Moreton Bay
Regional Council

MORETON BAY REGIONAL COUNCIL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 June 2012

Moreton Bay Regional Council

Financial Statements
For the year ended 30 June 2012
TABLE OF CONTENTS

Moreton Bay Regional Council

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Note	2012 $'000	Restated 2011 $'000
Income			
Revenue			
Operating Revenue			
Rates and utility charges	3	**207,808**	197,701
Fees and charges	4	**28,073**	31,356
Rental income	5	**6,052**	5,230
Grants, subsidies and contributions	6(a)	**41,549**	27,939
Interest revenue	7	**62,816**	64,686
Sales revenue	8	**4,520**	3,653
Other revenue	9	**12,524**	12,312
Share of profit of associate	21	**37,071**	39,979
		400,413	382,856
Capital Revenue			
Grants, subsidies and contributions	6(b)	**114,744**	78,928
Total Revenue		**515,157**	461,784
Capital Income	10	**645**	-
Total Income		**515,802**	461,784
Expenses			
Operating Expenses			
Employee benefits	11	**(116,649)**	(115,852)
Materials and services	12	**(162,018)**	(160,036)
Depreciation and amortisation	13	**(72,343)**	(75,547)
Finance costs	14	**(23,175)**	(22,582)
		(374,185)	(374,017)
Capital Expenses	15	**(25,190)**	(89,738)
Total Expenses		**(399,375)**	(463,755)
NET RESULT		**116,427**	(1,971)
Other Comprehensive Income			
Increase in asset revaluation surplus	31	**79,940**	42,828
Total other comprehensive income for the year		**79,940**	42,828
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**196,367**	40,857

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

QAO CERTIFIED STATEMENTS

Moreton Bay

STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

	Note	2012 $'000	Restated 2011 $'000	Restated 2010 $'000
Assets				
Current Assets				
Cash and cash equivalents	16	**205,349**	205,693	270,157
Trade and other receivables	17	**55,715**	55,494	58,136
Inventories	18	**1,009**	1,008	3,022
Total Current Assets		**262,073**	262,195	331,315
Non-Current Assets				
Trade and other receivables	17	**687,686**	691,856	369
Investments	19	**15**	15	15
Investment property	20	**47,320**	-	-
Investment in associate	21	**858,779**	849,361	-
Property, plant and equipment	22	**3,732,071**	3,487,135	4,747,577
Intangible assets	23	**3,815**	4,714	5,686
Capital works in progress	24	**75,284**	161,626	352,364
Total Non-Current Assets		**5,404,970**	5,194,707	5,106,011
Total Assets		**5,667,043**	5,456,902	5,437,326
Liabilities				
Current Liabilities				
Trade and other payables	25	**44,992**	45,237	68,670
Borrowings	26	**15,282**	13,461	13,370
Provisions	28	**2,025**	2,061	1,823
Other	29	**477**	918	1,838
Total Current Liabilities		**62,776**	61,677	85,701
Non-Current Liabilities				
Trade and other payables	25	**4,265**	3,947	5,590
Borrowings	26	**341,112**	328,828	321,118
Provisions	28	**23,441**	23,368	26,692
Total Non-Current Liabilities		**368,818**	356,143	353,400
Total Liabilities		**431,594**	417,820	439,101
NET COMMUNITY ASSETS		**5,235,449**	5,039,082	4,998,225
Community Equity				
Retained surplus	30	**4,306,964**	4,178,056	4,045,688
Asset revaluation surplus	31	**736,351**	656,411	738,078
Reserves	32	**192,134**	204,615	214,459
TOTAL COMMUNITY EQUITY		**5,235,449**	5,039,082	4,998,225

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

QAO CERTIFIED STATEMENTS

Moreton Bay

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Note	Retained Surplus	Asset Revaluation Surplus	Reserves	Total Community Equity
	Note	**30**	**31**	**32**	
		$'000	**$'000**	**$'000**	**$'000**
Balance as at 1 July 2011		**4,178,056**	**656,411**	**204,615**	**5,039,082**
Net result		**116,427**	**-**	**-**	**116,427**
Other comprehensive income for the year					
Increase in asset revaluation surplus		**-**	**79,940**	**-**	**79,940**
Total comprehensive income for the year		**116,427**	**79,940**	**-**	**196,367**
Transfers to and from reserves					
Transfers to other reserves		**(21,780)**	**-**	**21,780**	**-**
Transfers from other reserves		**34,261**	**-**	**(34,261)**	**-**
Total transfers to and from reserve		**12,481**	**-**	**(12,481)**	**-**
Balance at 30 June 2012		**4,306,964**	**736,351**	**192,134**	**5,235,449**
Balance as at 1 July 2010 (Restated)		4,045,688	738,078	214,459	4,998,225
Net result		(1,971)	-	-	(1,971)
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		122,524	(81,667)	-	40,857
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		4,178,056	656,411	204,615	5,039,082

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

QAO CERTIFIED STATEMENTS

Moreton Bay Regional Council

STATEMENT OF CASH FLOWS
For the year ended 30 June 2012

	Note	2012 $'000	Restated 2011 $'000
Cash flows from operating activities			
Receipts from customers		**275,150**	288,924
Payments to suppliers and employees		**(304,517)**	(326,588)
Interest received		**62,816**	64,686
Rental income		**6,052**	5,230
Non capital grants and contributions		**41,549**	27,939
Tax equivalent received		**4,608**	4,312
Borrowing costs		**(21,912)**	(18,220)
Net cash inflow from operating activities	**38**	**63,746**	46,283
Cash flows from investing activities			
Payments for property, plant and equipment		**(140,451)**	(167,637)
Payments for intangible assets		**(95)**	(661)
Payments for investment property		**(4,795)**	-
Proceeds from sale of property, plant and equipment		**2,178**	21,472
Net movement in loans to community organisations		**81**	(32)
Net movement in loans to Unitywater		**3,844**	(18,283)
Dividends received from associate		**27,715**	12,320
Other dividends received		**-**	1
Grants, subsidies, contributions and donations		**33,328**	37,607
Net cash outflow from investing activities		**(78,195)**	(115,213)
Cash flows from financing activities			
Proceeds from borrowings		**27,500**	20,000
Repayment of borrowings		**(13,395)**	(15,530)
Repayments made on finance leases		**-**	(4)
Net cash inflow from financing activities		**14,105**	4,466
Net (decrease) in cash held		**(344)**	(64,464)
Cash at beginning of the financial year		**205,693**	270,157
Cash at end of the financial year	**16**	**205,349**	205,693

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

QAO CERTIFIED STATEMENTS

1 Significant accounting policies

1.A Basis of preparation

These general purpose financial statements for the period 1 July 2011 to 30 June 2012 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.

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

QAO CERTIFIED STATEMENTS

	Effective for annual report periods beginning on or after:
AASB 9 *Financial Instruments* (December 2009)	1 January 2013
AASB 10 *Consolidated Financial Statements*	1 January 2013
AASB 11 *Joint Arrangements*	1 January 2013
AASB 12 *Disclosure of Interests in Other Entities*	1 January 2013
AASB 13 *Fair Value Measurement*	1 January 2013
AASB 119 *Employee Benefits* (completely replaces existing standard)	1 January 2013
AASB 127 *Separate Financial Statements* (replaces the exiting standard together with AASB 10)	1 January 2013
AASB 128 *Investments in Associates and Joint Ventures* (replaces the exiting standard)	1 January 2013
AASB 1053 *Application of Tiers of Australian Accounting Standards*	1 July 2013
2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2009)	1 January 2013
2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*	1 July 2013
2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010)	1 January 2013
2010-8 *Amendments to Australian Accounting Standards - Deferred Tax: Recovery of underlying Assets*	1 January 2012
2010-10 *Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time Adopters*	1 January 2013
2011-2 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirement*	1 July 2013
2011-3 *Amendments to Australian Accounting Standards - Orderly Adoption of Changes to ABS GFS Manual and Related Amendments*	1 July 2012
2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*	1 July 2013
2011-6 *Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements*	1 July 2013
2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*	1 January 2013
2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*	1 January 2013

QAO CERTIFIED STATEMENTS

2011-9 *Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income*	1 July 2012
2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*	1 January 2013
2011-11 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) arising from Reduced Disclosure Requirements*	1 July 2013
2011-12 *Amendments to Australian Accounting Standards arising from Interpretation 20 (AASB 1)*	1 January 2013
2011-13 *Amendments to Australian Accounting Standard - Improvements to AASB 1049*	1 July 2012
2012-1 *Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements (AASB 3, AASB 7, AASB 13, AASB 140, & AASB 141)*	1 July 2013
2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities (AASB 7 & AASB 132)*	1 January 2013
2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (AASB 132)*	1 January 2014
2012-4 *Amendments to Australian Accounting Standards - Government Loans (AASB 1)*	1 January 2013
2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle (AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2)*	1 January 2013
Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

AASB 9 Financial instruments (effective from 1 January 2013)

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2013 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met.

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.

QAO CERTIFIED STATEMENTS

Consolidation Standards

The AASB issued a suite of six related accounting standards which are effective for annual reporting periods beginning on or after 1 January 2013. The following standards aim to improve the accounting requirements for consolidated financial statements, joint arrangements and off balance sheet vehicles.

AASB 10 *Consolidated Financial Statements*
AASB 11 *Joint Arrangements*
AASB 12 *Disclosure of Interests in Other Entities*
AASB 127 *Separate Financial Statements*
AASB 128 *Investments in Associates and Joint Ventures*
AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidated and Joint Arrangements Standards*

The AASB is still considering whether these standards need to be modified for application by not-for-profit entities. Consequently, not-for-profit entities are not currently permitted to apply these standards prior to the mandatory application date. As Council is a not-for profit entity, no assessment has been made of the potential impact. An assessment of the impact will be made when the not-for-profit requirements are finalised.

AASB 13 Fair Value Measurement (AASB 13)

AASB 13 applies to reporting periods beginning on or after 1 January 2013. The standard sets out a new definition of "fair value", as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of the Council's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based of fair value. The potential impacts of AASB 13 relate to the fair value measurement methodologies used, and financial statement disclosures made in respect of, such assets and liabilities.

Council has commenced reviewing its fair value methodologies (including instructions to valuers, data used and assumptions made) for all items of property, plant and equipment measured at fair value to determine whether those methodologies comply with AASB 13. To the extent that the methodologies don't comply, changes will be necessary. While the Council is yet to complete this review, no significant changes are anticipated, based on the fair value methodologies presently used. At this stage, no consequential material impacts are expected for Council's property, plant and equipment in 2013-14.

AASB 13 will require an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. To the extent that any fair value measurement for an asset or liability uses data that is not "observable" outside the Council, the amount of information to be disclosed will be relatively greater.

QAO
CERTIFIED
STATEMENTS

Amendments to AASB 101 Presentation of Financial Statements

The AASB 101 Amendments require Council to group items presented in other comprehensive income into those that, in accordance with other standards: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Council's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

Amendments to AASB 119 Employee Benefits

A revised version of AASB 119 Employee Benefits applies from reporting periods beginning on or after 1 January 2013. The revised AASB 119 is generally to be applied retrospectively.

The revised standard includes changed criteria for accounting for employee benefits as "short-term employee benefits". Had Council applied the revised standard this year annual leave currently classified as a "short-term benefit" would have been reclassified as a "long-term benefit". However, no reported amounts would have been amended as the Council already discounts the annual leave liability to present value in respect of amounts not expected to be settled within 12 months (refer Note 1.V).

The concept of "termination benefits" is clarified and the recognition criteria for liabilities for terminations benefits will be different. If termination benefits meet the timeframe criterion for "short-term employee benefits", they will be measured according to the AASB 119 requirements for "short-term employee benefits". Otherwise, termination benefits will need to be measured according to the AASB 119 requirements for "other long-term employee benefits". Under the revised standard, the recognition and measurement of employer obligations for "other long-term employee benefits" will need to be accounted for according to most of the requirements for defined benefit plans.

The revised AASB 119 also includes changed requirements for the measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities/assets. Council contributes to the Local Government Superannuation Scheme (Qld) as disclosed in Note 35. The revised standard will require Council to make additional disclosures regarding the Defined Benefits Fund element of the scheme. Additional disclosures will only be possible where Local Government Superannuation Scheme (Qld) can segregate Councils defined benefits fund scheme assets and liabilities from other Councils and other accumulation schemes.

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.

QAO
CERTIFIED
STATEMENTS

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

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

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

Investment Property - Note 1.O and Note 20
Valuation and depreciation of property, plant and equipment - Note 1.P and Note 22
Impairment of non-current assets - Note 1.S
Provisions - Note 1.V and 1.X and Note 28
Contingencies - Note 34

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 as the various performance obligations under the funding arrangement are fulfilled.

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.

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.

QAO CERTIFIED STATEMENTS

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

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

Share of profit
As a party to the participation agreement with Unitywater, Council receives a proportional share of net profits as a participation return. Returns are calculated on the post-tax operating profits of Unitywater. Revenue is recognised on an accruals basis.

Sales revenue
Sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, generally when the customer has taken undisputed delivery of the goods. Council generates revenues from a number of services including waste operations and community facilities operations.

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

Income tax equivalent
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. Council recognises revenue quarterly based on a percentage of the Unitywater gross revenue.

1.I Financial assets and financial liabilities

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

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

Financial assets
Cash and cash equivalents - Note 1.J
Receivables - Note 1.K

Financial liabilities
Payables - Note 1.U
Borrowings - 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.

QAO CERTIFIED STATEMENTS

The fair value of borrowings, as disclosed in Note 26 to the accounts, is determined by reference to published price quotations in an active market and/or by reference to pricing models and valuation techniques. It reflects the value of the debt if the Council repaid it in full at reporting date. As it is the intention of the Council to hold its borrowings for their full term, no adjustment provision is made in these accounts.

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

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

All other disclosures relating to the measurement and financial risk management of financial instruments are included in Note 41.

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

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

QAO
CERTIFIED
STATEMENTS

1.L Inventories

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

Inventories held for distribution are:
- goods to be supplied at no or nominal charge; and
- goods to be used for the provision of services at no or nominal charge.

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

1.M 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.

Council holds shares in Redcliffe Peninsula Financial Services Ltd. The shares are valued at cost because they are not quoted in an active market and their fair value cannot be reliably measured. Council's investments are disclosed in Note 19.

1.N 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 within 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 21.

QAO CERTIFIED STATEMENTS

1.O Investment property

Investment property is property held for the primary purpose of earning rentals and/or capital appreciation. This includes land held by Council for a currently undetermined future use.

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

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

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

1.P Property, plant and equipment

Asset classes

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

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

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.

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.

QAO
CERTIFIED
STATEMENTS

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 assets does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every three to five years. This process involves the valuer physically sighting all Council assets where practical and making an independent assessment of the condition of the assets at the date of inspection.

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

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

Details of valuers and methods of valuations are disclosed in Note 22.

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.

Investment property under construction is classified as investment property. Refer to Note 1.O for further information.

QAO CERTIFIED STATEMENTS

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. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

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

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

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

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

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. Details of the range of estimated useful lives for each class of asset are shown in Note 22.

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 has only been identified and placed into the fixed asset register during the current reporting period and not deemed material for the purposes of a prior period correction under the provisions of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

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 immaterial identified assets have been initially recognised within the accounts at their written down fair value as at the reporting date detailed.

During the current financial reporting period, a large value of transport and stormwater infrastructure was identified as not having been previously recorded. As a result of the value of the assets identified, and the remaining uncertainty in relation to the totality of the transport asset base, a prior period correction has been recorded in Note 39. This correction has been retrospectively applied under the provisions of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

QAO CERTIFIED STATEMENTS

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 on 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.

Amortisation methods, estimated useful lives and residual values are reviewed at the end of each reporting period and adjusted where appropriate. Details of the estimated useful lives assigned to each class of intangible assets are shown in Note 23.

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.

QAO CERTIFIED STATEMENTS

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.

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

1.U Payables

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

1.V Liabilities - employee benefits

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

Salaries and wages
A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 25 as a payable.

Annual leave
A liability for annual leave is recognised. Amounts expected to be settled within 12 months (the current portion) are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months (the non-current portion) are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense and is reported in Note 25 as a payable.

QAO
CERTIFIED
STATEMENTS

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 25 as a non-current 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 35.

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 28 as a provision.

1.W Borrowings and borrowing costs

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

In accordance with the Local Government (Finance, Plans and Reporting) Regulation 2010 Council adopts an annual debt policy that sets out Council's planned borrowings for the next nine years. Council's current policy is to only borrow for capital projects and for a term no longer than the expected life of the asset. Council also aims to comply with the Queensland Treasury Corporation's borrowing guidelines and ensure that sustainability indicators remain within acceptable levels at all times.

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

QAO
CERTIFIED
STATEMENTS

1.X Restoration provision

The provision is made for the cost of restoration in respect of refuse landfill sites and bio-solids composting sites where it is probable Council will be liable, or required, to incur such a cost on the cessation of use of these facilities. The provision is measured at the expected cost of the work required discounted to current day values using an appropriate rate. Further details of Council's provision for the cost of restoration of refuse landfill sites and bio-solids composting sites can be found in Note 28.

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

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. Once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in profit and loss.

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

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 31.

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.

QAO CERTIFIED STATEMENTS

1.AB National competition policy

Council has reviewed its activities to identify its business activities. Details of these activities are disclosed in Note 42.

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 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 37.

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 Carbon pricing mechanism

On 8 November 2011 the Senate passed the 'Clean Energy Legislative Package' which sets out the way that Australia will introduce a carbon price to reduce Australia's carbon pollution and move to a clean energy future.

The carbon pricing mechanism will have a two phased approach: a fixed price mechanism, followed by an emissions trading scheme (ETS). Under the carbon pricing scheme, as of 1 July 2012, every tonne of carbon dioxide equivalent (CO_2-e) produced by approximately 500 of Australia's largest emitters will be priced at $23/tonne. For the first three years, the carbon price will be fixed, rising annually by 2.5%. On 1 July 2015, the pricing mechanism will transition to the floating ETS.

Under the legislation Council will be a liable entity from 1 July 2012 based on emissions from two refuse landfill sites each being above the 25,000 tonne threshold.

QAO CERTIFIED STATEMENTS

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.

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.

QAO CERTIFIED STATEMENTS

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

Year ended 30 June 2012	Gross program income				Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result	Assets
	Operating		Capital									
Function	Grants	Other	Grants	Other			Operating	Capital				
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Engineering, Construction & Maintenance	6,477	14,148	11,486	518	(11,554)	21,075	(102,080)	1,769	11,290	(89,021)	(67,946)	3,814,712
Community & Environmental Services	8,012	61,329	131	565	(2,427)	67,610	(96,798)	(15)	2,525	(94,288)	(26,678)	46,895
Corporate Services & Governance	16,826	290,855	62	102,627	1,054	411,424	(169,105)	(26,944)	(888)	(196,937)	214,487	1,805,436
Strategic Planning & Development	8,441	7,256	-	-	(4)	15,693	(19,133)	-	4	(19,129)	(3,436)	-
Total	39,756	373,588	11,679	103,710	(12,931)	515,802	(387,116)	(25,190)	12,931	(399,375)	116,427	5,667,043

Year ended 30 June 2011 (Restated)	Gross program income				Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result	Assets
	Operating		Capital									
Function	Grants	Other	Grants	Other			Operating	Capital				
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Engineering, Construction & Maintenance	4,618	20,810	10,925	537	(16,163)	20,727	(107,691)	3,136	15,870	(88,685)	(67,958)	3,607,149
Community & Environmental Services	7,241	57,828	338	-	(2,053)	63,354	(93,827)	-	2,118	(91,709)	(28,355)	49,503
Corporate Services & Governance	13,281	282,476	68	67,060	2,110	364,995	(171,871)	(92,874)	(1,885)	(266,630)	98,365	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	371,706	11,331	67,597	(16,108)	461,784	(390,124)	(89,738)	16,107	(463,755)	(1,971)	5,456,902

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

QAO CERTIFIED STATEMENTS

		Note	2012 $'000	Restated 2011 $'000
3	**Rates and utility charges**			
	General rates		**174,413**	167,612
	Cleansing charges		**34,081**	31,449
	Other special levies, rates and charges		**2,495**	1,556
			210,989	200,617
	Less: Pensioner and other rebates		**(3,181)**	(2,916)
			207,808	197,701
4	**Fees and charges**			
	Administration		**6,467**	6,333
	Building certification		**-**	1,720
	Community facilities		**4,191**	3,467
	Development services		**11,299**	12,365
	Waste management		**3,344**	4,305
	Animal control		**2,312**	2,197
	Other fees		**460**	969
			28,073	31,356
5	**Rental income**			
	Investment property rental		**4,187**	-
	Other rental income		**1,865**	5,230
			6,052	5,230
6	**Grants, subsidies and contributions**			
(a)	**Operating**			
	Government grants and subsidies		**39,077**	26,561
	Other grants, subsidies, contributions and donations		**2,472**	1,378
			41,549	27,939
(b)	**Capital**			
	Government grants and subsidies		**11,680**	11,230
	Infrastructure cash contributions		**21,130**	25,739
	Contributed assets		**77,341**	39,182
	Assets not previously recognised		**4,075**	2,139
	Other capital income		**518**	638
			114,744	78,928

QAO CERTIFIED STATEMENTS

	Note	2012 $'000	Restated 2011 $'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		2,956	1,167
		2,956	1,167
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		1,167	4,026
		1,167	4,026

7 Interest revenue

	Note	2012 $'000	Restated 2011 $'000
Interest from financial institutions		12,679	14,773
Interest from Unitywater		49,079	48,749
Interest from overdue rates and utility charges		1,058	1,164
		62,816	64,686

8 Sales revenue

	Note	2012 $'000	Restated 2011 $'000
Waste operations		3,770	2,897
Other		750	756
		4,520	3,653

9 Other revenue

	Note	2012 $'000	Restated 2011 $'000
Recoverable works		104	53
Dividend		-	1
Tax equivalent		6,844	3,777
Other income		5,576	8,481
		12,524	12,312

10 Capital income

	Note	2012 $'000	Restated 2011 $'000
Refuse landfill sites restoration			
Estimation adjustment to refuse landfill sites		463	-
Discount rate adjustment to refuse landfill sites		101	-
		564	-
Bio-solids composting site rehabilitation			
Discount rate adjustment to Bio-solids composting site	28	81	-
		81	-
Total capital income		645	-

QAO CERTIFIED STATEMENTS

	Note	2012 $'000	Restated 2011 $'000
11 Employee benefits			
Total staff wages and salaries		97,033	97,406
Annual, sick, long service leave and other entitlements		13,681	11,695
Superannuation	35	11,828	11,542
		122,542	120,643
Other employee related expenses		6,348	6,197
		128,890	126,840
Less: Capitalised employee expenses		(12,241)	(10,988)
		116,649	115,852

	2012 No.	2011 No.
Total full time equivalent employees	1,548	1,555
	1,548	1,555

	2012 $'000	2011 $'000
12 Materials and services		
Consultants	1,679	2,500
Contractors	67,525	63,755
Councillors' remuneration	1,613	1,628
Entertainment and hospitality	252	205
Marketing and promotions	1,426	1,499
Utilities	10,930	10,223
Water - raw and treated	-	8
Donations, grants and contributions	1,946	2,070
Expensed capital	6,285	8,791
Fuel	3,686	3,311
Information technology hardware/software	947	3,361
Insurance premiums	2,487	2,369
Printing, postage and stationery	1,609	1,711
Plant hire	3,047	3,215
Chemicals	166	146
Legal costs	1,813	1,666
Security	826	899
Equipment maintenance	1,342	1,310
Commissions and contributions	31,708	26,244
Cleaning	1,552	1,449
Audit of annual financial statements by the Auditor-General of Queensland	260	250
Other audit assurance services performed	7	-
Investment property expenses (property generating income)	212	-
Other materials and services	20,700	23,426
	162,018	160,036

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

QAO
CERTIFIED
STATEMENTS

		Note	2012 $'000	Restated 2011 $'000
13	**Depreciation and amortisation**			
	Depreciation of non-current assets			
	Land improvements		**3,925**	2,849
	Buildings		**4,596**	6,177
	Park equipment		**3,241**	3,652
	Plant and equipment		**7,986**	10,188
	Sewerage infrastructure		**-**	117
	Transport infrastructure		**39,466**	37,577
	Stormwater infrastructure		**11,960**	13,650
	Other		**-**	(129)
	Waterways and canals		**176**	136
		22	**71,350**	74,217
	Amortisation of intangible assets			
	Software	23	**993**	1,330
	Total depreciation and amortisation		**72,343**	75,547
14	**Finance costs**			
	Finance cost on loans		**21,828**	21,462
	Impairment of bad debts		**21**	(32)
	Bank charges		**661**	560
	Landfill restoration		**581**	500
	Other interest charges		**84**	92
			23,175	22,582
15	**Capital expenses**			
	Loss on disposal of non-current assets			
	Proceeds from the sale of property, plant and equipment		**2,178**	21,472
	Less: Book value of property, plant and equipment disposed of		**(26,008)**	(33,904)
			23,830	12,432
	Distribution and retail water reform			
	Loss on transfer of water assets and liabilities		**-**	76,983
			-	76,983
	Bio-solids composting site rehabilitation			
	Estimation adjustment to Bio-solids composting site		**-**	305
	Discount rate adjustment to Bio-solids composting site		**-**	18
			-	323
	Revaluations			
	Revaluation down of investment property	20	**1,360**	-
			1,360	-
	Total capital expenses		**25,190**	89,738

QAO CERTIFIED STATEMENTS

		Note	2012 $'000	Restated 2011 $'000	Restated 2010 $'000
16	**Cash and cash equivalents**				
	Cash at bank and on hand		**3,794**	1,970	10,908
	Deposits at call		**61,155**	18,323	89,849
	Term deposits		**140,400**	185,400	169,400
	Balance per Statement of Cash Flows		**205,349**	205,693	270,157
	Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:				
	Unspent government grants and subsidies		**2,956**	1,167	4,026
	Unspent infrastructure contributions	32	**83,327**	78,350	171,993
			86,283	79,517	176,019
17	**Trade and other receivables**				
	Current				
	Rates and utility charges		**8,970**	9,355	14,073
	Water charges not yet levied		**-**	-	13,284
	Loans to community organisations		**15**	38	29
	Loans to Unitywater		**4,111**	3,844	-
	Accrued interest receivable from Unitywater		**12,170**	11,854	-
	Accrued dividend receivable from Unitywater		**13,827**	13,889	-
	Other debtors		**9,217**	8,386	19,701
	GST recoverable		**3,225**	4,399	7,030
	Prepayments		**4,192**	3,752	4,214
			55,727	55,517	58,331
	Less: Allowance for impaired debts		**(12)**	(23)	(195)
			55,715	55,494	58,136
	Non-current				
	Loans to community organisations		**334**	392	369
	Loans to Unitywater		**10,327**	14,439	-
	Senior debt receivable from Unitywater		**376,125**	376,125	-
	Subordinated debt receivable from Unitywater		**300,900**	300,900	-
			687,686	691,856	369

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.

Movement in accumulated impairment losses (other debtors) is as follows:

	2012 $'000	Restated 2011 $'000	Restated 2010 $'000
Opening balance at beginning of financial year	**23**	195	155
Impairment debts written off during the year	**(27)**	(126)	(23)
Additional impairments recognised during the year	**20**	106	67
Impairments recovered during the year	**(4)**	(152)	(4)
Closing balance at end of financial year	**12**	23	195

QAO CERTIFIED STATEMENTS

		Note	2012 $'000	Restated 2011 $'000	Restated 2010 $'000
18	**Inventories**				
	Inventories held for distribution		**1,009**	1,008	3,022
			1,009	1,008	3,022
19	**Investments**				
	Shares in Redcliffe Peninsula Financial Services Ltd		**15**	15	15
			15	15	15
20	**Investment property**				
	Fair value at beginning of financial year		**43,885**	-	-
	Additions from acquisitions		**4,289**	-	-
	Additions from subsequent expenditure recognised		**506**	-	-
	Net gain or (losses) from fair value adjustments	**15**	**(1,360)**	-	-
	Fair value at end of financial year		**47,320**	-	-

Investment property comprises:

- commercial property which is rented out
- land which is held for future development or an undetermined future use.

Investment property does not include residential properties, swimming pools, aerodrome hangers and caravan parks.

All investment property was valued at fair value by AssetVal, an independent professionally qualified valuation firm, as at 30 June 2012. Fair value was determined by reference to market based evidence including observable historical sales data in the relevant market for properties of similar nature and specification.

Income from investment property is shown in Note 5. Expenses in respect of investment property are shown in Note 12.

Council has applied AASB 140 *Investment Property* from 1 July 2011.

Council has elected not to apply AASB 140 *Investment Property* retrospectively due to the impracticality. Consequently there are no comparative amounts for 2010/11.

QAO CERTIFIED STATEMENTS

21 Investment in associate

Details of the associate is as follow.

Name of the associate	Principal activity	Proportion of ownership interest %
Unitywater	Water and sewerage services	58.2382

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

	2012 $'000	2011 $'000
Total assets	**3,030,036**	2,890,001
Total liabilities	**(1,568,480)**	(1,444,617)
Net assets	**1,461,556**	1,445,384
Share of net assets of associate	**851,183**	841,765
Total revenue	**488,170**	473,704
Total profit for the year	**63,655**	68,645
Share of profit of associate	**37,071**	39,979
Council investment in the associate comprises of:		
Participation rights	**858,779**	849,361
Details of movements in participation rights:		
Opening Balance	**849,361**	835,590
Share of profit of associate	**37,071**	39,979
Share of dividends received and accrued	**(27,653)**	(26,208)
Closing balance at end of year	**858,779**	849,361
Reconciliation of the participation rights to the share of net assets:		
Closing value of participation rights	**858,779**	849,361
Less share of net assets	**(851,183)**	(841,765)
Share of loss of associate for the year ended 2009/10	**7,596**	7,596
Share of loss of associate comprises:		
Total loss for the year ended 2009/10		13,043
Proportion of ownership interest		58.2382%
Share of loss of associate for the year ended 2009/10		7,596

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

QAO CERTIFIED STATEMENTS

22 Property, plant and equipment

30 June 2012	Note	Land	Land Improvements	Buildings	Park Equipment	Plant and Equipment	Sewerage Infrastructure
Basis of measurement		Revaluation	Cost	Revaluation	Cost	Cost	Revaluation
Asset Values		$'000	$'000	$'000	$'000	$'000	$'000
Opening gross value as at 1 July 2011		668,558	82,868	343,046	60,715	91,745	4,907
Acquisitions		13,990	12,272	58,443	12,636	9,363	-
Transfers between asset classes		-	303	(1,143)	92	6,027	(4,907)
Transfers to investment property		(11,973)	-	(31,912)	-	-	-
Contributed assets		199	442	-	24	-	-
Disposals		(8,273)	(6)	(5,338)	(855)	(9,587)	-
Assets not previously recognised		-	-	968	-	-	-
Revaluation adjustment to asset revaluation surplus	31	(4,700)	-	22,704	-	-	-
Closing gross value as at 30 June 2012		657,801	95,879	386,768	72,612	97,548	-
Accumulated depreciation and impairment							
Opening balance as at 1 July 2011		-	24,287	85,627	23,301	41,428	3,631
Depreciation provided in period	13	-	3,925	4,596	3,241	7,986	-
Transfers between asset classes		-	213	(556)	-	4,009	(3,631)
Depreciation on disposals		-	(3)	(1,476)	(264)	(7,946)	-
Revaluation adjustment to asset revaluation surplus	31	-	-	54,310	-	-	-
Accumulated depreciation as at 30 June 2012		-	28,422	142,501	26,278	45,477	-
Total written down value as at 30 June 2012		657,801	67,457	244,267	46,334	52,071	-
Range of estimated useful life in years		-	3 - 150	10 - 108	5 - 110	2 - 110	

30 June 2012	Note	Transport Infrastructure	Stormwater Infrastructure	Waterways and Canals	Cultural and Heritage	Total
Basis of measurement		Revaluation	Revaluation	Revaluation	Revaluation	
Asset Values		$'000	$'000	$'000	$'000	$'000
Opening gross value as at 1 July 2011		2,164,241	986,299	79,596	1,611	4,483,586
Acquisitions		104,532	12,309	1,269	9	224,823
Transfers between asset classes		(1,066)	694	-	-	-
Transfers to investment property		-	-	-	-	(43,885)
Contributed assets		51,524	25,152	-	-	77,341
Disposals		(10,662)	(6,754)	-	-	(41,475)
Assets not previously recognised		2,221	209	-	677	4,075
Revaluation adjustment to asset revaluation surplus	31	98,176	(39,403)	-	141	76,918
Closing gross value as at 30 June 2012		2,408,966	978,506	80,865	2,438	4,781,383
Accumulated depreciation and impairment						
Opening balance as at 1 July 2011		570,126	243,512	4,539	-	996,451
Depreciation provided in period	13	39,466	11,960	176	-	71,350
Transfers between asset classes		(65)	30	-	-	-
Depreciation on disposals		(4,214)	(1,564)	-	-	(15,467)
Revaluation adjustment to asset revaluation surplus	31	342	(57,674)	-	-	(3,022)
Accumulated depreciation as at 30 June 2012		605,655	196,264	4,715	-	1,049,312
Total written down value as at 30 June 2012		1,803,311	782,242	76,150	2,438	3,732,071
Range of estimated useful life in years		2 - 150	20 - 100	30 - 127	-	

30 June 2011 (Restated)	Note	Land	Land Improvements	Buildings	Park Equipment	Plant and Equipment	Water Infrastructure	Sewerage Infrastructure
Basis of measurement		Revaluation	Cost	Revaluation	Cost	Cost	Revaluation	Revaluation
Asset Values		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening gross value as at 1 July 2010		632,169	67,896	347,554	74,412	103,111	763,624	1,095,136
Acquisitions		27 081	9 779	11,722	1,018	18,558	-	-
Transfers between asset classes		(200)	6,007	4,852	(14 581)	2,351	-	-
Contributed assets		-	797	-	-	-	-	-
Disposals		(7,983)	(406)	(11,918)	(134)	(8,376)	-	-
Assets not previously recognised		-	-	-	-	-	-	-
Revaluation adjustment to asset revaluation surplus	31	42,828	-	-	-	-	-	-
Transferred to distributor-retailer authority		(25,337)	(1,205)	(9,164)	-	(23,899)	(763,624)	(1,090,229)
Closing gross value as at 30 June 2011		668,558	82,868	343,046	60,715	91,745	-	4,907
Accumulated depreciation and impairment								
Opening balance as at 1 July 2010		-	19,765	80,748	24,643	40,832	245,226	312,126
Depreciation provided in period	13	-	2,849	6,177	3,652	10,188	-	117
Transfers between asset classes		-	1,698	1,484	(4,949)	991	-	-
Depreciation on disposals		-	(21)	(1,304)	(45)	(4,929)	-	-
Transferred to distributor-retailer authority		-	(4)	(1,478)	-	(5,654)	(245,226)	(308,612)
Accumulated depreciation as at 30 June 2011		-	24,287	85,627	23,301	41,428	-	3,631
Total written down value as at 30 June 2011		668,558	58,581	257,419	37,414	50,317	-	1,276

30 June 2011 (Restated)	Note	Transport Infrastructure	Stormwater Infrastructure	Other	Waterways and Canals	Cultural and Heritage	Recycled Water Infrastructure	Total
Basis of measurement		Revaluation	Revaluation	Cost	Revaluation	Revaluation	Revaluation	
Asset Values		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening gross value as at 1 July 2010		2,062,528	957,389	21,562	77,331	2,063	59,077	6,263,852
Acquisitions		80,806	15,623	1,488	890	38	-	167,003
Transfers between asset classes		127	300	(107)	1,375	(124)	-	-
Contributed assets		24,045	14,340	-	-	-	-	39,182
Disposals		(3,473)	(3,993)	(22,943)	-	(366)	-	(59,592)
Assets not previously recognised		208	2,640	-	-	-	-	2,848
Revaluation adjustment to asset revaluation surplus	31	-	-	-	-	-	-	42,828
Transferred to distributor-retailer authority		-	-	-	-	-	(59,077)	(1,972,535)
Closing gross value as at 30 June 2011		2,164,241	986,299	-	79,596	1,611	-	4,483,586
Accumulated depreciation and impairment								
Opening balance as at 1 July 2010		533,449	230,388	16,800	3,810	400	8,088	1,516,275
Depreciation provided in period	13	37,577	13,650	(129)	136	-	-	74,217
Transfers between asset classes		265	-	(47)	593	(35)	-	-
Depreciation on disposals		(1,171)	(1,229)	(16,624)	-	(365)	-	(25,688)
Assets not previously recognised		6	703	-	-	-	-	709
Transferred to distributor-retailer authority		-	-	-	-	-	(8,088)	(569,062)
Accumulated depreciation as at 30 June 2011		570,126	243,512	-	4,539	-	-	996,451
Total written down value as at 30 June 2011		1,594,115	742,787	-	75,057	1,611	-	3,487,135

30 June 2010 (Restated)	Land	Land Improvements	Buildings	Park Equipment	Plant and Equipment	Water Infrastructure	Sewerage Infrastructure
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)	Transport Infrastructure	Stormwater Infrastructure	Other	Waterways and Canals	Cultural and Heritage	Recycled Water Infrastructure	Total
Total written down value as at 2010	1,529,079	727,001	4,762	73,521	1,663	50,989	4,747,577

QAO
CERTIFIED
STATEMENTS

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	30 June 2012	Rushton AssetVal Pty Ltd	(ii)
Transport Infrastructure	Revaluation	30 June 2012	Rushton AssetVal Pty Ltd	(iii)
Stormwater Infrastructure	Revaluation	30 June 2012	Rushton AssetVal Pty Ltd	(iii)
Waterways and Canals	Revaluation	31 December 2008	Rushton AssetVal Pty Ltd	(iv)
Cultural and Heritage	Revaluation	31 December 2011	Ross Searle Associates	-

(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.

(ii) Buildings were comprehensively revalued by Rushton AssetVal Pty Ltd as at 30 June 2012. 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) Transport and Stormwater infrastructure were comprehensively revalued by Rushton AssetVal Pty Ltd as at 30 June 2012. 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) 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.

QAO
CERTIFIED
STATEMENTS

		Note	2012 $'000	Restated 2011 $'000	Restated 2010 $'000
23	**Intangible assets**				
	Software				
	Opening gross carrying value		**15,021**	14,761	11,174
	Additions through acquisitions		**95**	661	3,587
	Disposals		**(1,584)**	-	-
	Transferred to distributor-retailer authority		**-**	(401)	-
	Closing gross carrying value		**13,532**	15,021	14,761
	Accumulated amortisation				
	Opening balance		**10,307**	9,075	7,459
	Amortisation in the period	13	**993**	1,330	1,616
	Depreciation on disposals		**(1,583)**	-	-
	Transferred to distributor-retailer authority		**-**	(98)	-
	Closing balance		**9,717**	10,307	9,075
	Net carrying value at end of financial year		**3,815**	4,714	5,686
	The software has a finite life estimated at 10 years. Straight line amortisation has been used with no residual value.				
	Total intangible assets		**3,815**	4,714	5,686
24	**Capital work in progress**				
	Land		**596**	2,969	9,592
	Land improvements		**3,402**	2,135	13,097
	Buildings		**5,912**	47,002	18,145
	Park equipment		**12,059**	18,465	3,458
	Plant and equipment		**1,917**	1,457	7,024
	Water infrastructure		**-**	-	30,666
	Sewerage infrastructure		**-**	-	152,340
	Transport infrastructure		**42,185**	79,074	103,568
	Stormwater infrastructure		**2,739**	853	9,278
	Other		**-**	-	2,092
	Waterways and canals		**5,983**	9,436	338
	Cultural and heritage		**-**	-	499
	Recycled water infrastructure		**-**	-	2,163
	Intangible assets		**491**	235	104
			75,284	161,626	352,364

QAO
CERTIFIED
STATEMENTS

	Note	2012 $'000	Restated 2011 $'000	Restated 2010 $'000
25 Trade and other payables				
Current				
Trade creditors and accruals		**36,851**	36,648	56,289
Annual leave		**7,599**	7,548	10,539
Sick leave		**-**	459	891
Other entitlements		**542**	582	951
		44,992	45,237	68,670
Non-Current				
Trade creditors and accruals		**1,113**	1,264	1,406
Annual leave		**2,503**	2,472	3,764
Sick leave		**649**	211	420
		4,265	3,947	5,590
26 Borrowings				
Current				
Loans - Queensland Treasury Corporation		**15,282**	13,461	13,366
Finance leases	27	**-**	-	4
		15,282	13,461	13,370
Non-current				
Loans - Queensland Treasury Corporation		**341,112**	328,828	321,118
		341,112	328,828	321,118
Loans - Queensland Treasury Corporation				
Opening balance at beginning of financial year		**342,289**	334,485	268,965
Loans raised		**27,500**	20,000	85,000
Principal repayment		**(13,395)**	(12,196)	(19,480)
Book value at end of financial year		**356,394**	342,289	334,485

The QTC loan market value at the reporting date was $398,693,647.85. This represents the value of the debt if Council repaid it as at 30 June 2012.

QAO CERTIFIED STATEMENTS

	Note	2012 $'000	Restated 2011 $'000	Restated 2010 $'000
27 Finance leases				
Movements in the finance lease during the reporting period were as follows:				
Balance at beginning of financial year		-	4	
Payments made in the period		-	(4)	
Minimum lease payments		-	-	
28 Provision				
Current				
Long service leave		**2,001**	2,037	1,812
Bio-solids composting site rehabilitation		**24**	24	11
		2,025	2,061	1,823
Non-current				
Long service leave		**14,590**	12,254	16,910
Bio-solids composting site rehabilitation		**500**	568	256
Refuse restoration		**8,351**	10,546	9,526
		23,441	23,368	26,692
Details of movements in provisions:				
Long service leave				
Balance at beginning of financial year		**14,291**		
Long service leave entitlement arising		**4,342**		
Long service leave entitlement extinguished		**(719)**		
Long service leave entitlement paid		**(1,323)**		
Balance at end of financial year		**16,591**		
Bio-solids composting site rehabilitation				
Balance at beginning of financial year		**592**		
Amount incurred and charged against the provision		**(16)**		
Increase in provision due to unwinding of discount		**29**		
Decrease in provision due to change in discount rate	10	**(81)**		
Balance at end of financial year		**524**		

This provision is the present value of the estimated post closure monitoring cost of the bio-solids compositing site. The projected cost is $24,000 for every year and expected to be completed in 2038

QAO
CERTIFIED
STATEMENTS

	Note	2012 $'000	Restated 2011 $'000	Restated 2010 $'000
Refuse landfill sites restoration				
Balance at beginning of financial year		**10,546**		
Amount incurred and charged against the provision		**(211)**		
Increase in provision due to unwinding of discount		**552**		
Decrease in provision due to change in estimate		**(291)**		
Decrease in provision due to change in discount rate		**(2,245)**		
Balance at end of financial year		**8,351**		

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 landfill site	2039	2054
Dakabin landfill site	2025	2040
Caboolture landfill site	2025	2040
Ningi landfill site	closed	2027
Woodford landfill site	closed	2027

29 Other liabilities

	Note	2012 $'000	Restated 2011 $'000	Restated 2010 $'000
Current				
Revenue received in advance		**477**	918	1,838
		477	918	1,838

30 Retained surplus

	Note	2012 $'000	Restated 2011 $'000	Restated 2010 $'000
Movements in the retained surplus were as follows:				
Retained surplus at beginning of financial year		**4,178,056**	4,045,688	3,864,555
Net result attributable to Council		**116,427**	(1,971)	157,236
Transfer of asset revaluation surplus to retained surplus	31	**-**	124,495	-
Transfers (to) / from reserves:	32			
Infrastructure works reserve		**(4,977)**	93,643	(9,533)
Unspent grants reserve		**-**	4,026	2,042
Other reserves		**17,458**	(87,825)	31,388
Retained surplus at end of financial year		**4,306,964**	4,178,056	4,045,688

QAO CERTIFIED STATEMENTS

	Note	2012 $'000	Restated 2011 $'000	Restated 2010 $'000
31 Asset revaluation surplus				
Movements in the asset revaluation surplus were as follows:				
Balance at beginning of financial year		**656,411**	738,078	560,943
Net adjustment to non-current assets at end of period to reflect change in current fair value:				
Land		**(4,700)**	42,828	177,135
Buildings		**(31,606)**	-	-
Cultural and heritage		**141**	-	-
Transport infrastructure		**97,834**	-	-
Stormwater infrastructure		**18,271**	-	-
	22	**79,940**	42,828	177,135
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		-	(124,495)	-
Balance at end of financial year		**736,351**	656,411	738,078
Asset revaluation surplus analysis				
The closing balance of the asset revaluation surplus comprises the following asset categories:				
Land		**256,699**	261,399	236,552
Buildings		**47,218**	78,824	79,521
Cultural and heritage		**141**	-	-
Water infrastructure		-	-	53,292
Sewerage infrastructure		-	-	51,944
Transport infrastructure		**227,549**	129,715	129,715
Stormwater infrastructure		**165,207**	146,936	146,936
Waterways and canals		**39,537**	39,537	39,537
Recycled water infrastructure		-	-	581
		736,351	656,411	738,078

QAO CERTIFIED STATEMENTS

	Note	2012 $'000	Restated 2011 $'000	Restated 2010 $'000
32 Reserves				
Reserves held for funding future capital and recurrent expenditure				
Infrastructure works reserve		**83,327**	78,350	171,993
Unspent grants reserve		**-**	-	4,026
Other reserves		**108,807**	126,265	38,440
		192,134	204,615	214,459
Movements in reserves:				
Infrastructure works reserve				
Balance at beginning of financial year		**78,350**	171,993	162,460
Transfer from retained surplus for future expenditure		**21,130**	25,739	44,169
Transfer to retained surplus		**(16,153)**	(21,845)	(34,636)
Transfer between reserves		**-**	(97,537)	-
Balance at end of financial year		**83,327**	78,350	171,993
Unspent grants reserve				
Balance at beginning of financial year		**-**	4,026	6,068
Transfer from retained surplus for future expenditure		**-**	-	4,026
Transfer to retained surplus		**-**	(4,026)	(6,068)
Balance at end of financial year		**-**	-	4,026
Other reserves				
Balance at beginning of financial year		**126,265**	38,440	69,828
Transfer from retained surplus for future expenditure		**650**	5,102	2,156
Transfer to retained surplus		**(18,108)**	(14,814)	(33,544)
Transfer between reserves		**-**	97,537	-
Balance at end of financial year		**108,807**	126,265	38,440

QAO CERTIFIED STATEMENTS

	Note	2012 $'000	Restated 2011 $'000	Restated 2010 $'000
33 Commitments for expenditure				
Operating leases				
Minimum lease payments in relation to non-cancellable operating leases are as follows:				
Within one year		**530**	602	
One to five years		**203**	706	
		733	1,308	

34 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 approximately $13 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 2011 the financial statements reported an accumulated surplus of $15,881,102 and it is not anticipated any liability will arise.

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 $4,050,016.

QAO CERTIFIED STATEMENTS

35 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 2011 (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	2012 $'000	Restated 2011 $'000
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees and councillors was:	11	**11,828**	11,542

QAO CERTIFIED STATEMENTS

		Note	2012 $'000	Restated 2011 $'000
36	**Operating lease income**			
	The minimum lease receipts are as follows:			
	Not later than one year		**5,259**	4,841
	One to five years		**13,638**	13,030
	Later than five years		**13,741**	12,552
			32,638	30,423
37	**Trust funds**			
	Trust funds held for outside parties			
	Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities		**6,123**	7,772
			6,123	7,772

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.

			2012 $'000	Restated 2011 $'000
38	**Reconciliation of net result for the year to net cash inflow from operating activities**			
	Net result		**116,427**	(1,971)
	Non-cash items:			
	Depreciation and amortisation		**72,343**	75,547
	Net gain on market realisation of borrowings		**-**	(54)
	Accrued interest expense		**-**	3,388
	Revaluation adjustments		**1,360**	-
	Change in future rehabilitation and restoration costs		**(64)**	822
	Share of profit of associate		**(37,071)**	(39,979)
			36,568	39,724
	Investing and development activities:			
	Net loss/(profit) on disposal of non-current assets		**23,830**	12,432
	Net loss on transfer of water assets and liabilities		**-**	76,983
	Other dividends received		**-**	(1)
	Capital grants and contributions		**(114,743)**	(78,928)
			(90,913)	10,486
	Changes in operating assets and liabilities:			
	Decrease in receivables		**402**	19,924
	Increase/(decrease) in other operating assets		**(442)**	365
	Decrease in payables		**(368)**	(21,825)
	Increase/(decrease) in provisions		**2,072**	(420)
			1,664	(1,956)
	Net cash inflow from operating activities		**63,746**	46,283

QAO CERTIFIED STATEMENTS

39 Correction of prior period errors

In the process of valuing the Council's infrastructure assets at 30 June 2012, it was identified that certain transport and stormwater assets had not been previously recognised in prior year financial statements. The assets identified had acquisition dates prior to March 15, 2008 Council has undertaken a review of its process to ensure that all infrastructure assets captured in GIS are recorded in the asset register. To date, the results of this review have led to a substantial dollar value of transport and stormwater infrastructure being recognised Consequently Council has corrected this error in the current financial year in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The assets are now recognised retrospectively and certain comparative figures have been restated, as disclosed in this note.

Council has completed its assessment of the stormwater infrastructure asset class, but has not yet completed the assessment of transport infrastructure in its entirety. This process is expected to be finalised by late 2012. A best estimate identified and additional population with a written down value of $88m that may need to be accounted for. Consequently, Council are unable to certify that their transport asset base is complete for the 2011/12 financial year.

To date, $280,988,044 of previously unidentified assets have been identified as a result of Council's review. Of this, $217,071,152 relates to transport infrastructure and $63,916,893 relates to stormwater infrastructure.

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, the opening balances for the earliest period presented must be restated.

The below section shows the restatement of each line item affected by the error.

30 June 2011 Comparative year

Financial statement line item / balance affected	Note	Actual 2011 $'000	Correction of Error Adj $'000	Restated Actual 2011 $'000
Statement of Comprehensive Income (Extract)				
Operating Expenses				
Depreciation and amortisation	13	(69,864)	(5,683)	(75,547)
Total Expenses		(458,072)	(5,683)	(463,755)
NET RESULT		3,712	(5,683)	(1,971)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		46,540	(5,683)	40,857

Note 13 Depreciation and amortisation

Depreciation of non-current assets			
Transport infrastructure	33,101	4,476	37,577
Stormwater infrastructure	12,443	1,207	13,650
Total depreciation and amortisation	69,864	5,683	75,547

QAO CERTIFIED STATEMENTS

	Note	Actual 2011 $'000	Correction of Error Adj $'000	Restated Actual 2011 $'000
Statement of Financial Position (Extract)				
Non-Current Assets				
Property, plant and equipment	22	3,206,147	280,988	3,487,135
Total Non-Current Assets		4,913,719	280,988	5,194,707
Total Assets		5,175,914	280,988	5,456,902
NET COMMUNITY ASSETS		4,758,094	280,988	5,039,082
Community Equity				
Retained surplus	30	3,897,068	280,988	4,178,056
TOTAL COMMUNITY EQUITY		4,758,094	280,988	5,039,082
Note 22 Property, plant and equipment				
Transport Infrastructure				
Asset Values				
Opening gross value as at 1 July 2010		1,738,383	324,145	2,062,528
Closing gross value as at 30 June 2011		1,840,096	324,145	2,164,241
Accumulated depreciation and impairment				
Opening gross value as at 1 July 2010		430,850	102,599	533,449
Depreciation provided in period		33,101	4,476	37,577
Accumulated depreciation as at 30 June 2011		463,051	107,075	570,126
Total written down value as at 30 June 2011		1,377,045	217,070	1,594,115
Stormwater Infrastructure				
Asset Values				
Opening gross value as at 1 July 2010		879,827	77,562	957,389
Closing gross value as at 30 June 2011		908,737	77,562	986,299
Accumulated depreciation and impairment				
Opening gross value as at 1 July 2010		217,951	12,437	230,388
Depreciation provided in period		12,443	1,207	13,650
Accumulated depreciation as at 30 June 2011		229,868	13,644	243,512
Total written down value as at 30 June 2011		678,869	63,918	742,787
Statement of Changes in Equity (Extract)				
Balance as at 1 July 2010		4,711,554	286,671	4,998,225
Net result		3,712	(5,683)	(1,971)
Total comprehensive income for the year		46,540	(5,683)	40,857
Balance at 30 June 2011		4,758,094	280,988	5,039,082

QAO CERTIFIED STATEMENTS

40 Events after the reporting period

Carbon pricing mechanism

In 2011 the Australian Government introduced a Clean Energy Legislation package. One aspect of this legislation package, which will impact upon Council directly and indirectly, is the introduction of a pricing mechanism for greenhouse gas emissions in the Australian economy.

The pricing mechanism commences on 1 July 2012 with an initial fixed price of $23/tonne for greenhouse gas emissions in the first year, with prices of $24.15 and $25.40 per tonne in 2013/14 and 2014/15 respectively. After that time the mechanism converts to a cap and trade scheme with a floating price that will be determined by the market. The cap and trade scheme will be in place for 3 years commencing 1 July 2015.

Organic material within waste deposited at landfills takes time to begin decomposing. Council will not have to begin purchasing carbon permits until the 2013/14 financial year, as waste deposited in 2012/13 will only begin to break down and generate emissions at the start of 2013/14. This waste will continue to generate emissions over the next 40 years. This means that Council will have a liability to purchase carbon permits in respect of that waste as long as total emissions from the landfill site continue to be above the legislated landfill facility threshold of 25,000 tonnes of carbon dioxide equivalent (CO_2-e).

Council is currently undertaking extensive financial modelling to estimate the liability that will arise from these facilities, however a great deal of uncertainty exists due to the following factors:

(i) greenhouse gas is emitted from waste over a very long period 40 years;

(ii) the price per tonne of emissions, after the initial fixed price period has expired, is currently unknown and is difficult to estimate due to the immaturity of the market for carbon permits; and

(iii) there is no specific no accounting guidance currently available with regard to the liability arising from the carbon price mechanism.

Council anticipates that by the end of 2012/13 reliable estimates will be available with regard to the future liability to purchase carbon permits.

QAO
CERTIFIED
STATEMENTS

41 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.

QAO
CERTIFIED
STATEMENTS

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

Financial assets	Note	2012 $'000	2011 $'000
Cash and cash equivalents	16	205,349	205,693
Receivables - rates	17	8,970	9,355
Receivables - other		730,251	734,266
		944,570	949,314

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

30-June-2012

	Fully performing	Past due			Total
		Less than 30 days	30-60 days	More than 60 days	
	$'000	$'000	$'000	$'000	$'000
Receivables	58,913	2,555	143	585	62,196
Less Impairment	-	-	-	(12)	(12)
Net Receivables	58,913	2,555	143	573	62,184

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	62,805	3,021	97	673	66,596
Less Impairment	-	-	-	(23)	(23)
Net Receivables	62,805	3,021	97	650	66,573

The above analysis does not include the non-current receivable of $677,025 million (2011: $677,025 million), which represents a fixed rate loan to the Unitywater. Refer to Note 17 for further information.

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 Note 26.

QAO CERTIFIED STATEMENTS

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
2012					
Trade and other payables	**36,956**	**1,131**	**226**	**38,313**	**37,964**
Loans - QTC	**37,496**	**147,638**	**381,552**	**566,686**	**356,394**
	74,452	**148,769**	**381,778**	**604,999**	**394,358**
2011					
Trade and other payables	36,649	849	415	37,913	37,912
Loans - QTC	35,223	140,891	387,292	563,406	342,289
	71,872	141,740	387,707	601,319	380,201

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	
	2012	2011	**2012**	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Financial assets	**-**	-	**557**	887	**557**	887
Financial liabilities	**-**	(9)	**-**	(9)	**-**	(9)
Net total	**-**	(9)	**557**	878	**557**	878

Fair value

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

QAO CERTIFIED STATEMENTS

42 National competition policy

Activities to which the code of competitive conduct is applied

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

(a) 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.

(b) 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.

Financial performance of activities subject to competition reform:

	Type 2 Waste Function	Type 3 Birralee Child Care	Type 3 Family Day Care	Type 3 Bongaree Caravan Park
	2012 $'000	**2012 $'000**	**2012 $'000**	**2012 $'000**
Revenue				
Revenue for services provided to Council	2,365	-	-	-
Revenue for services provided to external clients	41,410	1,146	517	1,459
Community service obligations	923	-	-	-
	44,698	1,146	517	1,459
Expenditure	37,602	1,163	546	1,057
Surplus/(deficiency)	7,096	(17)	(29)	402

Community Service Obligations:

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

Activities and CSO Description	**2012 $'000**
Waste	
Pensioner Discounts	550
Litter Management	348
Clean Up Australia	25

QAO CERTIFIED STATEMENTS

43 Water distribution and retail reform

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.

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.

QAO
CERTIFIED
STATEMENTS

Moreton Bay
Regional Council

MANAGEMENT CERTIFICATE
For the year ended 30 June 2012

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 50, 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 2012 and of its financial performance and cash flows for the financial year ended on that date.

Cr Allan Sutherland
Mayor

Date: 7 / 11 / 2012

Mr Daryl Hitzman
Chief Executive Officer

Date: 7 / 11 / 2012

QAO
CERTIFIED
STATEMENTS

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 2012, 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 gives a true and fair view and 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 be removed only 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 2011 to 30 June 2012 and of the financial position as at the end of that year.

Emphasis of Matter – Significant Uncertainty Regarding the Completeness of Transport Infrastructure

Without modifying my opinion, attention is drawn to Note 39 to the financial report, which identifies that the Council is continuing to complete a review of its transport infrastructure assets to ensure all such assets have been recorded in the Council's asset register. As a result, significant uncertainty exists as to whether the transport infrastructure asset base, disclosed in Note 22 at a written down value of $1,803,311,000 (2011: $1,594,115,000) and the associated depreciation expense of $39,466,000 (2011: $37,577,000), reported in Note 13, is complete.

Other Matters - Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Moreton Bay Regional Council for the year ended 30 June 2012. Where the financial report is included on Moreton Bay Regional Council's website the Council is responsible for the integrity of Moreton Bay Regional Council's website and I have not been engaged to report on the integrity of Moreton Bay Regional Council's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

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

Karen Johnson

ASSISTANT AUDITOR-GENERAL
12 NOV 2012
QUEENSLAND AUDIT OFFICE

K JOHNSON FCA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane