Financial Statements for the Year

Audited financial statements for 2015/16.

Moreton Bay
Regional Council

MORETON BAY REGIONAL COUNCIL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 June 2016

Moreton Bay

Financial Statements
For the year ended 30 June 2016
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Moreton Bay Regional Council

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2016

	Note	2016 $'000	Restated 2015 $'000
Income			
Revenue			
Recurring Revenue			
Rates and utility charges	3	261,086	250,521
Fees and charges	4	39,639	35,619
Rental income		6,931	6,210
Grants, subsidies and contributions	5(a)	22,964	22,179
Interest revenue	6	44,784	46,341
Sales revenue		4,715	4,049
Other revenue	7	22,948	21,435
Share of profit of associate	17	79,385	64,007
		482,452	450,361
Capital Revenue			
Grants, subsidies and contributions	5(b)	109,312	111,905
Total Revenue		591,764	562,266
Capital Income	8	656	3,276
Total Income		592,420	565,542
Expenses			
Recurring Expenses			
Employee benefits	9	(124,953)	(124,271)
Materials and services	10	(142,663)	(134,821)
Depreciation and amortisation		(85,504)	(82,065)
Finance costs	11	(24,658)	(24,545)
		(377,778)	(365,702)
Capital Expenses	12	(18,834)	(367,279)
Total Expenses		(396,612)	(732,981)
NET RESULT		195,808	(167,439)
Other Comprehensive Income			
Items that will not be reclassified to net result			
Increase/(decrease) in asset revaluation surplus		72,519	(226,956)
Total other comprehensive income for the year		72,519	(226,956)
TOTAL COMPREHENSIVE INCOME/(DEFICIT) FOR THE YEAR		268,327	(394,395)

The above statement should be read in conjunction with the accompanying notes and Significant Accounting Policies. Comparative figures have been restated. Refer to Note 30 for details.

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STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	2016 $'000	Restated 2015 $'000	Restated 1 July 2014 $'000
Assets				
Current Assets				
Cash and cash equivalents	13	218,311	252,287	205,080
Trade and other receivables	14	45,304	48,257	54,578
Inventories		1,058	986	919
		264,673	301,530	260,577
Non-current assets held for sale	15	7,068	4,678	-
Total Current Assets		271,741	306,208	260,577
Non-Current Assets				
Trade and other receivables	14	741,801	721,726	695,839
Investments		15	15	15
Investment property	16	42,936	42,355	46,310
Investment in associate	17	998,651	944,813	907,088
Property, plant and equipment	18	4,301,013	4,070,812	4,577,260
Intangible assets	20	2,280	2,638	3,147
Total Non-Current Assets		6,086,696	5,782,359	6,229,659
Total Assets		6,358,437	6,088,567	6,490,236
Liabilities				
Current Liabilities				
Trade and other payables	21	45,688	44,410	53,969
Borrowings	22	25,861	22,181	21,054
Provisions	23	14,773	15,058	14,522
Other		616	862	1,088
Total Current Liabilities		86,938	82,511	90,633
Non-Current Liabilities				
Trade and other payables	21	414	605	784
Borrowings	22	365,598	372,770	374,915
Provisions	23	27,102	22,623	19,451
Total Non-Current Liabilities		393,114	395,998	395,150
Total Liabilities		480,052	478,509	485,783
NET COMMUNITY ASSETS		5,878,385	5,610,058	6,004,453
Community Equity				
Retained surplus		5,015,536	4,819,728	4,987,167
Asset revaluation surplus	24	862,849	790,330	1,017,286
TOTAL COMMUNITY EQUITY		5,878,385	5,610,058	6,004,453

The above statement should be read in conjunction with the accompanying notes and Significant Accounting Policies. Comparative figures have been restated. Refer to Note 30 for details.

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STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Note	Retained Surplus	Asset Revaluation Surplus	Total Community Equity
			24	
		$'000	$'000	$'000
Balance as at 1 July 2015 (Restated)		**4,819,728**	**790,330**	**5,610,058**
Net result		**195,808**	**-**	**195,808**
Other comprehensive income for the year				
Increase in asset revaluation surplus		**-**	**72,519**	**72,519**
Total comprehensive income for the year		**195,808**	**72,519**	**268,327**
Balance at 30 June 2016		**5,015,536**	**862,849**	**5,878,385**
Balance as at 1 July 2014 (Restated)		4,987,167	1,017,286	6,004,453
Net result		(167,439)	-	(167,439)
Other comprehensive income for the year				
Decrease in asset revaluation surplus		-	(226,956)	(226,956)
Total comprehensive income for the year		(167,439)	(226,956)	(394,395)
Balance at 30 June 2015 (Restated)		4,819,728	790,330	5,610,058

The above statement should be read in conjunction with the accompanying notes and Significant Accounting Policies. Comparative figures have been restated. Refer to Note 30 for details.

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STATEMENT OF CASH FLOWS
For the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		**345,184**	323,238
Payments to suppliers and employees		**(303,817)**	(295,349)
Interest received		**44,991**	46,268
Rental income		**6,931**	6,210
Non capital grants and contributions		**22,964**	22,179
Tax equivalent received		**18,636**	17,964
Borrowing costs		**(23,530)**	(23,290)
Net cash inflow from operating activities	**29**	**111,359**	97,220
Cash flows from investing activities			
Payments for property, plant and equipment		**(223,229)**	(150,219)
Payments for intangible assets		**(183)**	(38)
Payments for investment property		**(10)**	(217)
Proceeds from sale of property, plant and equipment		**2,983**	24,712
Net movement in loans to community organisations		**1**	(115)
Net movement in loans to Unitywater		**1,227**	4,704
Dividends received from associate		**25,282**	24,999
Grants, subsidies, contributions and donations		**52,086**	47,179
Net cash outflow from investing activities		**(141,843)**	(48,995)
Cash flows from financing activities			
Proceeds from borrowings		**19,000**	20,000
Repayment of borrowings		**(22,492)**	(21,018)
Net cash outflow from financing activities		**(3,492)**	(1,018)
Net (decrease)/increase in cash and cash equivalent held		**(33,976)**	47,207
Cash and cash equivalents at the beginning of the financial year		**252,287**	205,080
Cash and cash equivalents at the end of the financial year	**13**	**218,311**	252,287

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

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1 Significant accounting policies

1.A Basis of preparation

These general purpose financial statements are for the period 1 July 2015 to 30 June 2016 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. Consequently, these financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

The financial statements have been prepared under the historical cost convention except for certain classes of property, plant and equipment and investment property which are measured at fair value.

Recurring/capital classification

Revenue and expenditure are presented as "recurring" or "capital" in the Statement of Comprehensive Income on the following basis:

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

The following transactions are classified as either "Capital Income" or "Capital Expenses" depending on whether they result in accounting gains or losses:
- disposal of non-current assets
- discount rate and estimation adjustments to restoration provisions
- adjustments to infrastructure offsets provisions
- revaluations of investment property and property, plant and equipment.

All other revenue and expenses have been classified as "recurring".

1.B Statement of compliance

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board that are relevant to Council's operations and effective for the current reporting period. Because 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

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

1.D Currency

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

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1.E 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.

Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective with the exception of 2015-7 *Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for Profit Public Sector Entities*. Council has decided to apply this standard retrospectively as it exempts public sector entities from specific disclosure requirements required under AASB 13 *Fair Value Measurement* for assets within the scope of AASB 116 *Property, Plant and Equipment* that are held primarily for their current service potential rather than to generate future net cash inflows. The disclosures exempted are concerned with quantitative information and sensitivity analysis concerning fair value measurements categorised within Level 3 of the fair value hierarchy.

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

At the date of authorisation of the financial report, AASB 9 *Financial Instruments* and AASB 2015-6 *Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* are the new accounting standards with a future application date that is expected to have a material impact on council's financial statements.

AASB 2015-6 *Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* will become effective for reporting periods beginning on or after 1 July 2016. The application of AASB 124 to not-for profit entities, means that Council will need to disclose more information about related parties and transactions with those related parties. Council is currently preparing for this change by identifying related parties. Related parties will include the Mayor, councillors and some council staff. In addition the close family members of those people and any organisations that they control or are associated with will be classified as related parties.

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2018 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 fully assess the impact that AASB 9 *Financial Instruments* and 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9*. Initial analysis suggests that AASB 9 will have no impact on the financial statements, however further analysis will be required closer to the application date of the standard. Council does not expect to implement the amendments prior to the adoption date of 1 January 2018.

AASB 15 *Revenue from Contracts with Customers* is effective from 1 January 2018. AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations and provides a framework for the recognition, measurement and disclosure of revenue from contracts with customers. Due to its recent release, Council is still reviewing AASB 15 to identify whether the standard will have a material impact.

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1.F 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.M and Note 16
Valuation and depreciation of property, plant and equipment - Note 1.N and Note 18
Impairment of non-current assets - Note 1.P and Note 12
Provisions - Note 1.S and Note 1.U and Note 1.V and Note 23
Contingent liabilities - Note 26

1.G Rates, grants and other revenue

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 the rating period.

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

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
Council receives infrastructure contributions from developers for trunk infrastructure, such as roads and stormwater. These infrastructure contributions are not within the scope of AASB Interpretation 18 because there is no performance obligation associated with them. Consequently, the infrastructure contributions are recognised as income when received.

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.

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

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.H 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.I
Receivables - Note 1.J

Financial liabilities
Payables - Note 1.R
Borrowings - Note 1.T

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

All other disclosures relating to the measurement and financial risk management of financial instruments are included in Note 31.

1.I Cash and cash equivalents

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

1.J 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.

Works receivable as at the reporting date represents the value of financial contributions and costs incurred by Council less the value of any infrastructure 'handed' over to Council that has arisen out of the Moreton Bay Rail Link Project. The Moreton Bay Rail Link Project is a jointly funded project between the Australian Government, the Queensland State Government and Moreton Bay Regional Council to deliver 12.6 km of rail track, 6 rail stations, other rail structures, new road and bridge works along with new cycling and walking paths. The rail line will link the suburbs from Petrie to Kippa Ring. Council pays financial contributions toward the project, which is managed by the Queensland Department of Transport and Main Roads, and in return will progressively receive infrastructure for those contributions and other costs Council directly incurs in the delivery of the project. Council will make further contributions toward the project in 2016/17. Council anticipates that the total value of the financial contributions along with any other costs incurred will at a minimum equate to the value of infrastructure to be received by Council over the course of the project.

1.K Non-current assets held for sale

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

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1.L Investment in associate

Council holds participation rights in Unitywater, a water distribution and retail business established to deliver water and waste water services to customers within the local government areas of Moreton Bay Regional Council, Sunshine Coast Regional Council and Noosa Shire Council.

The participation rights effectively represent an investment in an associate by Moreton Bay Regional Council and are disclosed in Note 17.

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

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

1.M Investment property

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

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

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

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

1.N 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.

1.N Property, plant and equipment (cont'd)

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 is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

Capital and operating expenditure
Direct labour and material and an appropriate proportion of overheads incurred in the acquisition or construction of assets are treated as capital expenditure. Assets under construction are not depreciated until they are completed and commissioned, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

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

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

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of assets does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every four years. This process involves the valuer physically sighting 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 assess whether a desktop valuation is required based on materiality. A desktop revaluation involves the application of suitable indexes undertaken at the reporting date when there has been a material movement in value for an asset class subsequent to the last comprehensive revaluation.

Any revaluation increment arising on the revaluation of an asset is credited to the appropriate class of the asset revaluation surplus, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense to the extent it exceeds the balance, if any, in the revaluation surplus for that asset class. Details of valuers and methods of valuations are disclosed in Note 19.

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.M for further information.

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1.N Property, plant and equipment (cont'd)

Depreciation

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

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 18.

Assets 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 adjustment 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 5(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.

1.O 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 20.

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1.P Impairment of non-current assets

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

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

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

1.Q 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.

1.R 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 standard terms of 30 day following date of invoice.

1.S Liabilities - employee benefits

Annual leave
A liability for annual leave is recognised. Amounts expected to be settled within 12 months are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. The liability represents an accrued expense and is reported in Note 21 as a payable. As Council does not have an unconditional right to defer settlement of annual leave beyond twelve months after the reporting date, all annual leave is classified as current.

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. The liability represents an accrued expense and is reported in Note 21 as a current payable.

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Long service leave
A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in Council's employment or other associated employment which would result in Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. Long service leave is treated as current where Council does not have an unconditional right to defer settlement beyond twelve months. All other long service leave is treated as non-current. This liability is reported in Note 23 as a provision.

1.T 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 Regulation 2012* Council adopts an annual debt policy that sets out Council's planned borrowings for the next nine years. Council's current policy is to only borrow for capital projects and for a term no longer than the expected life of the asset. Council also aims to comply with the Queensland Treasury Corporation's borrowing guidelines and ensure that sustainability indicators remain within acceptable levels at all times.

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

1.U 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 23.

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.V Infrastructure offsets

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

1.W 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.

1.X 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.Y 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. They are disclosed in Note 13 for information purposes only.

1.Z Taxation

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

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.

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

Community & Environmental Services

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

Governance

The role of the Governance section is to ensure open and accountable governance of the region and comprises the Councillors, Chief Executive Officer, Internal Audit, Legal, Financial management, Organisational and people development, Information technology support, Communications and other related support functions.

Planning & Economic Development

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

Executive & Property Services

The role of Executive & Property Services is to manage Council's property portfolio, acquire and dispose of strategic land holdings and manage Council's enterprises.

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

Year ended 30 June 2016	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	1,939	65,432	19,864	851	(17,419)	70,667	(154,900)	1,048	15,820	(138,032)	(67,365)	4,356,372
Community & Environmental Services	3,572	15,852	-	-	-	19,424	(46,670)	-	1,033	(45,637)	(26,213)	267
Governance	14,688	369,168	-	89,253	1,889	474,998	(157,854)	(21,633)	(1,857)	(181,344)	293,654	2,001,569
Planning and Economic Development	-	16,558	-	-	(116)	16,442	(19,697)	-	553	(19,144)	(2,702)	39
Executive and Property Services	168	10,743	-	-	(22)	10,889	(14,325)	1,751	119	(12,455)	(1,566)	190
Total	20,367	477,753	19,864	90,104	(15,668)	592,420	(393,446)	(18,834)	15,668	(396,612)	195,808	6,358,437

Year ended 30 June 2015 (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	3,272	62,618	14,142	2,396	(14,653)	67,775	(159,975)	(344,877)	14,238	(490,614)	(422,839)	4,123,205
Community & Environmental Services	3,556	20,270	12	-	(104)	23,734	(52,453)	-	389	(52,064)	(28,330)	337
Governance	14,694	341,239	175	98,456	1,696	456,260	(147,547)	(45,026)	(1,694)	(194,267)	261,993	1,965,025
Planning and Economic Development	-	11,371	-	-	(62)	11,309	(10,489)	-	-	(10,489)	820	-
Executive and Property Services	-	6,475	-	-	(11)	6,464	(8,372)	22,624	201	14,453	20,917	-
Total	21,522	441,973	14,329	100,852	(13,134)	565,542	(378,836)	(367,279)	13,134	(732,981)	(167,439)	6,088,567

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

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		Note	2016 $'000	Restated 2015 $'000
3	**Rates and utility charges**			
	General rates		215,741	206,105
	Cleansing charges		37,550	36,547
	Other special levies, rates and charges		11,552	11,631
			264,843	254,283
	Less: Pensioner and other rebates		(3,757)	(3,762)
			261,086	250,521
4	**Fees and charges**			
	Administration		7,565	6,781
	Community facilities		4,648	4,362
	Development services		19,840	17,397
	Waste management		4,085	3,751
	Animal control		3,328	3,125
	Other fees		173	203
			39,639	35,619
5	**Grants, subsidies and contributions**			
(a)	**Operating**			
	Government grants and subsidies		19,733	20,675
	Other grants, subsidies, contributions and donations		3,231	1,504
			22,964	22,179
(b)	**Capital**			
	Government grants and subsidies		19,864	14,329
	Infrastructure cash contributions		31,410	30,539
	Contributed assets		54,112	61,356
	Assets not previously recognised		3,114	3,370
	Other capital income		812	2,311
			109,312	111,905
6	**Interest revenue**			
	Interest from financial institutions		7,518	8,129
	Interest from Unitywater		36,289	37,238
	Interest from overdue rates and utility charges		977	974
			44,784	46,341
7	**Other revenue**			
	Tax equivalent		15,681	14,202
	Other income		7,267	7,233
			22,948	21,435

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	Note	2016 $'000	Restated 2015 $'000
8 Capital income			
Revaluation up of investment property	16	571	3,030
Reversal of loss on impairment of assets classified as held for sale		46	-
Adjustment to landfill and Bio-solids composting sites		39	246
		656	3,276
9 Employee benefits			
Total staff wages and salaries		104,521	103,038
Annual, sick, long service leave and other entitlements		12,839	12,644
Superannuation	27	12,950	12,672
		130,310	128,354
Other employee related expenses		4,207	5,230
		134,517	133,584
Less: Capitalised employee expenses		(9,564)	(9,313)
		124,953	124,271

Total full time equivalent employees at 30 June 2016 were 1,477 (2015: 1505).

	Note	2016 $'000	Restated 2015 $'000
10 Materials and services			
Contractors		74,995	73,657
Utilities		20,418	19,909
Materials		8,743	8,785
Other materials and services		6,848	6,050
Information technology hardware/software		4,584	5,215
Expensed capital		4,082	1,671
Commissions and contributions		3,869	1,593
Labour hire services		3,655	2,304
Insurance premiums		3,108	3,102
Fuel		2,849	3,325
Printing, postage and stationery		2,145	1,739
Donations, grants and contributions		2,418	2,027
Councillors' remuneration		1,781	1,728
Cleaning		1,449	1,388
Legal costs		1,476	2,101
Audit of annual financial statements by the Auditor-General of Queensland		242	225
Other audit assurance services performed		1	2
		142,663	134,821

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

	Note	2016 $'000	Restated 2015 $'000
11 Finance costs			
Finance cost on loans		23,483	23,233
Other		1,175	1,312
		24,658	24,545

	Note	2016 $'000	Restated 2015 $'000

12 Capital expenses

	Note	2016 $'000	Restated 2015 $'000
Book value of property, plant and equipment disposed of		**17,064**	41,532
Less: Proceeds from the sale of property, plant and equipment		**(1,359)**	(24,712)
Adjustment to landfill and Bio-solids sites		**111**	-
Loss on impairment of assets classified as held for sale	15	**82**	922
Revaluation down of property, plant and equipment	18	**-**	346,965
Infrastructure offsets recognised	23	**11,645**	12,951
Infrastructure offsets extinguished	23	**(8,709)**	(10,379)
		18,834	367,279

The loss on impairment of assets classified as held for sale arises because of the transfer of land and buildings from non-current property, plant and equipment as it is no longer measured at its fair value but at fair value less selling costs (note 15). The impairment loss of $81,818 is the estimated amount of the selling costs.

13 Cash and cash equivalents

	2016 $'000	Restated 2015 $'000
Cash at bank and on hand	**6,062**	4,952
Deposits at call	**80,849**	186,935
Term deposits	**131,400**	60,400
Balance per Statement of Cash Flows	**218,311**	252,287

Conditions over contributions

Council receives different types of contributions from external parties including infrastructure contributions from developers and grants and subsidies from State and Federal governments. Council cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:

	2016 $'000	Restated 2015 $'000
Externally and internally restricted contributions recognised as income during the reporting period that were unspent at the reporting date:		
Government grants and subsidies	**1,906**	2,153
Infrastructure contributions	**116,929**	102,958
Total unspent restricted cash	**118,835**	105,111
Externally restricted contributions recognised as income during the previous reporting period that were spent at the current reporting date:		
Government grants and subsidies	**2,153**	1,559
	2,153	1,559

Trust funds held for outside parties

	2016 $'000	Restated 2015 $'000
Amounts held on behalf of outside parties are not brought to account in the financial statements and are disclosed for information purposes.	**8,468**	6,122

		Note	2016 $'000	Restated 2015 $'000
14	**Trade and other receivables**			
	Current			
	Rates and utility charges		6,990	6,720
	Loans to community organisations		97	87
	Loans to Unitywater		-	1,227
	Accrued receivable from Unitywater		26,010	28,908
	Other debtors		4,690	4,283
	GST recoverable		3,438	2,665
	Prepayments		4,304	4,708
			45,529	48,598
	Less: Allowance for impaired debts		(225)	(341)
			45,304	48,257
	Non-current			
	Loans to community organisations		452	463
	Subordinated debt receivable from Unitywater		677,025	677,025
	Works receivable		64,324	44,238
			741,801	721,726
15	**Non-current assets classified as held for sale**			
	Opening balance		4,678	-
	Withdrawn from sale	18	(3,100)	-
	Internal transfer from land and buildings	18	7,150	5,600
	Impairment adjustment in the period		(36)	(922)
	Proceeds from sale		(1,624)	-
			7,068	4,678

Council has decided to sell buildings on a parcel of land which are surplus to requirements. These assets are valued at the lower of carrying value and fair value less costs to sell. The sales are expected to settle within one year.

		Note	2016 $'000	Restated 2015 $'000
16	**Investment property**			
	Fair value at beginning of financial year		42,355	46,310
	Additions from subsequent expenditure recognised		10	217
	Net gain from fair value adjustments	8	571	3,030
	Disposal		-	(7,202)
	Fair value at end of financial year		42,936	42,355

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17 Investment in associate

Details of the associate is as follow.

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

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

	2016 $'000	Restated 2015 $'000
Total assets	**3,498,677**	3,374,904
Total liabilities	**(1,796,944)**	(1,765,616)
Net assets	**1,701,733**	1,609,288
Share of net assets of associate	**991,055**	937,217
Total revenue	**650,411**	613,222
Total profit for the year	**136,310**	109,905
Share of profit of associate	**79,384**	64,007
Council investment in the associate comprises of:		
Participation rights	**998,651**	944,813
Details of movements in participation rights:		
Opening Balance	**944,813**	907,088
Share of profit of associate	**79,384**	64,007
Less share of dividends received and accrued	**(25,546)**	(26,282)
Closing balance at end of year	**998,651**	944,813
Reconciliation of the participation rights to the share of net assets:		
Closing value of participation rights	**998,651**	944,813
Less share of net assets	**(991,055)**	(937,217)
Share of loss of associate for the year ended 2009/10	**7,596**	7,596
Share of loss of associate comprises:		
Total loss for the year ended 2009/10		13,043
Proportion of participation interest		58.2382%
Share of loss of associate for the year ended 2009/10		7,596

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

Comparative figures have been restated. Refer to Note 30 for details.

18 Property, plant and equipment

30 June 2016	Note	Land Improvements	Buildings	Park Equipment	Transport Infrastructure	Stormwater Infrastructure	Waterways and Canals
Basis of measurement		Cost	Fair Value	Cost	Fair Value	Fair Value	Fair Value
Asset Values		$'000	$'000	$'000	$'000	$'000	$'000
Opening gross value as at 1 July 2015 (Restated)		112,247	454,865	104,194	2,036,824	1,714,215	221,474
Additions		-	-	-	-	-	-
Transfers between asset classes		13,866	4,225	(13,108)	-	-	-
Contributed assets		849	-	1,432	22,896	28,771	-
Disposals		(1,658)	(4,293)	(652)	(22,753)	(1,882)	-
Assets not previously recognised/(derecognised)		-	-	31	372	2,231	61
Revaluation adjustment to asset revaluation surplus		-	9,342	-	-	-	-
Assets classified as held for sale	15	-	(1,080)	-	-	-	-
Assets withdrawn from held for sale	15	-	-	-	-	-	-
Transfers from work in progress		7,832	12,475	13,190	76,901	9,682	352
Closing gross value as at 30 June 2016		133,136	475,534	105,087	2,114,240	1,753,017	221,887
Accumulated depreciation and impairment							
Opening balance as at 1 July 2015		37,664	174,718	35,142	524,159	357,744	8,900
Depreciation provided in period		4,834	12,332	4,466	36,268	18,552	493
Transfers between asset classes		2,240	3,244	(1,782)	-	-	-
Depreciation on disposals		(844)	(2,707)	(278)	(12,115)	(448)	-
Assets not previously recognised/(derecognised)		-	-	-	-	(419)	-
Revaluation adjustment to asset revaluation surplus		-	(11,928)	-	-	-	-
Accumulated depreciation as at 30 June 2016		43,894	175,659	37,548	548,312	375,429	9,393
Total written down value as at 30 June 2016		89,242	299,875	67,539	1,565,928	1,377,588	212,494
Range of estimated useful life in years		3 - 100	1 - 128	5 - 110	1 - 142	20 - 150	9 - 100

Infrastructure expenditure comprises:	Land Improvements	Buildings	Park Equipment	Transport Infrastructure	Stormwater Infrastructure	Waterways and Canals
	$'000	$'000	$'000	$'000	$'000	$'000
Renewals	51	2,706	2,995	50,830	1,475	1,850
Other	4,430	13,155	16,573	51,470	6,488	627
Total	4,481	15,861	19,568	102,300	7,963	2,477

30 June 2016	Note	Land	Plant and Equipment	Cultural and Heritage	Work in Progress	Total
Basis of measurement		Fair Value	Cost	Cost	Cost	
Asset Values		$'000	$'000	$'000	$'000	$'000
Opening gross value as at 1 July 2015 (Restated)		458,593	98,292	2,529	47,632	5,250,865
Additions		-	-	-	227,505	227,505
Transfers between asset classes		-	(4,983)	-	-	-
Contributed assets		-	164	-	-	54,112
Disposals		(130)	(5,117)	-	-	(36,485)
Assets not previously recognised/(derecognised)		-	-	-	-	2,695
Revaluation adjustment to asset revaluation surplus		51,249	-	-	-	60,591
Assets classified as held for sale	15	(6,070)	-	-	-	(7,150)
Assets withdrawn from held for sale	15	3,100	-	-	-	3,100
Transfers from work in progress		65,391	11,965	-	(218,760)	(20,972)
Closing gross value as at 30 June 2016		572,133	100,321	2,529	56,377	5,534,261
Accumulated depreciation and impairment						
Opening balance as at 1 July 2015		-	41,726	-	-	1,180,053
Depreciation provided in period		-	8,018	-	-	84,963
Transfers between asset classes		-	(3,702)	-	-	-
Depreciation on disposals		-	(3,029)	-	-	(19,421)
Assets not previously recognised/(derecognised)		-	-	-	-	(419)
Revaluation adjustment to asset revaluation surplus		-	-	-	-	(11,928)
Accumulated depreciation as at 30 June 2016		-	43,013	-	-	1,233,248
Total written down value as at 30 June 2016		572,133	57,308	2,529	56,377	4,301,013
Range of estimated useful life in years		-	2 - 110	-	-	

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30/06/2015 (Restated)	Note	Land Improvements	Buildings	Park Equipment	Transport Infrastructure	Stormwater Infrastructure	Waterways and Canals
Basis of measurement		Cost	Fair Value	Cost	Fair Value	Fair Value	Fair Value
Asset Values		$'000	$'000	$'000	$'000	$'000	$'000
Opening gross value as at 1 July 2014		108,763	412,459	96,126	2,719,535	1,654,453	216,650
Additions		-	-	-	-		-
Transfers between asset classes		(1,352)	9	(1,660)	3,092	5	(23)
Contributed assets		149	-	1,087	27,561	32,478	-
Disposals		(842)	(3,293)	(221)	(10,539)	(5,285)	(70)
Assets not previously recognised/(derecognised)		-	-	108	(6,764)	17,194	-
Revaluation adjustment to asset revaluation surplus		-	-	-	(302,550)	-	-
Revaluation adjustment to capital expense	12	-	-	-	(461,328)	-	-
Assets classified as held for sale	15	-	-	-	-	-	-
Transfers from work in progress		5,529	45,690	8,754	67,817	15,370	4,917
Closing gross value as at 30 June 2015		112,247	454,865	104,194	2,036,824	1,714,215	221,474
Accumulated depreciation and impairment							
Opening balance as at 1 July 2014		33,827	164,054	31,961	676,958	339,165	8,528
Depreciation provided in period		4,460	12,159	4,303	34,391	17,885	375
Transfers between asset classes		(403)	-	(1,063)	1,511	-	-
Depreciation on disposals		(220)	(1,495)	(59)	(4,145)	(1,668)	(3)
Assets not previously recognised/(derecognised)		-	-	-	4,808	2,362	-
Revaluation adjustment to asset revaluation surplus		-	-	-	(75,001)	-	-
Revaluation adjustment to capital expense	12	-	-	-	(114,363)	-	-
Accumulated depreciation as at 30 June 2015		37,664	174,718	35,142	524,159	357,744	8,900
Total written down value as at 30 June 2015		74,583	280,147	69,052	1,512,665	1,356,471	212,574

30/06/2015 (Restated)	Note	Land	Plant and Equipment	Cultural and Heritage	Work in Progress	Total
Basis of measurement		Fair Value	Cost	Cost	Cost	
Asset Values		$'000	$'000	$'000	$'000	$'000
Opening gross value as at 1 July 2014		473,100	92,960	2,529	92,258	5,868,833
Additions		-	-	-	152,145	152,145
Transfers between asset classes		-	(71)	-	-	-
Contributed assets		25	56	-	-	61,356
Disposals		(18,643)	(6,281)	-	-	(45,174)
Assets not previously recognised/(derecognised)		2	-	-	-	10,540
Revaluation adjustment to asset revaluation surplus		593	-	-	-	(301,957)
Revaluation adjustment to capital expense	12	-	-	-	-	(461,328)
Assets classified as held for sale	15	(5,600)	-	-	-	(5,600)
Transfers from work in progress		9,116	11,628	-	(196,771)	(27,950)
Closing gross value as at 30 June 2015		458,593	98,292	2,529	47,632	5,250,865
Accumulated depreciation and impairment						
Opening balance as at 1 July 2014		-	37,080	-	-	1,291,573
Depreciation provided in period		-	7,945	-	-	81,518
Transfers between asset classes		-	(45)	-	-	-
Depreciation on disposals		-	(3,254)	-	-	(10,844)
Assets not previously recognised/(derecognised)		-	-	-	-	7,170
Revaluation adjustment to asset revaluation surplus		-	-	-	-	(75,001)
Revaluation adjustment to capital expense	12	-	-	-	-	(114,363)
Accumulated depreciation as at 30 June 2015		-	41,726	-	-	1,180,053
Total written down value as at 30 June 2015		458,593	56,566	2,529	47,632	4,070,812

19 Fair value measurements

(i) Recognised fair value measurements

Council measures and recognises the following assets at fair value on a recurring basis:

- Buildings
- Investment Property
- Land
- Stormwater Infrastructure
- Transport Infrastructure
- Waterways and Canals

Council does not measure any liabilities at fair value on a recurring basis.

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes.

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in Note 22 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flows at balance date (Level 2).

The carrying amounts of trade receivables and trade payables are assumed to approximate their fair value due to their short-term nature (Level 2).

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

- Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Fair value based on inputs that are directly or indirectly observable for the asset or liability (Level 2)
- Fair value based on unobservable inputs for the asset and liability (Level 3)

The following table categorises fair value measurements as either level 2 or level 3 in accordance with AASB 13. Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as level 1.

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available and minimise the use of entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3.

The table presents the Council's assets and liabilities measured and recognised at fair value at 30 June 2016.

	Note	Level 2 (Significant other observable inputs)		Level 3 (Significant unobservable inputs)		Total	
		2016	2015	2016	Restated 2015	2016	Restated 2015
Recurring fair value measurements		**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Buildings	18	**1,257**	-	**298,618**	280,147	**299,875**	280,147
Investment Property	16	**40,606**	39,920	**2,330**	2,435	**42,936**	42,355
Land	18	**347,376**	261,904	**224,757**	196,689	**572,133**	458,593
Stormwater Infrastructure	18	-	-	**1,377,588**	1,356,471	**1,377,588**	1,356,471
Transport Infrastructure	18	-	-	**1,565,928**	1,512,665	**1,565,928**	1,512,665
Waterways and Canals	18	-	-	**212,494**	212,574	**212,494**	212,574
		389,239	301,824	**3,681,715**	3,560,981	**4,070,954**	3,862,805
Non-recurring fair value measurements							
Land and building held for sale	15	**7,150**	5,600	-	-	**7,150**	5,600

(ii) Valuation techniques used to derive fair values for level 2 and level 3 valuations

Council has reviewed each valuation to ensure compliance with the requirements of AASB 13. No changes in valuation techniques were required as a result of this review.

Specific valuation techniques used to value Council assets comprise:

Buildings (Level 2 and 3)

The fair value of buildings were determined by independent valuer Australis Asset Advisory Group as at 31 March 2016.

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

For buildings classified as level 3, no active market exists and fair value has been determined using the current replacement cost method valuation. The cost approach is an accepted valuation methodology under AASB 13 and is deemed to be a Level 3 input.

Buildings classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less cost to sell at the time of the reclassification.

The useful lives of building assets were reviewed as part of the revaluation with useful lives increasing, resulting in a decrease in depreciation expense. The change in depreciation expense is regarded as a change in accounting estimate In accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. It is anticipated that the decrease in depreciation expense for future years will be in the amount of $1.3 million.

Investment Property (Level 2 and 3)

Investment property fair values were determined by independent valuer Australis Asset Advisory Group as at 30 June 2015 and indexed by Australis Asset Advisory Group as at 30 June 2016.

For investment property classified as level 2, fair value has been determined using the income capitalisation approach and market approach. The income capitalisation method of valuation involves capitalising the estimated net income of the property at an appropriate capitalisation rate (net yield) that has been determined through the analysis of market based sales evidence for properties of similar nature and specification. The market approach utilises inputs such as capital value and price per square metre, which is derived by assessing market based sales evidence of comparable properties.

For investment property classified at level 3, no active market exists and fair value has been measured utilising the cost approach.

Land (Level 2 and 3)

The fair value of land was determined by independent valuer AssetVal Pty Ltd as at 30 June 2013 and indexed with the Queensland Valuer General's property market movement as at 1 October 2015.

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

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

Land classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less cost to sell at the time of the reclassification.

Stormwater Infrastructure (Level 3)

The fair value of stormwater infrastructure was determined by unit rates provided by independent valuers Cardno Pty Ltd as at 31 December 2015. During the application of the re-valuation Council identified that previous re-valuations undertaken in 2008 and 2012 were inadequate and accordingly Council concluded that a material prior period error had occurred. In order to correct the prior period error Council utilised the valuation inputs and assumptions from the 2015 valuation, with approval from Cardno Pty Ltd, to arrive at a fair value estimate applicable as at 1 July 2014. Details of the prior period error are included at note 30.

Due to the specialised nature of Council's stormwater infrastructure there is no active market for the assets. As such, fair value has been determined using the current replacement cost method of valuation. The cost approach is an accepted valuation methodology under AASB 13 and is deemed to be a Level 3 input.

Transport Infrastructure (Level 3)

The fair value of transport infrastructure was determined by independent valuers Cardno Pty Ltd as at 31 December 2014.

Due to the specialised nature of Council's transport infrastructure there is no active market for the assets. As such, fair value has been determined using the current replacement cost method of valuation. The cost approach is an accepted valuation methodology under AASB 13 and is deemed to be a Level 3 input.

Waterways and Canals (Level 3)

The fair value of waterway and canal assets was determined by independent valuer AssetVal Pty Ltd as at 30 June 2014.

Due to the specialised nature of Council's waterway and canal infrastructure, the valuations have been determined using the current replacement cost method of valuation. The cost approach is an accepted valuation methodology under AASB 13 and is deemed to be a Level 3 input.

(iii) Changes in fair value measurements using significant unobservable inputs (Level 3)

The changes in level 3 assets with recurring fair value measurements are detailed in Note 16 (Investment Property) Note 18 (Property, Plant and Equipment) and Note 5 (Capital Income). During 2015/16 some level 3 buildings were transferred to level 2 as a few buildings were valued using fair value inputs based on observable data. When fair value inputs based on observable data is available, assets will be transferred from the level 3 category to level 2.

	Buildings	
	Level 2	Level 3
	$'000	$'000
Opening balance as at 1 July 2015	-	280,147
Transfers between levels	1,755	(1,755)
Additions	-	12,475
Disposals	-	(1,586)
Depreciation provided in period	(21)	(12,311)
Reclassifications	-	(99)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	(477)	21,747
Closing balance as at 30 June 2016	1,257	298,618

(iv) Valuation processes

Council's current policy for the valuation of property, plant and equipment and investment property (recurring fair value measurements) is set out in Note 1.N and Note 1.M respectively. Non-recurring fair value measurements are made at the point of reclassification by a registered valuer.

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		Note	2016 $'000	Restated 2015 $'000
20	**Intangible assets**			
	Software			
	Opening gross carrying value		**11,167**	11,129
	Additions through acquisitions		**183**	38
	Closing gross carrying value		**11,350**	11,167
	Accumulated amortisation			
	Opening balance		**8,529**	7,982
	Amortisation in the period		**541**	547
	Closing balance		**9,070**	8,529
	Net carrying value at end of financial year		**2,280**	2,638
	Software has a finite life estimated between 3 to 24 years. Straight line amortisation has been used with no residual value.			
	Total intangible assets		**2,280**	2,638
21	**Trade and other payables**			
	Current			
	Trade creditors and accruals		**34,656**	33,338
	Employee entitlements		**11,032**	11,072
			45,688	44,410
	Non-Current			
	Trade creditors and accruals		**414**	605
			414	605
22	**Borrowings**			
	Current			
	Loans - Queensland Treasury Corporation		**25,861**	22,181
			25,861	22,181
	Non-current			
	Loans - Queensland Treasury Corporation		**365,598**	372,770
			365,598	372,770

The QTC loan market value at the reporting date was $470,959,321. This represents the value of the debt if Council repaid it as at 30 June 2016.

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

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	Note	2016 $'000	Restated 2015 $'000
23 Provisions			
Current			
Long service leave		**13,978**	14,019
Bio-solids composting site rehabilitation		**46**	15
Refuse restoration		**749**	1,024
		14,773	15,058
Non-current			
Long service leave		**3,317**	3,142
Bio-solids composting site rehabilitation		**353**	311
Refuse restoration		**14,430**	11,424
Infrastructure offsets		**9,002**	7,746
		27,102	22,623

Details of movements in provisions:

	Long service leave $'000
Balance at beginning of financial year	17,161
Provisions arising	3,020
Provisions extinguished	(1,081)
Provisions paid	(1,805)
Balance at end of financial year	17,295

	Infrastructure offsets $'000
Balance at beginning of financial year	7,746
Provisions arising	11,645
Provisions extinguished	(8,709)
Provisions paid	(1,680)
Balance at end of financial year	9,002

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	Note	2016 $'000	Restated 2015 $'000

	Bio-solids composting site rehabilitation $'000
Balance at beginning of financial year	326
Amount incurred and charged against the provision	(19)
Increase in provision due to unwinding of discount	9
Increase in provision due to change in estimate	48
Increase in provision due to change in discount rate	35
Balance at end of financial year	399

	Refuse landfill sites restoration $'000
Balance at beginning of financial year	12,448
Amount incurred and charged against the provision	(1,016)
Increase in provision due to unwinding of discount	369
Increase in provision due to change in estimate	240
Increase in provision due to change in discount rate	3,181
Unused amounts reversed	(43)
Balance at end of financial year	15,179

Site	Expected site closure year	Post closure monitoring cost completion year
Bunya landfill site	2050	2065
Dakabin landfill site	2025	2040
Caboolture landfill site	2045	2060
Ningi landfill site	closed	2027
Woodford landfill site	closed	2027
Bio-solid compositing site	closed	2038

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	Note	2016 $'000	Restated 2015 $'000

24 Asset revaluation surplus

Asset revaluation surplus analysis

The closing balance of the asset revaluation surplus comprises the following asset categories:

		2016 $'000	Restated 2015 $'000
Land		**103,089**	51,840
Buildings		**68,488**	47,218
Stormwater infrastructure		**653,848**	653,848
Waterways and canals		**37,424**	37,424
		862,849	790,330

25 Commitments for expenditure

Contractual commitments

Commitments for capital expenditure

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

		2016 $'000	Restated 2015 $'000
Property, plant and equipment		**25,938**	27,209
		25,938	27,209
These expenditures are due for payment:			
Not later than one year		**25,236**	27,209
One to five years		**702**	-
		25,938	27,209

Commitments for operating expenditure

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

		2016 $'000	Restated 2015 $'000
Waste and maintenance services		**46,965**	71,161
Total contractual commitments at reporting date		**46,965**	71,161
These expenditures are due for payment:			
Not later than one year		**23,530**	26,601
One to five years		**23,326**	44,561
More than five years		**109**	-
		46,965	71,162

26 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 AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* on the basis that Council considers such disclosures would seriously prejudice the outcome of the claims. In total the claims amount to approximately $9.1 million (2015: approximately $19m).

Infrastructure offsets

Council enters into certain infrastructure agreements with developers where specific infrastructure is to be provided (contributed) to Council in lieu of charging infrastructure charges. Where the value of the infrastructure provided exceeds the value of the infrastructure charges forgone an offset may arise. The offset is only recognised once Council has received the infrastructure as "on maintenance" and takes ownership.

Where the infrastructure is yet to be recognised as "on maintenance" there is no certainty that the offset will eventuate and a contingent liability is recognised. In total the potential offsets amount to approximately $6.3 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 2015 the financial statements of LGM Queensland reported a members' equity balance of $41,971,699.

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 $3,429,454.

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27 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 three elements referred to as:

The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund

The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments; 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* .

Council does not have any employees who are members of the CDBF and, therefore, is not exposed to the obligations, assets or costs associated with this fund.

The Regional DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the Regional 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. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

To ensure the ongoing solvency of the Regional DBF, the scheme's trustee can vary the rate of contributions from relevant local government employers subject to advice from the scheme's actuary. As at the reporting date, no changes had been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

Any amount by which either fund is over or under funded would only affect future benefits and contributions to the Regional DBF, and is not an asset or liability of the Council. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

As at the reporting date, 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 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date."

In the 2015 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

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.

There are currently 69 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 69 entities. Moreton Bay Regional Council made 4.89% of the total contributions to the plan for the 2015-2016 financial year.

The next actuarial investigation will be made as at 1 July 2018.

	Note	2016 $'000	2015 $'000
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees and councillors was:	9	12,950	12,672

		Note	2016 $'000	Restated 2015 $'000
28	**Operating lease income**			
	The minimum lease receipts are as follows:			
	Not later than one year		3,820	4,328
	One to five years		9,555	12,315
	Later than five years		7,770	8,948
			21,145	25,591
29	**Reconciliation of net result for the year to net cash inflow from operating activities**			
	Net result		195,808	(167,439)
	Non-cash items:			
	Depreciation and amortisation		85,504	82,065
	Revaluation adjustments		(571)	343,935
	Change in future rehabilitation and restoration costs		450	164
	Change in infrastructure offsets		2,936	2,572
	Impairment of property, plant and equipment		36	922
	Share of profit of associate		(79,384)	(64,007)
			8,971	365,651
	Investing and development activities:			
	Net loss on disposal of non-current assets		15,705	16,820
	Capital grants and contributions		(109,312)	(111,905)
			(93,607)	(95,085)
	Changes in operating assets and liabilities:			
	Decrease in receivables		1,595	3,884
	(Increase)/decrease in other operating assets		332	258
	Increase/(decrease) in payables		1,087	(9,736)
	(Decrease) in provisions		(2,582)	(86)
	(Decrease) in other liabilities		(245)	(227)
			187	(5,907)
	Net cash inflow from operating activities		111,359	97,220

30 Restated balances

(a) Stormwater infrastructure asset class

During the process of valuing certain asset classes for 2015/16, Council identified that prior period stormwater infrastructure values did not correctly reflect fair value.

Further analysis undertaken indicated that the unit rates utilised for the purposes of establishing fair value during 2008/09 and 2011/12 were inadequate and resulted in the assets being substantially undervalued.

The substantial undervaluation was identified as the unit rates utilised for the 2015/16 revaluation indicated a material movement in asset fair value when compared to prior periods. Upon review no supporting information such as the change in a suitable price index or the cost of materials indicated that a material movement in fair value had occurred.

Accordingly Council has determined that the substantial undervaluation reflects a material prior period error.

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.

Council has determined that it is impracticable to retrospectively restate prior year values before 2014/15 as prior year values cannot be reliably estimated. Accordingly the cumulative impact on assets, liabilities and equity is shown as at beginning of the earliest prior period presented (1 July 2014) and amounts to an increase of $488.6 million. A further restatement applicable for 2014/15 resulted in an increase in the amount of $8.3 million thereby reflecting, as at 30 June 2015, a total restated increase in stormwater infrastructure values in the amount of $496.9 million.

As a consequence of correcting the prior period error related to previous stormwater infrastructure valuations Council became aware of an error relating to the recognition of stormwater assets not previously recognised during the 2014/15 financial year. When recognising the assets Council omitted including accumulated depreciation in the amount of $3.7 million as part of the asset recognition process. The effect of this omission resulted in the written own value of Stormwater infrastructure to be overstated by $3.7 million and depreciation expense provided in the period to be overstated by an identical amount. As this error affects the same line item disclosures related to the stormwater infrastructure asset valuation restatement, the correction of the assets not previously recognised and the associated depreciation expense is included as part of the stormwater infrastructure asset valuation restatement.

(b) Investment in associate

During 2015/16 Unitywater identified a prior period error in their financial statements that related to the amount of decommissioned physical assets incorrectly retained, assets contributed from developers, and developer contributions revenue recorded in each financial year since 1 July 2011.

As Unitywater pay a percentage of profit to Council, this prior period error consequently alters the share of profit and associated investment in Unitywater that Council previously recorded. As a result Council has overstated its share of profit of associate revenue in the amount of $6 million and understated its investment in associate asset in the amount of $12.8 million during the 2014/15 financial year.

Consequently to correctly reflect the impacts of this prior period error, Council has retrospectively restated the earliest prior period presented.

(c) Non-current assets held for sale

During 2015/16 Council identified land and buildings for the first time in accordance with AASB 5 *Non-current assets held for sale and discontinued operations.* In the process of applying the standard Council determined that two parcels of land require disclosure in the comparative year of 2014/15. The comparative amount for 2014/15 is approximately $4.7 million.

(d) Cultural and heritage asset class

During 2015/16 Council changed the valuation method for cultural and heritage asset class from the revaluation model to the cost model and treated it as a change in accounting policy. Consequently to correctly reflect the impacts of this policy change, Council has adjusted the 2014/15 comparative amounts in the Statement of Financial Position in accordance with the requirements of AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amount to be restated in 2014/15 amounts to approximately $141,000.

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

30 June 2015 Comparative year

	Financial statement line item / balance affected	Note	Actual 2015 $'000	Adjustments 2015 $'000	Restated Actual 2015 $'000
	Statement of Comprehensive Income (Extract)				
	Recurring Revenue				
(b)	Share of profit of associate	17	70,062	(6,055)	64,007
			456,416	(6,055)	450,361
	Capital Revenue				
(a)	Grants, subsidies and contributions	5(b)	100,817	11,088	111,905
	Total Revenue		557,233	5,033	562,266
	Total Income		560,509	5,033	565,542
	Recurring Expenses				
(a)	Depreciation and amortisation - valuation error		(79,729)	(6,083)	(82,065)
	- not previously recognised error			3,747	
			(363,366)	(2,336)	(365,702)
(a),(c)	**Capital Expenses**	12	(365,908)	(1,371)	(367,279)
	Total Expenses		(729,274)	(3,707)	(732,981)
	NET RESULT		(168,765)	1,326	(167,439)
	Items that will not be reclassified to net result				
(c)	Increase/(decrease) in asset revaluation surplus		(227,549)	593	(226,956)
	Total other comprehensive income for the year		(227,549)	593	(226,956)
	TOTAL COMPREHENSIVE INCOME/(DEFICIT) FOR THE YEAR		(396,314)	1,919	(394,395)
	Note 17 Investment in associate (Extract)				
	Share of profit of associate		70,062	(6,055)	64,007
(b)	Participation rights		932,057	12,756	944,813
	Note 5 Grants, subsidies and contributions (Extract)				
	(b) Capital				
(a)	Contributed assets		49,719	11,637	61,356
(a)	Assets not previously recognised		3,919	(549)	3,370
			100,817	11,088	111,905
	Note 12 Capital expenses (Extract)				
(a)	Book value of property, plant and equipment disposed of		41,083	449	41,532
(c)	Loss on impairment of assets classified as held for sale		-	922	922
			365,908	1,371	367,279

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		Note	Actual 2015 $'000	Adjustments 2015 $'000	Restated Actual 2015 $'000
	Statement of Financial Position (Extract)				
	Current Assets				
(c)	Non-current assets held for sale	15	-	4,678	4,678
	Total Current Assets		301,530	4,678	306,208
	Non-Current Assets				
(b)	Investment in associate	17	932,057	12,756	944,813
(a),(c),(d)	Property, plant and equipment	18	3,579,016	491,796	4,070,812
	Total Non-Current Assets		5,277,807	504,552	5,782,359
	Total Assets		5,579,337	509,230	6,088,567
	NET COMMUNITY ASSETS		5,100,828	509,230	5,610,058
	Community Equity				
(a),(b),(c)	Retained surplus		4,799,591	20,137	4,819,728
(a),(c),(d)	Asset revaluation surplus	24	301,237	489,093	790,330
	TOTAL COMMUNITY EQUITY		5,100,828	509,230	5,610,058
	Note 15 Non-current assets classified as held for sale (Extract)				
(c)	Internal transfer from land and buildings		-	5,600	5,600
(c)	Impairment adjustment in the period		-	(922)	(922)
			-	4,678	4,678
	Note 18 Property, plant and equipment (Extract)				
	Land				
	Asset Values				
(c)	Revaluation adjustment to asset revaluation surplus		-	593	593
(c)	Assets classified as held for sale	15	-	(5,600)	(5,600)
	Closing gross value as at 30 June 2015		463,600	(5,007)	458,593
	Total written down value as at 30 June 2015		463,600	(5,007)	458,593

		Note	Actual 2015 $'000	Adjustments 2015 $'000	Restated Actual 2015 $'000
	Stormwater Infrastructure				
	Asset Values				
(a)	Opening gross value as at 1 July 2014		1,042,777	611,676	1,654,453
(a)	Contributed assets		20,841	11,637	32,478
(a)	Disposals		(4,722)	(563)	(5,285)
(a)	Assets not previously recognised/(derecognised)		13,346	3,848	17,194
	Closing gross value as at 30 June 2015		1,087,617	626,598	1,714,215
	Accumulated depreciation and impairment				
(a)	Opening gross value as at 1 July 2014		216,130	123,035	339,165
(a)	Depreciation provided in period		15,549	2,336	17,885
(a)	Depreciation on disposals		(1,554)	(114)	(1,668)
(a)	Assets not previously recognised/(derecognised)		(2,035)	4,397	2,362
	Accumulated depreciation as at 30 June 2015		228,090	129,654	357,744
	Total written down value as at 30 June 2015		859,527	496,944	1,356,471
	Cultural and Heritage				
	Asset Values				
(d)	Opening gross value as at 1 July 2014		2,670	(141)	2,529
	Closing gross value as at 30 June 2015		2,670	(141)	2,529
	Total written down value as at 30 June 2015		2,670	(141)	2,529
	Note 24 Asset revaluation surplus (Extract)				
(c)	Land		51,247	593	51,840
(d)	Cultural and heritage		141	(141)	-
(a)	Stormwater infrastructure		165,207	488,641	653,848
			301,237	489,093	790,330
	Statement of Changes in Equity (Extract)				
	Balance as at 1 July 2014		5,497,142	507,311	6,004,453
(a),(b),(c)	Net result		(168,765)	1,326	(167,439)
(c)	Decrease in asset revaluation surplus		(227,549)	593	(226,956)
	Total comprehensive income for the year		(396,314)	1,919	(394,395)
	Balance at 30 June 2015		5,100,828	509,230	5,610,058

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31 Financial instruments

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

- credit risk
- liquidity risk
- market risk

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

Financial risk management

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

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

Council does not enter into derivatives.

Credit risk exposure

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

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

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

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

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

Financial assets	Note	2016 $'000	2015 $'000
Cash and cash equivalents	13	218,311	252,287
Receivables - rates	14	6,990	6,720
Receivables - other		776,036	758,896
		1,001,337	1,017,903

Cash and cash equivalents
The Council may be exposed to credit risk through its investments in the QTC Cash Fund and QTC Working Capital Facility. The QTC Cash Fund is an asset management portfolio that invests with a wide range of high credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed. Working Capital Facility deposits have a duration of one day and all investments are required to have a minimum credit rating of "BBB", therefore the likelihood of the counterparty having capacity to meet its financial commitments is strong.

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

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

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

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

	2016 $'000	2015 $'000
Not past due	105,044	87,193
Past due 31-60 days	65	106
Past due 61-90 days	34	120
More than 90 days	858	1,172
Impaired	(225)	(341)
Total	105,776	88,250

The above analysis does not include the non-current receivable of $677.025 million (2015: $677.025 million), which represents a fixed rate of 5.36% loan to Unitywater. The credit risk on these loans is considered low. Refer to Note 14 for further information.

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Liquidity risk

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

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

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

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
2016					
Trade and other payables	**34,692**	**452**	**-**	**35,144**	**35,070**
Loans - QTC	**48,144**	**192,576**	**305,624**	**546,344**	**391,459**
	82,836	**193,028**	**305,624**	**581,488**	**426,529**
2015					
Trade and other payables	33,385	678	-	34,063	33,943
Loans - QTC	45,417	183,405	333,395	562,217	394,951
	78,802	184,083	333,395	596,280	428,894

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

Council does not have access to a fixed overdraft facility.

Market risk

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

Interest rate risk

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

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

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Sensitivity

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

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

	Net carrying amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
	$'000	$'000	$'000	$'000	$'000
2016					
QTC cash fund	**66,992**	**670**	**(670)**	**670**	**(670)**
Other investments	**13,857**	**139**	**(139)**	**139**	**(139)**
Net total	**80,849**	**809**	**(809)**	**809**	**(809)**
2015					
QTC cash fund	121,362	1,214	(1,214)	1,214	(1,214)
Other investments	65,573	656	(656)	656	(656)
Net total	186,935	1,870	(1,870)	1,870	(1,870)

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

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

Fair value

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

The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is disclosed in Note 22.

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

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32 National competition policy

Business activities to which the code of competitive conduct is applied

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

Waste Function

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

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

	Waste Function
	2016
Revenue	**$'000**
Revenue for services provided to Council	1,821
Revenue for services provided to external clients	45,023
Community service obligations	933
	47,777
Expenditure	40,956
Surplus/(deficiency)	6,821

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	2016 $'000
Waste	
Pensioner Discounts	560
Litter Management	348
Clean Up Australia	25

33 Events subsequent to balance date

Council is in the process of listing for sale properties with an estimated value of $67.2 million that are surplus to Council requirements. Some of these properties are yet to be actively marketed.

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Moreton Bay
Regional Council

MANAGEMENT CERTIFICATE
For the year ended 30 June 2016

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

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

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

(ii) the general purpose financial statements, as set out on pages 1 to 43, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.

Cr Allan Sutherland **Mayor**	**Mr Daryl Hitzman** **Chief Executive Officer**
Date: 21 / 10 / 16	Date: 21 / 10 / 16

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 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and certificates given by the Mayor and the 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 Regulation 2012*, 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 2015 to 30 June 2016 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

QUEENSLAND
24 OCT 2016
AUDIT OFFICE

J Macgregor

J MACGREGOR CPA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

Moreton Bay

CURRENT-YEAR FINANCIAL SUSTAINABILITY STATEMENT
For the year ended 30 June 2016

Measures of Financial Sustainability

Council's performance at 30 June 2016 against key financial ratios and targets:

	How the measure is calculated	Actual	Target
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	21.7%	between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	77.9%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	43.2%	not greater than 60%

Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the *Financial Management (Sustainability) Guideline 2013*. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2016.

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Moreton Bay

CERTIFICATE OF ACCURACY
For the year ended 30 June 2016

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

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

Cr Allan Sutherland
Mayor

Date: 21 / 10 / 16

Mr Daryl Hitzman
Chief Executive Officer

Date: 21 / 10 / 16

QAO
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INDEPENDENT AUDITOR'S REPORT

To the Mayor of Moreton Bay Regional Council

Report on the Current-Year Financial Sustainability Statement

I have audited the accompanying current-year financial sustainability statement, which is a special purpose financial report of Moreton Bay Regional Council for the year ended 30 June 2016, comprising the statement and explanatory notes, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Current-Year Financial Sustainability Statement

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

Auditor's Responsibility

My responsibility is to express an opinion on the current-year financial sustainability statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. 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 statement.

My responsibility is to form an opinion as to whether the statement has been accurately calculated based on the Council's general purpose financial report. My responsibility does not extend to forming an opinion on the appropriateness or relevance of the reported ratios, nor on the Council's future sustainability.

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.212 of the *Local Government Regulation 2012*, in my opinion, in all material respects, the current-year financial sustainability statement of Moreton Bay Regional Council, for the year ended 30 June 2016, has been accurately calculated.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, attention is drawn to Note 1 which describes the basis of accounting. The current-year financial sustainability statement has been prepared in accordance with the *Financial Management (Sustainability) Guideline 2013* for the purpose of fulfilling the Council's reporting responsibilities under the *Local Government Regulation 2012*. As a result, the statement may not be suitable for another purpose.

Other Matters - Electronic Presentation of the Audited Statement

Those viewing an electronic presentation of this special purpose financial report should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

QUEENSLAND
24 OCT 2016
AUDIT OFFICE

J Macgregor

J MACGREGOR CPA
(as delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

Moreton Bay

LONG-TERM FINANCIAL SUSTAINABILITY STATEMENT
Prepared as at 30 June 2016

Measures of Financial Sustainability

	Measure	Target	Actual	Projected for the years ended								
			30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025
Operating surplus ratio	Net result divided by total operating revenue	between 0% and 10%	21.7%	13.7%	13.6%	12.6%	12.4%	14.3%	14.2%	12.3%	13.2%	11.9%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	77.9%	79.7%	73.3%	67.3%	76.5%	75.6%	78.3%	74.5%	79.4%	79.5%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	43.2%	50.6%	46.0%	51.5%	50.2%	52.9%	50.0%	48.7%	46.2%	44.8%

Council's Financial Management Strategy

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

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

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

Moreton Bay

CERTIFICATE OF ACCURACY

For the long-term financial sustainability statement prepared as at 30 June 2016

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

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

Cr Allan Sutherland
Mayor

Date: 21 / 10 / 16

Mr Daryl Hitzman
Chief Executive Officer

Date: 21 / 10 / 16

Moreton Bay Region
We've got it all

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