asset revaluation surplus	-	42,828	-	42,828
Transfer of asset revaluation surplus to retained surplus	124,495	(124,495)	-	-
Total comprehensive income for the year	128,207	(81,667)	-	46,540
Transfers to and from reserves				
Transfers to other reserves	(30,841)	-	30,841	-
Transfers from other reserves	40,685	-	(40,685)	-
Total transfers to and from reserve	9,844	-	(9,844)	-
Balance at 30 June 2011	3,897,068	656,411	204,615	4,758,094
Balance as at 1 July 2009 (Restated)	3,583,972	560,943	238,356	4,383,271
Net result	151,148	-	-	151,148
Other comprehensive income for the year				
Increase in asset revaluation surplus	-	177,135	-	177,135
Total comprehensive income for the year	151,148	177,135	-	328,283
Transfers to and from reserves				
Transfers to other reserves	(50,351)	-	50,351	-
Transfers from other reserves	74,248	-	(74,248)	-
Total transfers to and from reserve	23,897	-	(23,897)	-
Balance at 30 June 2010	3,759,017	738,078	214,459	4,711,554

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

STATEMENT OF CASH FLOWS
For the year ended 30 June 2011

	Note	2011 \$'000	Restated 2010 \$'000
Cash flows from operating activities			
Receipts from customers		288,924	428,112
Payments to suppliers and employees		(326,588)	(362,685)
Interest received		64,686	13,932
Rental income		5,230	4,152
Non capital grants and contributions		27,939	19,955
Income tax equivalent received		4,312	-
Borrowing costs		(18,220)	(14,168)
Net cash inflow from operating activities	37	46,283	89,298
Cash flows from investing activities			
Payments for property, plant and equipment		(167,637)	(301,518)
Payments for intangible assets		(661)	(3,587)
Proceeds from sale of property, plant and equipment		21,472	6,010
Net movement in loans to community organisations		(32)	(15)
Net movement in loans to Unitywater		(18,283)	-
Dividends received from associate		12,320	-
Other dividends received		1	-
Grants, subsidies, contributions and donations		37,607	88,878
Net cash outflow from investing activities		(115,213)	(210,232)
Cash flows from financing activities			
Proceeds from borrowings		20,000	85,000
Repayment of borrowings		(15,530)	(11,066)
Repayments made on finance leases		(4)	(3)
Net cash inflow from financing activities		4,466	73,931
Net (decrease) in cash held		(64,464)	(47,003)
Cash at beginning of the financial year		270,157	317,160
Cash at end of the financial year	16	205,693	270,157

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

1 Significant accounting policies

1.A Basis of preparation

These general purpose financial statements for the period 1 July 2010 to 30 June 2011 have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other pronouncements issued by the Australian Accounting Standards Board. They also comply with the requirements of the *Local Government Act 2009* and the *Local Government (Finance, Plans and Reporting) Regulation 2010*.

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

1.B Statement of compliance

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Council's operations and effective for the current reporting period. Because the Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS), to the extent these inconsistencies are applied, these financial statements do not comply with IFRS.

The main impacts are:

- the offsetting of revaluation and impairment gains and losses within a class of assets
- the timing of the recognition of non-reciprocal grant revenue

1.C Constitution

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

1.D Date of authorisation

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

1.E Currency

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

1.F Adoption of new and revised Accounting Standards

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

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

	Effective for annual report periods beginning on or after:
AASB 9 <i>Financial Instruments</i> (December 2009)	1 January 2013
AASB 124 <i>Related Party Disclosures</i> (December 2009)	1 January 2011
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	1 July 2013
AASB 1054 <i>Australian Additional Disclosures</i>	1 July 2011
2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2009)	1 January 2013
2009-12 <i>Amendments to Australian Accounting Standards in relation to AASB 8 Operating Segments</i> (December 2009)	1 January 2011
2009-14 <i>Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (Interpretation 14)</i> (December 2009)	1 January 2011
2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	1 July 2013
2010-4 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	1 January 2011
2010-5 <i>Amendments to Australian Accounting Standards</i>	1 January 2011
2010-6 <i>Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets</i>	1 July 2011
2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2010)	1 January 2013
2010-8 <i>Amendments to Australian Accounting Standards - Deferred Tax: Recovery of underlying Assets</i>	1 January 2012
2010-9 <i>Amendments to Australian Accounting Standards - Severe Hyperinflation and Removal of fixed Dates for First-time Adopters</i>	1 July 2011
2010-10 <i>Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time Adopters</i>	1 January 2013
2011-1 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project</i>	1 July 2011
2011-2 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirement</i>	1 July 2013
2011-3 <i>Amendments to Australian Accounting Standards - Orderly Adoption of Changes to ABS GFS Manual and Related Amendments</i>	1 July 2012

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

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

The reported results and position of the Council will not change on adoption of the other pronouncements as they do not result in any changes to the council's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements. The Council does not intend to adopt any of these pronouncements before their effective dates.

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

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

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

Valuation of property, plant and equipment - Note 1.P and Note 21

Impairment of non-current assets - Note 1.S

Provisions - Note 1.V and 1.X and Note 27

Contingencies - Note 33

1.H Rates, grants and other revenue

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

Rates

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

Grants and subsidies

Grants and subsidies 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.

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

Non-cash contributions

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Infrastructure cash contributions

AASB Interpretation 18 *Transfers of Assets from Customers* has been applied prospectively from 1 July 2009. Infrastructure cash contributions are recorded as income upon receipt unless those contributions relate to the provision of specific infrastructure that is required to be constructed by a certain time in which case those contributions would be recorded as a liability in the Statement of Financial Position. The contributions would then be recognised as income upon the successful construction of the specific infrastructure.

Interest

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

Dividends

Dividend revenue is recognised on a receivable basis when Council's right to receive payment is established. Dividend received by Council from its participation rights held in Northern SEQ Distributor-Retailer Authority (Unitywater) are recorded as a reduction in the carrying value of the non-current asset, "investment in associate", in accordance with equity accounting principles.

1.1 Financial assets and financial liabilities

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

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

Financial assets

Cash and cash equivalents - Note 1.J
Receivables - Note 1.K
Other financial assets - Note 1.M

Financial liabilities

Payables - Note 1.U
Borrowings - Note 25
Finance lease liabilities - Note 26

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

The fair value of financial instruments is determined as follows:

The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximate their carrying amounts and are not disclosed separately.

The fair value of borrowings, as disclosed in Note 25 to the accounts, is determined by reference to published price quotations in an active market and/or by reference to pricing models and valuation techniques. It reflects the value of the debt if the Council repaid it in full at reporting date. As it is the intention of the Council to hold its borrowings for their full term, no adjustment provision is made in these accounts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

The fair value of trade receivables approximates the amortised cost less any impairment. The fair value of payables approximates the amortised cost.

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

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

All other disclosures relating to the measurement and financial risk management of financial instruments are included in Note 39.

1.J Cash and cash equivalents

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

1.K Receivables

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

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

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

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

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

1.L Inventories

Stores, raw materials and inventories held for distribution are valued at the lower of cost and net realisable value and include, where applicable, direct material, direct labour and an appropriate portion of variable and fixed overheads. Costs are assigned on the basis of weighted average cost.

Inventories held for distribution are:

- goods to be supplied at no or nominal charge; and
- goods to be used for the provision of services at no or nominal charge.

These goods are valued at cost, adjusted, when applicable, for any loss of service potential.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

1.M Other financial assets

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

1.N Investments

Financial institution deposits at call and term deposits with a short maturity of twelve months or less are treated as cash equivalents. Interest and dividend revenues are recognised on an accrual basis.

1.O Investment in associate

As at 1 July 2010 a water distribution and retail business called Unitywater was established in accordance with the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009* to deliver water and waste water services to customers with in the local government areas of Moreton Bay Regional Council and Sunshine Coast Regional Council.

Under the Act, governance arrangements for Unitywater were established in a Participation Agreement, which commenced from 1 July 2010. The Agreement provides for participation rights to be held by the participating Councils.

The participation rights effectively represent an investment in Unitywater by Moreton Bay Regional Council and are disclosed in Note 20.

1.P Property, plant and equipment

Asset classes

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

Land	Transport Infrastructure
Land Improvements	Stormwater Infrastructure
Buildings	Waterways and Canals Infrastructure
Park Equipment	Cultural and Heritage
Plant and Equipment	Other
Sewerage Infrastructure	

There will be occasions where assets are adjusted between various classes due to refinements in the above definitions or misclassification of a particular asset. These movements will have a nil effect on the total assets value for Council.

Non-current asset thresholds

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

Acquisition of assets

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

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

Capital and operating expenditure

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

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

Valuation

Land, buildings, infrastructure assets and cultural and heritage assets are measured on the revaluation basis, at fair value, in accordance with AASB116 *Property, Plant and Equipment*. All other non-current assets, principally plant and equipment and intangible assets are measured at cost.

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

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

Details of valuers and methods of valuations are disclosed in Note 21.

Capital work in progress

Capital work in progress contains all assets purchased and or constructed that are not yet available for use. The cost of property, plant and equipment under construction includes the cost of materials and direct labour. Indirect costs may also be included where such costs can be reasonably associated with capital construction projects.

Depreciation

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

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

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

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

Details of the range of useful lives for each class of asset are shown in Note 21.

Land under roads

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

Asset not previously recognised

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

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

1.Q Intangible assets

Intangible assets are assets that do not have a physical substance but are expected to provide future benefits to Council. Intangible assets derive their value from the rights that possession and use confer to Council. Council recognises identifiable intangible assets, such as software.

It has been determined that there is not an active market for any of Council's intangible assets. As such, these assets are recognised and carried at cost, less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised over a life of between five and ten years.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

1.R Biological assets

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

1.S Impairment of non-current assets

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

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

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

1.T Leases

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

Finance leases

Where Council enters into a finance lease, Council recognises an asset equal to the lower of fair value of the leased property and the present value of the minimum lease payments. The lease liability is recognised at the same amount. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged as finance costs. The asset is accounted for on the same basis as other assets of the same class. Contingent rentals are written off as an expense in the accounting period in which they are incurred. Council holds one finance lease for office equipment. The outstanding liability of the finance lease is paid out and disclosed in Note 26.

Operating leases

Payments made under operating leases are expensed in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

1.U Payables

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

1.V Liabilities - employee benefits

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

Salaries and wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 24 as a payable.

Annual leave

A liability for annual leave is recognised. The current portion (based on the expected payment date) is calculated on current wage and salary levels and includes related employee on-costs. The non-current portion is calculated on projected future wage and salary levels and related employee on-costs, discounted to present values. This liability represents an accrued expense and is reported in Note 24 as a payable.

Sick leave

Council has an obligation to pay sick leave on termination to certain employees and therefore a liability has been recognised for this obligation. This liability represents an accrued expense and is reported in Note 24 as a payable.

Superannuation

The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 34.

Long service leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in Council's employment or other associated employment which would result in Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. This liability is reported in Note 27 as a provision.

1.W Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

1.X Restoration provision

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

The provision is measured at the expected cost of the work required discounted to present value. Changes in the provision not arising from the passing of time are treated as an adjustment to the provision and associated asset.

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

1.Y Asset revaluation surplus

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

Increases and decreases on revaluation are offset within a class of assets. Where a class of assets is decreased on revaluation, that decrease is offset first against the amount remaining in the asset revaluation surplus in respect of that class. Any excess is treated as an expense. When an asset is disposed of, the amount in the surplus in respect of that asset is retained in the asset revaluation surplus and not transferred to retained surplus.

During 2010/11 the asset revaluation surplus applicable to water and sewerage assets was transferred to Council's retained surplus. This is disclosed in Note 30.

1.Z Retained surplus

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

1.AA Reserves

Infrastructure works reserve

This reserve represents contributions received for future general capital works where the required works have not yet been specifically determined.

Other reserves

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

1.AB Code of Competitive Conduct

Council has reviewed its activities to identify its business activities. Details of these activities are disclosed in Note 40.

1.AC Rounding and comparatives

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

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

1.AD Trust funds held for outside parties

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

The monies are disclosed in the notes to the financial statements for information purposes only in Note 36.

1.AE Taxation

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

Council has a participating interest in the Northern SEQ Distributor-Retailer Authority (trading as Unitywater) governed by a Participation Agreement. The Authority is subject to the Local Government Tax Equivalents Regime (LGTER). Under the LGTER the Authority is required to make income tax equivalent payments to Council in accordance with the requirements of the Participation Agreement. Income tax equivalent payments from the Authority are recognised as revenue when the significant risks and rewards related to the corresponding assets have been transferred to Council.

1.AF Impact of natural disaster - flood event in 2011

In January 2011 an extreme weather event occurred that resulted in significant flooding across South East Queensland with many areas declared a natural disaster zone.

The impact of the flood on the region of Moreton Bay was not as severe as was experienced in neighbouring South East Queensland local governments; however the Council did suffer some damage to a range of infrastructure assets including; transport, buildings and park equipment.

Works commenced following the flood to rectify the damaged assets on a priority basis. The works undertaken were operational (maintenance and repairs) in nature.

As at reporting date the Council has assessed that the assets affected have not experienced any material impairment and consequently the respective asset values disclosed in the financial statements represent their current condition.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

2 Analysis of Results by Function

(a) Components of Council Functions

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

Engineering, Construction & Maintenance

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

Community & Environmental Services

Community and Environmental Services is responsible for providing well managed and maintained community facilities, ensuring compliance with the local laws of Council, monitoring, reporting and engaging the community to advance the protection and management of the natural environment and providing sustainable and cost-effective solid waste management services.

Corporate Services & Governance

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

The Certification Professionals

The Certification Professionals was a business unit within Council, responsible for providing competitive building approval and inspection services throughout Queensland. This unit ceased operations in September 2010.

Strategic Planning & Development

Strategic Planning and Development is responsible for maintaining a strategic plan of Council's longer term functions and responsibilities, across a range of activities such as land use planning, planning scheme development and development engineering.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

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

Year ended 30 June 2011	Gross program income				Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Increase in operating capability	Assets
Function	Recurring		Capital				Recurring	Capital				
	Grants	Other	Grants	Other								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Engineering, Construction & Maintenance	4,618	20,810	10,925	537	(16,163)	20,727	(107,691)	3,136	15,870	(88,685)	(67,958)	3,326,161
Community & Environmental Services	7,241	57,777	338	-	(2,003)	63,353	(87,687)	-	2,118	(85,569)	(22,216)	49,503
Corporate Services & Governance	13,281	282,526	68	67,060	2,061	364,996	(172,328)	(92,874)	(1,885)	(267,087)	97,909	1,800,248
The Certification Professionals**	-	1,722	-	-	(2)	1,720	(2,483)	-	-	(2,483)	(763)	2
Strategic Planning & Development	2,118	8,870	-	-	-	10,988	(14,252)	-	4	(14,248)	(3,260)	-
Total	27,258	371,705	11,331	67,597	(16,107)	461,784	(384,441)	(89,738)	16,107	(458,072)	3,712	5,175,914

Year ended 30 June 2010 (Restated)	Gross program income				Elimination of inter-function transactions	Total income	Gross recurring expenses		Elimination of inter-function transactions	Total expenses	Increase in operating capability	Assets
Function	Recurring		Capital				Recurring	Capital				
	Grants	Other	Grants	Other								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Engineering, Construction & Maintenance	1,578	21,264	13,284	4,757	(19,148)	21,735	(98,523)	-	14,273	(84,250)	(62,515)	3,170,426
Community & Environmental Services	5,205	54,713	1,730	-	(2,341)	59,307	(82,720)	-	3,351	(79,369)	(20,062)	27,549
Corporate Services & Governance	12,214	174,024	107	69,622	1,723	257,690	(96,974)	-	662	(96,312)	161,378	303,407
Moreton Bay Water*	-	161,582	28,049	52,854	(2,341)	240,144	(170,571)	-	3,400	(167,171)	72,973	1,648,547
The Certification Professionals**	-	6,762	-	-	(29)	6,733	(6,600)	-	118	(6,482)	251	726
Strategic Planning & Development	163	10,195	-	-	(18)	10,340	(11,567)	-	350	(11,217)	(877)	-
Total	19,160	428,540	43,170	127,233	(22,154)	595,949	(466,955)	-	22,154	(444,801)	151,148	5,150,655

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

* In the year ended 30 June 2011, the function Moreton Bay Water transferred to Northern SEQ Distributor-Retailer Authority (Unitywater)

** In the year ended 30 June 2011, the function The Certification Professionals ceased operations

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Note	2011 \$'000	Restated 2010 \$'000
3 Rates and utility charges			
General rates		167,612	152,536
Water charges		-	76,944
Sewerage charges		-	66,866
Cleansing charges		31,449	28,839
Other special levies, rates and charges		1,556	3,287
		<u>200,617</u>	<u>328,472</u>
Less: Pensioner and other rebates		<u>(2,916)</u>	<u>(3,033)</u>
		<u>197,701</u>	<u>325,439</u>
4 Fees and charges			
Administration		6,333	6,350
Building certification		1,720	6,733
Community facilities		3,467	3,454
Development services		12,365	14,776
Waste management		4,305	3,332
Water and sewerage		-	6,736
Animal control		2,197	1,936
Other fees		969	901
		<u>31,356</u>	<u>44,218</u>
5 Rental income			
Other rental income		5,230	4,152
		<u>5,230</u>	<u>4,152</u>
6 Grants, subsidies and contributions			
(a) Operating			
Government grants and subsidies		26,561	18,870
Other grants, subsidies, contributions and donations		1,378	1,085
		<u>27,939</u>	<u>19,955</u>
(b) Capital			
Government grants and subsidies		11,230	43,170
Infrastructure cash contributions		25,739	44,168
Contributed assets		39,182	67,739
Assets not previously recognised		2,139	11,085
Other capital income		638	1,540
		<u>78,928</u>	<u>167,702</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

	Note	2011 \$'000	Restated 2010 \$'000
Conditions over contributions			
Contributions and grants which were recognised as revenues during the reporting period, and which were obtained on the condition that they be expended in a manner specified by the contributor, but had not been expended at the reporting date:			
Grants		1,167	4,026
		<u>1,167</u>	<u>4,026</u>
Contributions and grants which were recognised as revenues in a previous reporting period, and were expended during the current reporting period in accordance with Council's obligations:			
Grants		4,026	6,068
		<u>4,026</u>	<u>6,068</u>
7 Interest revenue			
Interest from financial institutions		14,773	13,190
Interest from Unitywater		48,749	-
Interest from overdue rates and utility charges		1,164	742
		<u>64,686</u>	<u>13,932</u>
8 Sales revenue			
Waste operations		2,897	2,914
Other		756	761
		<u>3,653</u>	<u>3,675</u>
9 Other revenue			
Recoverable works		53	2,118
SEQ water outcome charges		-	5,819
Dividend		1	-
Income tax equivalent		3,777	-
Other income		8,481	6,238
		<u>12,312</u>	<u>14,175</u>
10 Capital income			
Gain on disposal of non-current assets			
Proceeds from the sale of property, plant and equipment		-	17,614
Less: Book value of property, plant and equipment disposed of		-	(14,913)
		<u>-</u>	<u>2,701</u>
Total capital income		<u>-</u>	<u>2,701</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Note	2011 \$'000	Restated 2010 \$'000
11 Employee benefits			
Total staff wages and salaries		97,406	125,432
Annual, sick, long service leave and other entitlements		11,695	12,723
Superannuation	34	11,542	15,141
		<u>120,643</u>	<u>153,296</u>
Other employee related expenses		6,197	9,619
		<u>126,840</u>	<u>162,915</u>
Less: Capitalised employee expenses		(10,988)	(16,454)
		<u>115,852</u>	<u>146,461</u>
		2011	2010
		No.	No.
Total full time equivalent employees		1,717	1,963
		<u>1,717</u>	<u>1,963</u>
		2011	Restated 2010
		\$'000	\$'000
12 Materials and services			
Consultants		2,500	3,603
Contractors		63,755	63,755
Councillors' remuneration		1,628	1,638
Entertainment and hospitality		205	253
Marketing and promotions		1,499	1,521
Utilities		10,223	15,938
Water - raw and treated		8	35,594
Donations, grants and contributions		2,070	1,662
Expensed capital		8,791	9,410
Fuel		3,311	4,165
Information technology hardware/software		3,361	3,497
Insurance premiums		2,369	2,667
Printing, postage and stationery		1,711	2,181
Plant hire		3,215	3,872
Chemical		146	2,480
Legal costs		1,666	1,297
Security		899	1,078
Equipment maintenance		1,310	1,059
Commissions and contributions		26,244	1,202
Cleaning		1,449	1,432
Audit Services		250	237
Other materials and services		23,426	23,876
		<u>160,036</u>	<u>182,417</u>

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

		2011	Restated 2010
	Note	\$'000	\$'000
13 Depreciation and amortisation			
Depreciation of non-current assets			
Land improvements		2,849	3,431
Buildings		6,177	4,078
Park equipment		3,652	3,379
Plant and equipment		10,188	9,555
Water infrastructure		-	12,268
Sewerage infrastructure		117	16,070
Transport infrastructure		33,101	30,060
Stormwater infrastructure		12,443	13,290
Other		(129)	1,430
Waterways and canals		136	118
Cultural and heritage		-	3
Recycled water infrastructure		-	1,602
	21	<u>68,534</u>	<u>95,284</u>
Amortisation of intangible assets			
Software	22	1,330	1,616
Total depreciation and amortisation		<u>69,864</u>	<u>96,900</u>
14 Finance costs			
Finance cost on loans		21,462	17,258
Impairment of bad debts		(32)	109
Bank charges		560	976
Landfill restoration		500	579
Interest on finance lease		-	1
Other interest charges		92	100
		<u>22,582</u>	<u>19,023</u>
15 Capital expenses			
Loss on disposal of non-current assets			
Proceeds from the sale of property, plant and equipment		21,472	-
Less: Book value of property, plant and equipment disposed of		(33,904)	-
		<u>12,432</u>	<u>-</u>
Distribution and retail water reform			
Loss on transfer of water assets and liabilities	41	76,983	-
		<u>76,983</u>	<u>-</u>
Bio-solids composting site rehabilitation			
Estimation adjustment to Bio-solids composting site		305	-
Discount rate adjustment to Bio-solids composting site		18	-
		<u>323</u>	<u>-</u>
Total capital expenses		<u>89,738</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Note	2011 \$'000	Restated 2010 \$'000	Restated 2009 \$'000
16 Cash and cash equivalents				
Cash at bank and on hand		1,970	10,908	11,234
Deposits at call		18,323	89,849	298,074
Term deposits		185,400	169,400	7,852
Balance per Statement of Cash Flows		<u>205,693</u>	<u>270,157</u>	<u>317,160</u>
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:				
Unspent government grants and subsidies		1,167	4,026	6,068
Unspent infrastructure contributions	31	<u>175,887</u>	<u>171,993</u>	<u>162,460</u>
		<u>177,054</u>	<u>176,019</u>	<u>168,528</u>
17 Trade and other receivables				
Current				
Rates and utility charges		9,355	14,073	10,423
Water charges not yet levied		-	13,284	12,662
Loans to community organisations		38	29	190
Loans to Unitywater		3,844	-	-
Accrued interest receivable from Unitywater		11,854	-	-
Accrued dividend receivable from Unitywater		13,889	-	-
Other debtors		8,386	19,701	19,249
GST recoverable		4,399	7,030	7,884
Prepayments		<u>3,752</u>	<u>4,214</u>	<u>1,701</u>
		55,517	58,331	52,109
Less: Allowance for impaired debts		<u>(23)</u>	<u>(195)</u>	<u>(154)</u>
		<u>55,494</u>	<u>58,136</u>	<u>51,955</u>
Non-current				
Loans to community organisations		392	369	205
Loans to Unitywater		14,439	-	-
Senior debt receivable from Unitywater		376,125	-	-
Subordinated debt receivable from Unitywater		300,900	-	-
Prepayments		-	-	1,667
		<u>691,856</u>	<u>369</u>	<u>1,872</u>
Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.				
Loans have been made to Unitywater for working capital purposes. Interest is charged at a fixed rate of 6.7864% per annum. The credit risk on these loans is considered low.				
The senior and subordinated debt receivable from Unitywater is set at fixed interest rates of 6.6723% and 7.5125% respectively. The credit risk on these loans is considered low.				
18 Inventories				
Inventories held for distribution		<u>1,008</u>	<u>3,022</u>	<u>2,544</u>
		<u>1,008</u>	<u>3,022</u>	<u>2,544</u>
19 Investments				
Shares in Redcliffe Peninsula Financial Services Ltd		15	15	15
		<u>15</u>	<u>15</u>	<u>15</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

20 Investment in associate

Detail of the associate is as follow.

Name of the associate	Principal activity	Proportion of ownership interest %
Unitywater	Water and sewerage services	58.24

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

	2011 \$'000
Total assets	2,894,359
Total liabilities	(1,448,975)
Net assets	1,445,384
Share of net assets	841,792

	2011 \$'000
Total revenue	473,704
Total profit for the year	68,645
Share of profit of associate	39,979

Council investment in the associate comprises of:

	2011 \$'000
Participation rights	849,361

Details of movements in participation rights:

Opening Balance	835,590
Share of profit of associate	39,979
Share of dividends received and accrued	(26,208)
	849,361

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

21 Property, plant and equipment

30 June 2011

Basis of measurement

Asset Values

Opening gross value as at 1 July 2010

Acquisitions

Transfers between asset classes

Contributed assets

Disposals

Assets not previously recognised

Revaluation adjustment to asset revaluation surplus

Transferred to distributor-retailer authority

Closing gross value as at 30 June 2011

Accumulated depreciation and impairment

Opening balance as at 1 July 2010

Depreciation provided in period

Transfers between asset classes

Depreciation on disposals

Assets not previously recognised

Transferred to distributor-retailer authority

Accumulated depreciation as at 30 June 2011

Total written down value as at 30 June 2011

Range of estimated useful life in years

Note	Land	Land Improvements	Buildings	Park Equipment	Plant and Equipment	Water Infrastructure	Sewerage Infrastructure
	Revaluation	Cost	Revaluation	Cost	Cost	Revaluation	Revaluation
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	632,169	67,896	347,554	74,412	103,111	763,624	1,095,136
	27,081	9,779	11,722	1,018	18,556	-	-
	(200)	6,007	4,852	(14,581)	2,351	-	-
	-	797	-	-	-	-	-
	(7,983)	(406)	(11,918)	(134)	(8,376)	-	-
30	42,828	-	-	-	-	-	-
	(25,337)	(1,205)	(9,164)	-	(23,899)	(763,624)	(1,090,229)
	668,558	82,868	343,046	60,715	91,745	-	4,907
13	-	19,765	80,748	24,643	40,832	245,226	312,126
	-	2,849	6,177	3,652	10,188	-	117
	-	1,698	1,484	(4,949)	991	-	-
	-	(21)	(1,304)	(45)	(4,929)	-	-
	-	-	-	-	-	-	-
	-	(4)	(1,478)	-	(5,654)	(245,226)	(308,612)
	-	24,287	85,627	23,301	41,428	-	3,631
	668,558	58,581	257,419	37,414	50,317	-	1,276
	-	3 - 100	7 - 100	5 - 110	3 - 50	-	15 - 80

30 June 2011

Basis of measurement

Asset Values

Opening gross value as at 1 July 2010

Acquisitions

Transfers between asset classes

Contributed assets

Disposals

Assets not previously recognised

Revaluation adjustment to asset revaluation surplus

Transferred to distributor-retailer authority

Closing gross value as at 30 June 2011

Accumulated depreciation and impairment

Opening balance as at 1 July 2010

Depreciation provided in period

Transfers between asset classes

Depreciation on disposals

Assets not previously recognised

Transferred to distributor-retailer authority

Accumulated depreciation as at 30 June 2011

Total written down value as at 30 June 2011

Range of estimated useful life in years

Note	Transport Infrastructure	Stormwater Infrastructure	Other	Waterways and Canals	Cultural and Heritage	Recycled Water Infrastructure	Total
	Revaluation	Revaluation	Cost	Revaluation	Revaluation	Revaluation	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	1,738,383	879,827	21,562	77,331	2,063	59,077	5,862,145
	80,806	15,623	1,488	890	38	-	167,003
	127	300	(107)	1,375	(124)	-	-
	24,045	14,340	-	-	-	-	39,182
	(3,473)	(3,993)	(22,943)	-	(366)	-	(59,591)
30	208	2,640	-	-	-	-	2,848
	-	-	-	-	-	-	42,828
	-	-	-	-	-	(59,077)	(1,972,535)
	1,840,096	908,737	-	79,596	1,611	-	4,081,879
13	430,850	217,951	16,800	3,810	400	8,088	1,401,239
	33,101	12,443	(129)	136	-	-	68,534
	265	-	(47)	593	(35)	-	-
	(1,171)	(1,229)	(16,624)	-	(365)	-	(25,688)
	6	703	-	-	-	-	709
	-	-	-	-	-	(8,088)	(569,062)
	463,051	229,868	-	4,539	-	-	875,732
	1,377,045	678,869	-	75,057	1,611	-	3,205,147
	2 - 150	3 - 120	-	30 - 120	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

30 June 2010 (Restated)

Basis of measurement

Asset Values

Opening gross value as at 1 July 2009

Acquisitions

Transfers between asset classes

Contributed assets

Disposals

Assets not previously recognised

Revaluation adjustment to asset revaluation surplus

Closing gross value as at 30 June 2010

Note	Land	Land Improvements	Buildings	Park Equipment	Plant and Equipment	Water Infrastructure	Sewerage Infrastructure
	Revaluation	Cost	Revaluation	Cost	Cost	Revaluation	Revaluation
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	451,920	59,331	332,610	71,425	88,211	765,918	927,913
	3,114	8,489	14,927	2,967	25,062	12,704	160,620
	-	-	-	-	-	(41,013)	(11,502)
	-	76	17	-	-	8,402	16,228
	-	-	-	-	(10,162)	(5,231)	(1,363)
	-	-	-	-	-	22,644	3,240
30	177,135	-	-	-	-	-	-
	632,169	67,896	347,554	74,412	103,111	763,624	1,095,136

Accumulated depreciation and impairment

Opening balance as at 1 July 2009

Depreciation provided in period

Transfers between asset classes

Depreciation on disposals

Assets not previously recognised

Accumulated depreciation as at 30 June 2010

13	-	16,334	76,670	21,264	37,077	221,936	298,380
	-	3,431	4,078	3,379	9,555	12,268	16,070
	-	-	-	-	-	(2,805)	(3,029)
	-	-	-	-	(5,800)	(202)	(527)
	-	-	-	-	-	14,029	1,232
	-	19,765	80,748	24,643	40,832	245,226	312,126

Total written down value as at 30 June 2010

	632,169	48,131	266,806	49,769	62,279	518,398	783,010
--	---------	--------	---------	--------	--------	---------	---------

30 June 2010 (Restated)

Basis of measurement

Asset Values

Opening gross value as at 1 July 2009

Acquisitions

Transfers between asset classes

Contributed assets

Disposals

Assets not previously recognised

Revaluation adjustment to asset revaluation surplus

Closing gross value as at 30 June 2010

Note	Transport Infrastructure	Stormwater Infrastructure	Other	Waterways and Canals	Cultural and Heritage	Recycled Water Infrastructure	Total
	Revaluation	Revaluation	Cost	Revaluation	Revaluation	Revaluation	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	1,675,885	860,033	20,748	77,331	2,037	5,326	5,338,688
	32,609	7,454	814	-	26	152	268,958
	-	-	-	-	-	52,515	-
	29,889	12,391	-	-	-	736	67,739
	-	(51)	-	-	-	-	(16,807)
	-	-	-	-	-	348	26,432
	-	-	-	-	-	-	177,135
30	1,738,383	879,827	21,562	77,331	2,063	59,077	5,862,145

Accumulated depreciation and impairment

Opening balance as at 1 July 2009

Depreciation provided in period

Transfers between asset classes

Depreciation on disposals

Assets not previously recognised

Accumulated depreciation as at 30 June 2010

13	400,790	204,675	15,370	3,692	397	566	1,297,151
	30,060	13,290	1,430	118	3	1,602	95,264
	-	-	-	-	-	5,834	-
	-	(14)	-	-	-	-	(6,543)
	-	-	-	-	-	86	15,347
	430,850	217,951	16,800	3,810	400	8,088	1,401,239

Total written down value as at 30 June 2010

	1,307,533	661,876	4,762	73,521	1,663	50,969	4,460,906
--	-----------	---------	-------	--------	-------	--------	-----------

30 June 2009 (Restated)

Total written down value as at 30 June 2009

Land	Land Improvements	Buildings	Park Equipment	Plant and Equipment	Water Infrastructure	Sewerage Infrastructure
451,920	42,997	255,940	50,161	51,134	543,982	629,533

30 June 2009 (Restated)

Total written down value as at 30 June 2009

Transport Infrastructure	Stormwater Infrastructure	Other	Waterways and Canals	Cultural and Heritage	Recycled Water Infrastructure	Total
1,275,095	655,358	5,378	73,639	1,640	4,760	4,041,537

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Valuation

Asset Class	Basis of measurement	Valuation Date	Independent Valuer	Reference
Land	Revaluation	31 March 2011	Department of Environment and Resource Management	(i)
Buildings	Revaluation	31 December 2008	Australian Pacific Valuers Pty Ltd	(ii)
Sewerage Infrastructure	Revaluation	31 December 2008	Active - Cardno (Queensland) Pty Ltd Passive - Rushton AssetVal Pty Ltd	(iii)
Transport Infrastructure	Revaluation	31 December 2008	Rushton AssetVal Pty Ltd	(iv)
Stormwater Infrastructure	Revaluation	31 December 2008	Rushton AssetVal Pty Ltd	(iv)
Waterways and Canals	Revaluation	31 December 2008	Rushton AssetVal Pty Ltd	(iv)
Cultural and Heritage	Revaluation	30 June 2007	Artworks - Rosemary Hassal B.A. (Fine Arts) Clocks - Queensland Chapter National Association of Watch and Clockmakers	-

(i) Land was revalued to fair value by the State Valuation Service of the Department of Environment and Resource Management as at 31 March 2011. Where a market price in an active liquid market was available for an asset, that market price represented the best evidence of the assets fair value. Where an active liquid market for the asset does not exist, fair value was determined by the assets replacement cost. The fair value of these land assets has been determined by reference to the highest and best use, that is, the use of the asset that is physically possible, legally permissible, financially feasible, and which results in the highest value. Opportunities that are not available to the Council are not taken into account.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

		Restated	Restated
	2011	2010	2009
Note	\$'000	\$'000	\$'000
22 Intangible assets			
Software			
Opening gross carrying value	14,761	11,174	
Additions through acquisitions	661	3,587	
Transferred to distributor-retailer authority	(401)	-	
Closing gross carrying value	15,021	14,761	11,174
Accumulated amortisation			
Opening balance	9,075	7,459	
Amortisation in the period	1,330	1,616	
Transferred to distributor-retailer authority	(98)	-	
Closing balance	10,307	9,075	7,459
Net carrying value at end of financial year	4,714	5,686	3,715
The software has a finite life estimated at 10 years Straight line amortisation has been used with no residual value			
Total intangible assets	4,714	5,686	3,715
23 Capital work in progress			
Land	2,969	9,592	1,976
Land improvements	2,135	13,097	7,714
Buildings	47,002	18,145	9,881
Park equipment	18,465	3,458	7,163
Plant and equipment	1,457	7,024	4,910
Water infrastructure	-	30,666	33,969
Sewerage infrastructure	-	152,340	173,174
Transport infrastructure	79,074	103,568	72,502
Stormwater infrastructure	853	9,278	10,187
Other	-	2,092	1,874
Waterways and canals	9,436	338	53
Cultural and heritage	-	499	558
Recycled water infrastructure	-	2,163	-
Intangible assets	235	104	1,131
	161,626	352,364	324,892

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

		2011	Restated 2010	Restated 2009
	Note	\$'000	\$'000	\$'000
24 Trade and other payables				
Current				
Trade creditors and accruals		36,648	56,289	37,784
Annual leave		7,548	10,539	10,008
Sick leave		459	891	2,529
Other entitlements		582	951	1,108
		<u>45,237</u>	<u>68,670</u>	<u>51,429</u>
Non-Current				
Trade creditors and accruals		1,264	1,406	1,441
Annual leave		2,472	3,764	3,616
Sick leave		211	420	1,202
		<u>3,947</u>	<u>5,590</u>	<u>6,259</u>
25 Borrowings				
Current				
Loans - Queensland Treasury Corporation		13,461	13,366	56,577
Finance leases	26	-	4	3
		<u>13,461</u>	<u>13,370</u>	<u>56,580</u>
Non-current				
Loans - Queensland Treasury Corporation		328,828	321,118	212,388
Finance lease	26	-	-	4
		<u>328,828</u>	<u>321,118</u>	<u>212,392</u>
Loans - Queensland Treasury Corporation				
Opening balance at beginning of financial year		334,485	268,965	143,226
Loans raised		20,000	85,000	258,444
Principal repayment		(12,196)	(19,480)	(132,705)
Book value at end of financial year		<u>342,289</u>	<u>334,485</u>	<u>268,965</u>

The QTC loan market value at the reporting date was \$354,411,131. This represents the value of the debt if Council repaid it at that date.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Note	2011 \$'000	Restated 2010 \$'000	Restated 2009 \$'000
26 Finance leases				
Movements in the finance lease during the reporting period were as follows:				
Balance at beginning of financial year		4	8	
Payments made in the period		(4)	(4)	
Minimum lease payments		-	4	
The above minimum lease payments are payable as follows:				
Not later than one year		-	4	
Total minimum lease payments		-	4	
Lease liability recognised in the financial statements		-	4	
Classified as:				
Current		-	4	
		-	4	
The present value of above minimum lease payments are payable as follows:				
Not later than one year		-	4	
		-	4	
The lease contract is completed and balance of the lease contract is zero.				
The carrying value of the leased assets is as follows:				
Plant and equipment		-	6	
27 Provisions				
Current				
Long service leave		2,037	1,812	1,822
Bio-solids composting site rehabilitation		24	11	285
		<u>2,061</u>	<u>1,823</u>	<u>2,107</u>
Non-current				
Long service leave		12,254	16,910	17,700
Bio-solids composting site rehabilitation		568	256	302
Refuse restoration		10,546	9,526	11,019
		<u>23,368</u>	<u>26,692</u>	<u>29,021</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	2011	Restated	Restated
Note	\$'000	2010 \$'000	2009 \$'000
Details of movements in provisions:			
Long service leave			
Balance at beginning of financial year	18,722		
Long service leave entitlement arising	2,538		
Long service leave entitlement transferred to distributor-retailer authority	(4,020)		
Long service leave entitlement extinguished	(1,994)		
Long service leave entitlement paid	(955)		
Balance at end of financial year	<u>14,291</u>		
Bio-solids composting site rehabilitation			
Balance at beginning of financial year	267		
Amount incurred and charged against the provision	(10)		
Increase in provision due to unwinding of discount	13		
Increase in provision due to change in estimate	304		
Increase in provision due to change in discount rate	18		
Balance at end of financial year	<u>592</u>		
This provision is the present value of the estimated post closure monitoring cost of the bio-solids composting site. The projected cost is \$24,000 for every year and expected to be completed in 2038.			
Refuse restoration			
Balance at beginning of financial year	9,526		
Increase in provision due to unwinding of discount	487		
Increase in provision due to change in discount rate	533		
Balance at end of financial year	<u>10,546</u>		

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Note	2011 \$'000	Restated 2010 \$'000	Restated 2009 \$'000
28 Other liabilities				
Current				
Revenue received in advance		918	1,838	2,631
		<u>918</u>	<u>1,838</u>	<u>2,631</u>
29 Retained surplus				
Movements in the retained surplus were as follows:				
Retained surplus at beginning of financial year		3,759,017	3,583,972	-
Net result attributable to Council		3,712	151,148	3,822,328
Transfer of asset revaluation surplus to retained surplus	30	124,495	-	-
Transfers (to) / from reserves:	31			
Infrastructure works reserve		(3,894)	(9,533)	(162,460)
Unspent grants reserve		4,026	2,042	(6,068)
Other reserves		9,712	31,388	(69,828)
Retained surplus at end of financial year		<u>3,897,068</u>	<u>3,759,017</u>	<u>3,583,972</u>
30 Asset revaluation surplus				
Movements in the asset revaluation surplus were as follows:				
Balance at beginning of financial year		738,078	560,943	-
Net adjustment to non-current assets at end of period to reflect change in current fair value:				
Land		42,828	177,135	59,417
Buildings		-	-	79,521
Water infrastructure		-	-	53,292
Sewerage infrastructure		-	-	51,944
Transport infrastructure		-	-	129,715
Stormwater infrastructure		-	-	146,936
Waterways and canals		-	-	39,537
Recycled water infrastructure		-	-	581
		<u>42,828</u>	<u>177,135</u>	<u>560,943</u>
Asset revaluation surplus transferred to retained surplus during 2010/11 comprises the following asset classes:				
Land		(17,981)	-	-
Buildings		(697)	-	-
Water infrastructure		(53,292)	-	-
Sewerage infrastructure		(51,944)	-	-
Recycled water infrastructure		(581)	-	-
Total transferred		<u>(124,495)</u>	<u>-</u>	<u>-</u>
Balance at end of financial year		<u>656,411</u>	<u>738,078</u>	<u>560,943</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Note	2011 \$'000	Restated 2010 \$'000	Restated 2009 \$'000
Asset revaluation surplus analysis				
The closing balance of the asset revaluation surplus comprises the following asset categories:				
Land		261,399	236,552	59,417
Buildings		78,824	79,521	79,521
Water infrastructure		-	53,292	53,292
Sewerage infrastructure		-	51,944	51,944
Transport infrastructure		129,715	129,715	129,715
Stormwater infrastructure		146,936	146,936	146,936
Waterways and canals		39,537	39,537	39,537
Recycled water infrastructure		-	581	581
		<u>656,411</u>	<u>738,078</u>	<u>560,943</u>
31 Reserves				
Reserves held for funding future capital and recurrent expenditure				
Infrastructure works reserve		74,307	171,993	162,460
Unspent grants reserve		-	4,026	6,068
Other reserves		130,308	38,440	69,828
		<u>204,615</u>	<u>214,459</u>	<u>238,356</u>
Movements in reserves:				
Infrastructure works reserve				
Balance at beginning of financial year		171,993	162,460	124,714
Transfer from retained surplus for future expenditure		25,739	44,169	56,955
Transfer to retained surplus		(21,845)	(34,636)	(19,209)
Transfer between reserves		(101,580)	-	-
Balance at end of financial year		<u>74,307</u>	<u>171,993</u>	<u>162,460</u>
Unspent grants reserve				
Balance at beginning of financial year		4,026	6,068	2,739
Transfer from retained surplus for future expenditure		-	4,026	6,068
Transfer to retained surplus		(4,026)	(6,068)	(2,739)
Balance at end of financial year		<u>-</u>	<u>4,026</u>	<u>6,068</u>
Other reserves				
Balance at beginning of financial year		38,440	69,828	71,157
Transfer from retained surplus for future expenditure		5,102	2,156	68,452
Transfer to retained surplus		(14,814)	(33,544)	(69,781)
Transfer between reserves		101,580	-	-
Balance at end of financial year		<u>130,308</u>	<u>38,440</u>	<u>69,828</u>
32 Commitments for expenditure				
Operating leases				
Minimum lease payments in relation to non-cancellable operating leases are as follows:				
Within one year		602	206	-
One to five years		706	-	-
		<u>1,308</u>	<u>206</u>	

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	2011	Restated
Note	\$'000	2010 \$'000
Contractual commitments		
Commitments for capital expenditure		
Contractual commitments at end of financial year but not recognised in the financial statements are as follows:		
Plant and Equipment	-	1,124
Building, Land and Improvements	4,185	1,200
Roads, Drains and Bridges	2,242	7,715
	<u>6,427</u>	<u>10,039</u>
These expenditures are due for payment:		
Not later than one year	<u>6,427</u>	<u>10,039</u>
	<u>6,427</u>	<u>10,039</u>
Commitments for operating expenditure		
Contractual commitments at end of financial year but not recognised in the financial statements are as follows:		
Waste removal and recycling services	16,187	26,448
Outsourced management of facilities of other services	6,150	10,132
Total contractual commitments at reporting date	<u>22,337</u>	<u>36,580</u>
These expenditures are due for payment:		
Not later than one year	20,079	16,987
One to five years	2,258	19,593
	<u>22,337</u>	<u>36,580</u>

33 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. Information in respect of individual claims has not been disclosed in accordance with AASB137 "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 \$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 it is unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution is to the total pool contributions in respect to any year that a deficit arises.

As at 30 June 2010 the financial statements reported an accumulated surplus of \$16,218,220 and it is not anticipated any liability will arise.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Local Government Workcare

Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. Council's maximum exposure to the bank guarantee is \$4,079,153.

34 Superannuation

Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the AASB119 *Employee Benefits*. The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

The scheme has two elements referred to as the Defined Benefits Fund (DBF) and the Accumulation Benefits Fund (ABF). The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the *Local Government Act 2009*.

The DBF is a defined benefit plan as defined in AASB119. Council is not able to account for the DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs. Any amount by which either fund is over or under funded would only affect future benefits and contributions to the DBF, and is not an asset or liability of Council. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

The audited general purpose financial report of the scheme as at 30 June 2010 (the most recent available) which was not subject to any audit qualification, indicates that the assets of the scheme are sufficient to meet the vested benefits.

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

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

Council has been advised by the trustee of the scheme, following advice from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of DBF members. Under the *Local Government Act 2009* the trustee of the scheme has the power to levy additional contributions on councils which have employees in the DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

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

	Note	2011 \$'000	Restated 2010 \$'000
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees and councillors was:	11	11,542	15,141

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Note	2011 \$'000	Restated 2010 \$'000
35 Operating lease income			
The minimum lease receipts are as follows:			
Not later than one year		4,841	4,828
One to five years		13,030	14,237
Later than five years		12,552	15,672
		<u>30,423</u>	<u>34,737</u>
36 Trust funds			
Trust funds held for outside parties			
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities		7,772	6,979
		<u>7,772</u>	<u>6,979</u>
Council performs only a custodial role in respect of these monies. As these funds cannot be used by Council, they are not brought to account in these financial statements.			
37 Reconciliation of net operating surplus for the year to net inflow from operating activities			
Net result		3,712	151,148
Non-cash operating items:			
Depreciation and amortisation		69,864	96,900
Net gain on market realisation of borrowings		(54)	(28)
Accrued interest expense		3,388	3,218
Change in future rehabilitation and restoration costs		822	579
Share of profit of associate		(39,979)	-
		<u>34,041</u>	<u>100,669</u>
Investing and development activities:			
Net loss/(profit) on disposal of non-current assets		12,432	(2,701)
Net loss on transfer of water assets and liabilities		76,983	-
Other dividends received		(1)	-
Capital grants and contributions		(78,928)	(167,702)
		<u>10,486</u>	<u>(170,403)</u>
Changes in operating assets and liabilities:			
Decrease/(increase) in receivables		19,924	(3,087)
Decrease/(increase) in other operating assets		365	(2,990)
(Decrease)/increase in payables		(20,153)	16,946
(Decrease) in employee provisions		(9)	(2,985)
		<u>126</u>	<u>7,884</u>
Net cash inflow from operating activities		<u>48,366</u>	<u>89,298</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

38 Correction of prior period errors

Contributed assets

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

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

During 2010/11 Council initiated a fundamental review of its processes to ensure that all assets contributed and controlled by Council as at the 30 June 2011 are recognised in the fixed asset register. The result of this review has to date led to a substantial dollar value of contributed assets being recognised and necessitated a restatement of prior reporting periods as disclosed in this note.

To date \$81,835,000 of contributed assets have been identified during the review. Of these contributed assets, it has been determined that \$27,940,000 of contributed assets identified in the 2010-11 met the asset recognition criteria in the 2009-10 financial year and \$9,739,000 of contributed assets met the asset recognition criteria in the 2008-09 (15 March 2008 to 30 June 2009) and \$4,974,000 of contributed assets met the asset recognition criteria prior 15 March 2008.

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

30 June 2010 Comparative year

Financial statement line item / balance affected	Note	Actual 2010 \$'000	Correction of Error Adj \$'000	Restated Actual 2010 \$'000
Statement of Comprehensive Income (Extract)				
Capital Revenue				
Grants, subsidies and contributions	6(b)	139,762	27,940	167,702
Total Revenue		<u>565,308</u>	<u>27,940</u>	<u>593,248</u>
Total Income		<u>568,009</u>	<u>27,940</u>	<u>595,949</u>
Operating Expenses				
Depreciation and amortisation	13	(96,369)	(531)	(96,900)
Total Expenses		<u>(444,270)</u>	<u>(531)</u>	<u>(444,801)</u>
INCREASE IN OPERATING CAPABILITY		<u>123,739</u>	<u>27,409</u>	<u>151,148</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>300,874</u>	<u>27,409</u>	<u>328,283</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Note	Actual 2010 \$'000	Correction of Error Adj \$'000	Restated Actual 2010 \$'000
Note 6 Grants, subsidies and contributions				
(b) Capital				
Contributed assets		39,799	27,940	67,739
		<u>39,799</u>	<u>27,940</u>	<u>67,739</u>
Note 13 Depreciation and amortisation				
Depreciation of non-current assets				
Land improvements		3,431	-	3,431
Roads infrastructure		29,654	406	30,060
Stormwater infrastructure		13,165	125	13,290
Total depreciation and amortisation		<u>96,369</u>	<u>531</u>	<u>96,900</u>
Statement of Financial Position (Extract)				
Non-Current Assets				
Property, plant and equipment	21	4,419,050	41,856	4,460,906
Total Non-Current Assets		<u>4,777,484</u>	<u>41,856</u>	<u>4,819,340</u>
Total Assets		<u>5,108,799</u>	<u>41,856</u>	<u>5,150,655</u>
NET COMMUNITY ASSETS		<u>4,669,698</u>	<u>41,856</u>	<u>4,711,554</u>
Community Equity				
Retained surplus	29	3,717,161	41,856	3,759,017
TOTAL COMMUNITY EQUITY		<u>4,669,698</u>	<u>41,856</u>	<u>4,711,554</u>
Note 21 Property, plant and equipment				
Land Improvements				
Asset Values				
Opening gross value as at 1 July 2009		59,331	-	59,331
Contributed assets	23	23	53	76
Closing gross value as at 30 June 2010		<u>67,843</u>	<u>53</u>	<u>67,896</u>
Accumulated depreciation and impairment				
Opening gross value as at 1 July 2009		16,334	-	16,334
Depreciation provided in period		3,431	-	3,431
Accumulated depreciation as at 30 June 2010		<u>19,765</u>	<u>-</u>	<u>19,765</u>
Total written down value as at 30 June 2010		<u>48,078</u>	<u>53</u>	<u>48,131</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Note	Actual 2010 \$'000	Correction of Error Adj \$'000	Restated Actual 2010 \$'000
Transport Infrastructure				
Asset Values				
Opening gross value as at 1 July 2009		1,666,827	9,058	1,675,885
Contributed assets		7,447	22,442	29,889
Closing gross value as at 30 June 2010		1,706,883	31,500	1,738,383
Accumulated depreciation and impairment				
Opening gross value as at 1 July 2009		400,627	163	400,790
Depreciation provided in period		29,654	406	30,060
Accumulated depreciation as at 30 June 2010		430,281	569	430,850
Total written down value as at 30 June 2010		1,276,602	30,931	1,307,533
Stormwater Infrastructure				
Asset Values				
Opening gross value as at 1 July 2009		854,378	5,655	860,033
Contributed assets		6,946	5,445	12,391
Closing gross value as at 30 June 2010		868,727	11,100	879,827
Accumulated depreciation and impairment				
Opening gross value as at 1 July 2009		204,572	103	204,675
Depreciation provided in period		13,165	125	13,290
Accumulated depreciation as at 30 June 2010		217,723	228	217,951
Total written down value as at 30 June 2010		651,004	10,872	661,876
Statement of Changes in Equity (Extract)				
Balance as at 1 July 2009		3,569,525	14,447	3,583,972
Net operating surplus		123,739	27,409	151,148
Total comprehensive income for the year		123,739	27,409	151,148
Balance at 30 June 2010		3,717,161	41,856	3,759,017

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

39 Financial instruments

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

Exposure to financial risks is managed in accordance with Council approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of Council. Council minimises its exposure to financial risk in the following ways:

Investments in financial assets are only made where those assets are with a bank or other financial institution in Australia. Council does not invest in derivatives or other high risk investments.

When Council borrows, it borrows from the Queensland Treasury Corporation and is constrained by the provisions of the *Statutory Bodies Financial Arrangements Act 1982*.

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

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

Credit risk exposure

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

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

	Note	2011 \$'000	Restated 2010 \$'000
Financial assets			
Cash and cash equivalents	16	205,693	270,157
Receivables - rates	17	9,355	14,073
Receivables - other		734,266	40,412
		949,314	324,642

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

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

30-June-2011

	Fully performing	Past due			Total
		Less than 30 days	30-60 days	More than 60 days	
	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	739,830	3,021	97	673	743,621
Less Impairment	-	-	-	(23)	(23)
Net Receivables	739,830	3,021	97	650	743,598

30-June-2010

	Fully performing	Past due			Total
		Less than 30 days	30-60 days	More than 60 days	
	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	51,980	635	267	1,603	54,485
Less Impairment	-	-	-	(194)	(194)
Net Receivables	51,980	635	267	1,409	54,291

Liquidity risk

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

Council manages its exposure to liquidity risk by maintaining sufficient undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in the Note 25.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

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

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying Amount
	\$'000	\$'000	\$'000	\$'000	\$'000
2011					
Trade and other payables	37,912	-	-	37,912	37,912
Loans - QTC	35,223	140,891	387,292	563,406	342,289
	73,135	140,891	387,292	601,318	380,201
2010					
Trade and other payables	74,259	-	-	74,259	74,259
Loans - QTC	34,703	131,749	389,500	555,952	334,485
Finance leases	4	-	-	4	4
	108,966	131,749	389,500	630,215	408,748

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

Council does not have access to a fixed overdraft facility.

Interest rate risk

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

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

Council does not undertake any hedging of interest rate risk.

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

	Net carrying amount		Profit		Equity	
	2011	Restated 2010	2011	Restated 2010	2011	Restated 2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets	-	-	887	2,166	887	2,166
Financial liabilities	(9)	(38)	(9)	(38)	(9)	(38)
Net total	(9)	(38)	878	2,128	878	2,128

Fair value

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

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

Before the end of each financial year, the Minister must decide for the financial year, the expenditure amounts (the "threshold amounts") for identifying a "significant business activity" that should be a type 1 or 2 business activity. A significant business activity where the threshold expenditure has been set by the Minister for the period ended 30 June 2011 is as follows:

Type 1:

- i) for other activities - \$24.95 million

Type 2:

- i) for other activities - \$8.35 million

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Details of community service obligations are as follows:

Activities and CSO Description	2011 \$'000
Waste	
Pensioner Discounts	250
Litter Management	352
Clean Up Australia	33

Section 45 of the *Local Government Act 2009* requires Council to set out a list of activities that were business activities during the financial year and a statement as to whether or not Council resolved to apply the Code of Competitive Conduct to each of those activities and if not, the reason it was not applied.

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

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

Type 2 Business Activities

	Waste Function
	2011 \$'000
Revenue	
Revenue for services provided to Council	1,873
Revenue for services provided to external clients	38,929
Community service obligations	635
	41,437
Expenditure	34,993
Surplus/(deficiency)	6,444

Type 3 Business Activities

	Certification Professionals	Birralee Child Care	Family Day Care	Bongaree Caravan Park
	2011 \$'000	2011 \$'000	2011 \$'000	2011 \$'000
Revenue				
Revenue for services provided to Council	-	-	-	-
Revenue for services provided to external clients	1,720	1,099	560	1,246
Community service obligations	-	-	-	-
	1,720	1,099	560	1,246
Expenditure	2,476	1,067	551	923
Surplus/(deficiency)	(756)	32	9	323



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

41 Water reform in South East Queensland

In May 2007 the Queensland Water Commission released its final report to the Queensland Government on urban water supply arrangements in South East Queensland. The report recommended a range of structural and regulatory reforms proposed for urban water supply arrangements in South East Queensland including enhanced economic regulation and pricing.

Bulk water reform

The South East Queensland Water (Restructuring) Act 2007 provided the legislative basis to affect the first stage of the Government's reforms by facilitating bulk water supply and transport business restructure in South East Queensland. Pursuant to transfer notices gazetted under the Restructuring Act, bulk water assets and liabilities were transferred to the Queensland Bulk Water Transport Authority and the Queensland Bulk Water Supply Authority on 1 July 2008.

Distribution and retail water

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

On 1 July 2010 the Authority acquired legislative power to begin trading, using the business name Unitywater. The Authority's Board is comprised of independent directors. Neither individual Council has the ability to dominate the Authority's decision making to obtain greater benefit than the other Participant.

Transitional arrangements to support the separation of the distributed and retail water business from the participating Council's include service level agreements for Council to provide a range of services of the Authority over the next two years on commercial terms.

Under the Act, governance arrangements for the Authority were established in a Participation Agreement, which is operative from 1 July 2010. The Agreement provides for participation rights to be held by the participating Councils.

Costs of \$8.3 million were incurred by the Council for the establishment of the Authority during 2009/10 and are included in these financial statements as a receivable. These costs were reimbursed to Council during 2010/11.

On 7 April 2011 the Premier announced that local governments may opt out of their distributor retailer authorities if they elected to do so. Participating Councils were required to advise the Queensland Government by 1 July 2011 of their preferred water business structure (i.e. continue with Unitywater or opt out of Unitywater and re-establish a water business as part of Council). The participating councils of Moreton Bay Regional Council and Sunshine Coast Regional Council have confirmed on 17 June 2011 and 28 June 2011 respectively that they will continue to be participants in the distributor retailer entity Unitywater into the future.

On 17 June 2011 legislation to introduce a cap on distribution and retail price increases was enacted. Effective from 1 July 2011 price increases would be limited to no more than the consumer price index (CPI) for a two year period, until 30 June 2013. The financial impact of the price cap on Moreton Bay Regional Council over the price cap period cannot be reliably measured as at the reporting date.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Participation rights

The total contribution of each Council to the Distributor-Retailer (Unitywater) was calculated using a regulatory asset base (RAB) valuation approved by the Queensland Government for water pricing purposes. The RAB represented the market value of the assets at 25 June 2008 adjusted to 30 June 2010.

RAB was used to determine each Council's participation rights, which are Moreton Bay Regional Council 58.24% and Sunshine Coast Regional Council 41.76% recorded in the register of participation rights on 7 June 2011.

On 1 July 2010 the value of Moreton Bay Regional Council's investment in Unitywater was \$1,512,615,877 which is represented by participation rights in the amount of \$835,590,783 and a loan receivable in the amount of \$677,025,094.

Gain/loss on transfer of water assets

The carrying value of Councils assets and liabilities transferred to Unitywater on 1 July 2010 was in the amount of \$1,589,599,045. As the RAB calculation representing Council's consideration for the transfer of assets (less any net liabilities) to Unitywater was calculated to be in the amount of \$1,512,615,877, Council incurred a loss on transfer of \$76,983,168 during the 2010/11 financial year.

Assets and liabilities transferred

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

Details of the transferred assets and liabilities are:

	Amount \$'000
Property, plant and equipment	1,403,776
Capital work in progress	191,904
Inventories	2,111
Employee benefits	(7,641)
Unearned revenue	(551)
Book value of net assets transferred	1,589,599
Fair value of compensation received (Participation rights, and Loan receivable)	1,512,616
Net loss on transfer of assets to the Authority	(76,983)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Associates

Associates are entities that Moreton Bay Regional Council has significant influence over. Significant influence is the power to participate in the financial and operating policy decisions but is not control or joint control. 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 are adjusted against the cost of the investment. Council has determined that Unitywater is an associate for accounting purposes.

Council returns

Participation return

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

Tax equivalents

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. Tax is payable quarterly based on a percentage of the Unitywater gross revenue until its first tax assessment.

Shareholder loans

Shareholder loans provide for a fixed interest rate with monthly interest only payments for three years. On maturity, the terms will be renegotiated with Unitywater.

Details of the loans are as follow.

	Amount \$	Interest Rate %
Senior debt	376,125,052	6.6723
Subordinated debt	300,900,042	7.5125
Total shareholder loans	<u><u>677,025,094</u></u>	



MANAGEMENT CERTIFICATE
For the year ended 30 June 2011

These general purpose financial statements have been prepared pursuant to Section 102 of the *Local Government (Finance, Plans and Reporting) Regulation 2010* (the Regulation) and other prescribed requirements.

In accordance with Section 161 of the Regulation we certify that these general purpose financial statements:

- (i) have been prepared in accordance with the relevant accounting documents; and
- (ii) accurately reflect the local government's financial performance and position for the financial year.

In addition we certify that, in our opinion:

- (i) the prescribed requirements of the Local Government Act 2009 and associated Regulations for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) these general purpose financial statements, as set out on pages 1 to 47, have been prepared in accordance with Australian accounting standards (including Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Boards); and
- (iii) these general purpose financial statements present a true and fair view of the Council's financial position as at 30 June 2011 and of its financial performance and cash flows for the financial year ended on that date.

Cr Allan Sutherland
Mayor

Date: 2 / 11 / 2011

Mr John Rauber
Chief Executive Officer

Date: 2 / 11 / 2011

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Moreton Bay Regional Council

Report on the Financial Report

I have audited the accompanying financial report of Moreton Bay Regional Council which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Financial Report

The Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Local Government Act 2009* and *Local Government (Finance, Plans and Reporting) Regulation 2010*, including compliance with Australian Accounting Standards. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

Independence

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

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

Opinion

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

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of Moreton Bay Regional Council for the financial year 1 July 2010 to 30 June 2011 and of the financial position as at the end of that year.



Stephen Tarling
as Delegate of the Auditor-General of Queensland

3 November 2011