MORETON BAY REGIONAL COUNCIL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 June 2017

Moreton Bay

Financial Statements
For the year ended 30 June 2017
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STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2017

	Note	2017 $'000	Restated 2016 $'000	
Income				
Revenue				
Recurring Revenue				
Rates and utility charges	3(a)	277,534	261,086	
Fees and charges	3(b)	38,625	39,639	
Rental income		7,026	6,931	
Grants, subsidies and contributions	3(c)(i)	27,317	22,964	
Interest revenue	3(d)	44,621	44,784	
Sales revenue		3,183	4,715	
Other revenue	3(e)	26,396	22,948	
Share of profit of associate	9	78,917	79,385	
		503,619	482,452	
Capital Revenue				
Grants, subsidies and contributions	3(c)(ii)	99,462	122,340	*
Total Revenue		603,081	604,792	*
Capital Income	3(f)	2,420	656	
Total Income		605,501	605,448	*
Expenses				
Recurring Expenses				
Employee benefits	4(a)	(120,184)	(124,953)	
Materials and services	4(b)	(142,003)	(142,663)	
Depreciation and amortisation	10,11	(86,263)	(85,715)	*
Finance costs	4(c)	(24,352)	(24,658)	
		(372,802)	(377,989)	*
Capital Expenses	4(d)	(16,104)	(12,904)	*
Total Expenses		(388,906)	(390,893)	*
NET RESULT		216,595	214,555	*
Other Comprehensive Income				
Items that will not be reclassified to net result				
Increase in asset revaluation surplus	15	34,081	72,519	
Total other comprehensive income for the year		34,081	72,519	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		250,676	287,074	*

The accompanying notes form part of these financial statements.

** Comparative figures have been restated. Refer to Note 23 for details.*

Moreton Bay

STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	2017 $'000	Restated 2016 $'000	
Assets				
Current Assets				
Cash and cash equivalents	5	**299,760**	218,311	
Trade and other receivables	6	**115,792**	45,304	
Inventories		**1,159**	1,058	
		416,711	264,673	
Non-current assets held for sale	7	**45,758**	7,068	
Total Current Assets		**462,469**	271,741	
Non-Current Assets				
Trade and other receivables	6	**677,488**	741,801	
Investments		**15**	15	
Investment property	8	**44,970**	42,936	
Investment in associate	9	**1,056,084**	998,651	
Property, plant and equipment	10	**4,387,882**	4,314,691	*
Intangible assets	11	**1,744**	2,280	
Total Non-Current Assets		**6,168,183**	6,100,374	*
Total Assets		**6,630,652**	6,372,115	*
Liabilities				
Current Liabilities				
Trade and other payables	12	**47,034**	45,688	
Borrowings	13	**28,479**	25,861	
Provisions	14	**13,394**	14,773	
Other		**410**	616	
Total Current Liabilities		**89,317**	86,938	
Non-Current Liabilities				
Trade and other payables	12	**213**	414	
Borrowings	13	**359,071**	365,598	
Provisions	14	**33,382**	21,172	*
Total Non-Current Liabilities		**392,666**	387,184	*
Total Liabilities		**481,983**	474,122	*
NET COMMUNITY ASSETS		**6,148,669**	5,897,993	*
Community Equity				
Retained surplus		**5,251,739**	5,035,144	*
Asset revaluation surplus	15	**896,930**	862,849	
TOTAL COMMUNITY EQUITY		**6,148,669**	5,897,993	*

The accompanying notes form part of these financial statements.

* *Comparative figures have been restated. Refer to Note 23 for details.*

Moreton Bay Regional Council

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2017

	Note	Retained Surplus	Asset Revaluation Surplus	Total Community Equity	
			15		
		$'000	$'000	$'000	
Balance as at 1 July 2016 (Restated)		5,035,144	862,849	5,897,993	
Net result		216,595	-	216,595	
Other comprehensive income for the year					
Increase in asset revaluation surplus		-	34,081	34,081	
Total comprehensive income for the year		216,595	34,081	250,676	
Balance at 30 June 2017		5,251,739	896,930	6,148,669	
Balance as at 1 July 2015 (Restated)		4,820,589	790,330	5,610,919	
Net result		214,555	-	214,555	*
Other comprehensive income for the year					
Increase in asset revaluation surplus		-	72,519	72,519	
Total comprehensive income for the year		214,555	72,519	287,074	*
Balance at 30 June 2016 (Restated)		5,035,144	862,849	5,897,993	*

The accompanying notes form part of these financial statements.

** Comparative figures have been restated. Refer to Note 23 for details.*

Moreton Bay

STATEMENT OF CASH FLOWS
For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		**350,340**	345,184
Payments to suppliers and employees		**(290,400)**	(303,817)
Interest received		**44,672**	44,991
Rental income		**7,026**	6,931
Non capital grants and contributions		**27,317**	22,964
Tax equivalent received		**16,418**	18,636
Borrowing costs		**(23,271)**	(23,530)
Net cash inflow from operating activities	CF-1	**132,102**	111,359
Cash flows from investing activities			
Payments for property, plant and equipment		**(144,593)**	(223,229)
Payments for intangible assets		**(4)**	(183)
Payments for investment property		**(96)**	(10)
Proceeds from sale of property, plant and equipment		**16,714**	2,983
Net movement in loans to community organisations		**(8)**	1
Net movement in loans to Unitywater		**-**	1,227
Dividends received from associate		**22,737**	25,282
Grants, subsidies and contributions		**58,506**	52,086
Net cash outflow from investing activities		**(46,744)**	(141,843)
Cash flows from financing activities			
Proceeds from borrowings		**21,000**	19,000
Repayment of borrowings		**(24,909)**	(22,492)
Net cash outflow from financing activities		**(3,909)**	(3,492)
Net increase/(decrease) in cash and cash equivalent held		**81,449**	(33,976)
Cash and cash equivalents at the beginning of the financial year		**218,311**	252,287
Cash and cash equivalents at the end of the financial year	5	**299,760**	218,311

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2017

Notes to the statement of cash flow

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

	2017 $'000	Restated 2016 $'000	
Net result	**216,595**	214,555	*
Non-cash items:			
Depreciation and amortisation	**86,263**	85,715	*
Revaluation adjustments	**(2,313)**	(571)	
Change in future rehabilitation and restoration costs	**508**	450	
Change in infrastructure offsets and credits	**(752)**	(2,994)	*
Impairment of property, plant and equipment	**459**	36	
Contributed assets	**(40,956)**	(70,254)	
Share of profit of associate	**(78,917)**	(79,384)	
	(35,708)	(67,002)	*
Investing and development activities:			
Net loss on disposal of non-current assets	**16,121**	15,705	
Capital grants and contributions	**(58,506)**	(52,086)	*
	(42,385)	(36,381)	*
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables	**(5,314)**	1,595	
Decrease in other operating assets	**223**	332	
Increase in payables	**1,146**	1,087	
(Decrease) in provisions	**(2,248)**	(2,582)	
(Decrease) in other liabilities	**(207)**	(245)	
	(6,400)	187	
Net cash inflow from operating activities	**132,102**	111,359	

1 Significant accounting policies

1(a) Basis of preparation

These general purpose financial statements are for the period 1 July 2016 to 30 June 2017. They are prepared in accordance with the Local Government Act 2009 and the Local Government Regulation 2012.

They comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). 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). Therefore in some instances these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation gains and losses within a class of assets and the timing of recognition of non-reciprocal grant revenue.

These financial statements have been prepared under the historical cost convention except where stated.

1(b) Constitution

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

1(c) New and revised Accounting Standards

This year Council applied AASB 124 *Related Party Disclosures* for the first time. As a result Council has disclosed more information about related parties and transactions with those related parties. This information is presented in Note 22.

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

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards and Interpretations that have been recently issued with future commencement dates are set out below:

AASB 9 *Financial Instruments*

This standard will become effective from reporting periods beginning on or after 1 January 2018. AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement* and changes the classification, measurement and disclosure of financial assets. This change will require Council to measure all financial assets at fair value or amortised cost rather than at cost. The impact is expected to be immaterial.

AASB 16 *Leases*

This standard will become effective for reporting periods beginning on or after 1 January 2019. AASB 16 will require the recognition of all leases on the balance sheet. A lease liability will be initially measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised to record the right to use the leased item over the lease term. Council has undertaken a preliminary analysis to identify and quantify the impacts of introducing AASB 16. The current assessment indicates the impact is expected to be immaterial.

1 Significant accounting policies (continued)

1(c) New and revised Accounting Standards (continued)

AASB 15 *Revenue from Contracts with Customers,* AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will become effective for reporting periods beginning on or after 1 January 2018. AASB 1058 and AASB 2016-8 will become effective for reporting periods beginning on or after 1 January 2019. AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 1058 will replace AASB 1004 *Contributions*. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure for income including revenue from contracts with customers. Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards.

1(d) Estimates and judgements

Where necessary judgements, estimates and assumptions have been used in preparing these financial statements. Those that have a significant effect, or risk of causing an adjustment to council's assets or liabilities relate to:

Investment Property (Note 8)

Valuation and depreciation of property, plant and equipment (Note 10)

Impairment of non-current assets (Note 4(d))

Provisions (Note 14)

Contingencies (Note 18)

1(e) 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(f) 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.

2 Analysis of Results by Function

2(a) Components of Council Functions

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

Engineering, Construction & Maintenance

Engineering, Construction and Maintenance is responsible for the maintenance of Council 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, Human Resources, 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.

2 Analysis of Results by Function (continued)

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

Year ended 30 June 2017	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	781	67,259	18,660	2,318	(18,606)	70,412	(164,303)	1,367	17,065	(145,871)	(75,459)	4,482,932
Community & Environmental Services	3,334	18,098	-	-	-	21,432	(44,201)	-	1,003	(43,198)	(21,766)	300
Governance	22,482	382,769	-	80,904	2,389	488,544	(149,048)	(32,355)	(2,240)	(183,643)	304,901	2,146,946
Planning and Economic Development	190	12,666	-	-	(16)	12,840	(15,446)	-	136	(15,310)	(2,470)	5
Executive and Property Services	-	12,323	-	-	(50)	12,273	(16,087)	14,884	319	(884)	11,389	469
Total	26,787	493,115	18,660	83,222	(16,283)	605,501	(389,085)	(16,104)	16,283	(388,906)	216,595	6,630,652

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	(154,963)	1,048	15,820	(138,095)	(67,428)	4,370,050 *
Community & Environmental Services	3,572	15,852	-	-	-	19,424	(46,670)	-	1,033	(45,637)	(26,213)	267
Governance	14,688	369,168	-	102,281 *	1,889	488,026	(158,007) *	(15,703) *	(1,857)	(175,567) *	312,459 *	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	(14,320)	1,751	119	(12,450)	(1,561)	190
Total	20,367	477,753	19,864	103,132 *	(15,668)	605,448	(393,657) *	(12,904) *	15,668	(390,893) *	214,555 *	6,372,115 *

Comparative information has been restated to be consistent with disclosures in the current reporting period.
** Comparative figures have been restated. Refer to Note 23 for details.*

3 Revenue

Revenue is recognised at the fair value of consideration received or receivable, on the basis it meets the recognition criteria set out below.

3(a) Rates and utility charges

Rates are recognised as revenue at the start of the rating period. If a ratepayer pays their rates before the start of the rating period, they are recognised as revenue when they are received.

	2017 $'000	2016 $'000
General rates	**228,108**	215,741
Cleansing charges	**38,680**	37,550
Other special levies, rates and charges	**14,580**	11,552
	281,368	264,843
Less: Pensioner and other rebates	**(3,834)**	(3,757)
	277,534	261,086

3(b) 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.

	2017 $'000	2016 $'000
Administration	**4,521**	7,565
Community facilities	**4,633**	4,648
Development services	**21,652**	19,840
Waste management	**4,032**	4,085
Animal control	**3,673**	3,328
Other fees	**114**	173
	38,625	39,639

3(c) Grants, subsidies and contributions

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

Physical assets contributed to Council by developers in the form of infrastructure are recognised as revenue when the development becomes "on maintenance" (i.e. Council obtains control of the assets) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets. All non-cash contributions are recognised at the fair value of the contribution on the date of acquisition. Non-cash contributions with a value in excess of the recognition thresholds are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.

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

3 Revenue (continued)

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

		Note	2017 $'000	2016 $'000
(i)	**Operating**			
	Government grants and subsidies		26,253	19,733
	Other grants, subsidies, contributions and donations		1,064	3,231
			27,317	22,964
(ii)	**Capital**			
	Government grants and subsidies		18,660	19,864
	Infrastructure cash contributions		38,020	31,410
	Contributed assets		40,956	67,140 *
	Assets not previously recognised		-	3,114
	Other capital income		1,826	812
			99,462	122,340 *

3(d) Interest revenue

Interest received is accrued over the term of the investment.

	Note	2017 $'000	2016 $'000
Interest from financial institutions		7,527	7,518
Interest from Unitywater		36,085	36,289
Interest from overdue rates and utility charges		1,009	977
		44,621	44,784

3(e) Other revenue

	Note	2017 $'000	2016 $'000
Tax equivalent	22	19,947	15,681
Other income		6,449	7,267
		26,396	22,948

3(f) Capital income

	Note	2017 $'000	2016 $'000
Revaluation up of investment property	8	2,313	571
Reversal of loss on impairment of assets held for sale		-	46
Adjustment to landfill and Bio-solids composting sites		107	39
		2,420	656

4 Expenses

4(a) Employee benefits

	Note	2017 $'000	2016 $'000
Total staff wages and salaries		101,014	104,521
Annual, sick, long service leave and other entitlements		11,711	12,839
Superannuation	19	12,561	12,950
		125,286	130,310
Other employee related expenses		3,461	4,207
		128,747	134,517
Less: Capitalised employee expenses		(8,563)	(9,564)
		120,184	124,953

Total full time equivalent employees at 30 June 2017 were 1,419 (2016: 1,477).

4 Expenses (continued)

4(b) Materials and services

	Note	2017 $'000	2016 $'000
Contractors		**75,727**	74,995
Utilities		**21,226**	20,418
Materials		**10,087**	8,743
Other materials and services		**6,107**	6,848
Information technology hardware/software		**4,886**	4,584
Expensed capital		**2,045**	4,082
Commissions and contributions		**3,350**	3,869
Labour hire services		**3,971**	3,655
Insurance premiums		**2,525**	3,108
Fuel		**2,743**	2,849
Printing, postage and stationery		**2,049**	2,145
Donations, grants and contributions		**2,068**	2,418
Councillors' remuneration		**1,797**	1,781
Cleaning		**1,619**	1,449
Legal costs		**1,556**	1,476
Audit of annual financial statements by the Auditor-General of Queensland		**246**	242
Other audit assurance services performed		**1**	1
		142,003	142,663

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

4(c) Finance costs

	Note	2017 $'000	2016 $'000
Finance cost on loans		**23,235**	23,483
Other		**1,117**	1,175
		24,352	24,658

4(d) Capital expenses

	Note	2017 $'000	2016 $'000
Book value of property, plant and equipment disposed of		**18,454**	17,064
Less: Proceeds from the sale of property, plant and equipment		**(2,333)**	(1,359)
Adjustment to landfill and Bio-solids sites		**276**	111
Loss on impairment of assets classified as held for sale	7	**459**	82
Infrastructure offsets and credits recognised	14	**61**	5,715 *
Infrastructure offsets and credits extinguished	14	**(813)**	(8,709)
		16,104	12,904 *

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 7). The impairment loss of $458,679 is the estimated amount of the selling costs and loss on sale.

5 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.

	2017 $'000	2016 $'000
Cash at bank and on hand	5,646	6,062
Deposits at call	134,114	80,849
Term deposits	160,000	131,400
Balance per Statement of Cash Flows	299,760	218,311

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:

Externally and internally restricted contributions recognised as income during the reporting period that were unspent at the reporting date:

	2017 $'000	2016 $'000
Government grants and subsidies	336	1,906
Infrastructure contributions	143,798	116,929
Total unspent restricted cash	144,134	118,835

Externally restricted contributions recognised as income during the previous reporting period that were spent at the current reporting date:

	2017 $'000	2016 $'000
Government grants and subsidies	1,906	2,153

Trust funds held for outside parties

In accordance with the Local Government Act 2009 and Local Government Regulation 2012, a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties. Funds held in the trust account on behalf of outside parties include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies paid into the trust account by Council. Council performs only a 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. Council holds $8.669 million in trust monies at 30 June 2017 (2016: $8.468 million)

6 Trade and other receivables

Receivables are amounts owed to council at year end. They are recognised at the amount due at the time of sale or service delivery. Settlement is required within 30 days after the invoice is issued.

Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. All known bad debts were written-off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue.

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

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

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 links the suburbs from Petrie to Kippa Ring. Moreton Bay Rail Link was officially opened on the 3rd October 2016. Council contributed $105 million toward the project. As at the reporting date $3.6 million of assets have been formally handed over and recognised by Council.

	2017	2016
	$'000	$'000
Current		
Rates and utility charges	**7,445**	6,990
Loans to community organisations	**94**	97
Accrued receivable from Unitywater	**28,234**	26,010
Works receivable	**66,753**	-
Other debtors	**6,226**	4,690
GST recoverable	**3,072**	3,438
Prepayments	**3,980**	4,304
	115,804	45,529
Less: Allowance for impaired debts	**(12)**	(225)
	115,792	45,304
Non-current		
Loans to community organisations	**463**	452
Subordinated debt receivable from Unitywater	**677,025**	677,025
Works receivable	**-**	64,324
	677,488	741,801

7 Non-current assets classified as 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, and are expected to be sold within the next twelve months. 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.

	Note	2017 $'000	2016 $'000
Opening balance		7,068	4,678
Withdrawn from sale	10	-	(3,100)
Internal transfer from land and buildings	10	53,530	7,150
Impairment adjustment in the period		(459)	(36)
Proceeds from sale		(14,381)	(1,624)
		45,758	7,068

8 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.

	Note	2017 $'000	2016 $'000
Fair value at beginning of financial year		42,936	42,355
Additions from subsequent expenditure recognised		96	10
Net gain from fair value adjustments	3(f)	2,313	571
Disposal		(375)	-
Fair value at end of financial year		44,970	42,936

9 Investment in associate

Council holds 58.2382% of participation rights in Unitywater, a water distribution and retail business established in accordance with the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009,* to deliver water and waste water services to customers within the local government areas of Moreton Bay Regional Council, Sunshine Coast Regional Council and Noosa Shire Council. The participation rights effectively represent an investment in an associate by Moreton Bay Regional Council.

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

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

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

	2017 $'000	2016 $'000
Total assets	3,619,542	3,498,677
Total liabilities	(1,819,190)	(1,796,944)
Net assets	1,800,352	1,701,733
Share of net assets of associate	1,048,488	991,055
Total revenue	669,523	650,411
Total profit for the year	135,507	136,310
Share of profit of associate	78,917	79,384
Council investment in the associate comprises of:		
Participation rights	1,056,084	998,651
Details of movements in participation rights:		
Opening Balance	998,651	944,813
Share of profit of associate	78,917	79,384
Less share of dividends received and accrued	(21,484)	(25,546)
Closing balance at end of year	1,056,084	998,651
Reconciliation of the participation rights to the share of net assets:		
Closing value of participation rights	1,056,084	998,651
Less share of net assets	(1,048,488)	(991,055)
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.

10 Property, plant and equipment

10(a) Recognition

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 and included in the relevant asset class.

Replacement of a major component of an asset, in order to maintain its service potential, is treated as the acquisition of a new asset. However, routine operating maintenance, repair costs and minor renewals to maintain the operational capacity and useful life of the non-current asset is expensed as incurred.

10(b) Measurement

Property plant and equipment assets are initially recorded at cost. Subsequently, each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss.

Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect's fees and engineering design fees and all other establishment costs. Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are also included in their cost.

Property, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value.

10(c) Valuation

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

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of assets does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every four years. This process involves the valuer physically sighting Council assets where practical and making an independent assessment of the condition of the assets at the date of inspection. Where assets are not physically inspected unit rates are used to determine the fair value.

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

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

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life. Separately identified components of assets are measured on the same basis as the assets to which they relate. Details of valuers and methods of valuations are disclosed in Note 10(g).

10 Property, plant and equipment (continued)

10(d) Depreciation

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

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

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

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

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

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. Any condition assessments for assets measured at written down current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in Note 10(f).

10(e) Impairment of non-current assets

Property, plant and equipment is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the asset's recoverable amount is determined. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

10 Property, plant and equipment (continued)

10(f) Movements

30 June 2017	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 2016 (Restated)		133,882	477,035	106,358	2.133.997	1.761.928	221,887
Additions		13,323	-	-	-	-	-
Transfers between asset classes		(6,649)	(87)	6,575	83	(3)	-
Contributed assets		425	-	643	21,293	18,210	-
Disposals		(1,264)	(1,708)	(876)	(19,858)	(1,722)	(542)
Assets not previously recognised		-	-	-	-	-	-
Revaluation adjustment to asset revaluation surplus	15	-	1,683	-	-	-	-
Assets classified as held for sale	7	-	-	-	-	-	-
Transfers from WIP to other non PP&E assets or expense		-	-	-	-	-	-
Transfers from work in progress		3,198	16,970	6,066	58,032	7,868	1,432
Closing gross value as at 30 June 2017		142.915	493.893	118.766	2.193.547	1.786.281	222.777
Accumulated depreciation and impairment							
Opening balance as at 1 July 2016 (Restated)		43.897	175,663	37,599	548.694	375.672	9,393
Depreciation provided in period		4,698	11,639	5,087	38,078	17,901	544
Transfers between asset classes		(800)	(30)	803	21	-	-
Depreciation on disposals		(782)	(899)	(515)	(9.340)	(432)	(347)
Assets not previously recognised		-	-	-	-	-	-
Revaluation adjustment to asset revaluation surplus	15	-	(2,064)	-	-	-	-
Accumulated depreciation as at 30 June 2017		47.013	184.309	42.974	577.453	393.141	9.590
Total written down value as at 30 June 2017		95,902	309.584	75.792	1.616.094	1,393,140	213.187
Range of estimated useful life in years	10(d)^	3 - 100	1 - 128	5 - 100	1 - 142^	4 - 150	38 - 100^

Infrastructure expenditure comprises:	Land Improvements	Buildings	Park Equipment	Transport Infrastructure	Stormwater Infrastructure	Waterways and Canals
	$'000	$'000	$'000	$'000	$'000	$'000
Renewals	299	2.796	2.855	38,414	1,583	730
Other	1,756	10,118	19,152	44,765	8,474	1,612
Total	2.055	12.914	22.007	83.179	10,057	2.342

30 June 2017	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 2016 (Restated)		573.018	101.332	2.529	36,677	5,548,643
Additions		-	-	-	146.737	160.060
Transfers between asset classes		-	81	-	-	-
Contributed assets		-	1,980	-	-	42.551
Disposals		(1,922)	(6,561)	-	-	(34,453)
Assets not previously recognised		-	-	-	-	-
Revaluation adjustment to asset revaluation surplus	15	30,334	-	-	-	32,017
Assets classified as held for sale	7	(53,530)	-	-	-	(53.530)
Transfers from WIP to other non PP&E assets or expense		-	-	-	(4,574)	(4,574)
Transfers from work in progress		1,525	11,074	9	(106,174)	-
Closing gross value as at 30 June 2017		549.425	107.906	2.538	72.666	5.690.714
Accumulated depreciation and impairment						
Opening balance as at 1 July 2016 (Restated)		-	43.034	-	-	1.233,952
Depreciation provided in period		-	7,776	-	-	85,723
Transfers between asset classes		-	6	-	-	-
Depreciation on disposals		-	(4.059)	-	-	(16,374)
Assets not previously recognised		-	1,595	-	-	1.595
Revaluation adjustment to asset revaluation surplus	15	-	-	-	-	(2,064)
Accumulated depreciation as at 30 June 2017		-	48.352	-	-	1.302.832
Total written down value as at 30 June 2017		549.425	59.554	2.538	72,666	4.387.882
Range of estimated useful life in years	10(d)	unlimited	1 - 110	unlimited	-	

10 Property, plant and equipment (continued)

10(f) Movements (continued)

30 June 2016 (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 2015		112,247	454,865	104,194	2,036,824	1,714,215	221,474
Opening gross value as at 1 July 2015 not previously recognised *	23	8	58	65	1,575	1,192	-
Additions		-	-	-	-	-	-
Transfers between asset classes		13,866	4,225	(13,108)	-	-	-
Contributed assets		849	-	1,432	22,896	28,771	-
Contributed assets not previously recognised *	23	235	-	565	6,862	5,346	-
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	15	-	9,342	-	-	-	-
Assets classified as held for sale	7	-	(1,080)	-	-	-	-
Assets withdrawn from held for sale	7	-	-	-	-	-	-
Transfers from work in progress		7,832	12,475	13,190	76,901	9,682	352
Transfers from work in progress not previously recognised *	23	503	1,443	641	11,320	2,373	-
Closing gross value as at 30 June 2016		133,882	477,035	106,358	2,133,997	1,761,928	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
Opening balance as at 1 July 2015 not previously recognised *	23	-	-	31	255	204	-
Depreciation provided in period		4,834	12,332	4,466	36,268	18,552	493
Depreciation provided in period not previously recognised *	23	3	4	20	127	39	-
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		43,897	175,663	37,599	548,694	375,672	9,393
Total written down value as at 30 June 2016		89,985	301,372	68,759	1,585,303	1,386,256	212,494
Range of estimated useful life in years	10(d)^	3 - 100	1 - 128	5 - 110	1 - 142^	20 - 150	38 - 100^

Infrastructure expenditure comprises:						
	$'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 (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 2015		458,593	98,292	2,529	47,632	5,250,865
Opening gross value as at 1 July 2015 not previously recognised *	23	791	102	-	(2,437)	1,354
Additions		-	-	-	227,505	227,505
Transfers between asset classes		-	(4,983)	-	-	-
Contributed assets		-	164	-	-	54,112
Contributed assets not previously recognised *	23	20	-	-	-	13,028
Disposals		(130)	(5,117)	-	-	(36,485)
Assets not previously recognised/(derecognised)		-	-	-	-	2,695
Revaluation adjustment to asset revaluation surplus	15	51,249	-	-	-	60,591
Assets classified as held for sale	7	(6,070)	-	-	-	(7,150)
Assets withdrawn from held for sale	7	3,100	-	-	-	3,100
Transfers from work in progress		65,391	11,965	-	(218,760)	(20,972)
Transfers from work in progress not previously recognised *		74	909	-	(17,263)	-
Closing gross value as at 30 June 2016		573,018	101,332	2,529	36,677	5,548,643
Accumulated depreciation and impairment						
Opening balance as at 1 July 2015		-	41,726	-	-	1,180,053
Opening balance as at 1 July 2015 not previously recognised *	23	-	3	-	-	493
Depreciation provided in period		-	8,018	-	-	84,963
Depreciation provided in period not previously recognised *	23	-	18	-	-	211
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	15	-	-	-	-	(11,928)
Accumulated depreciation as at 30 June 2016		-	43,034	-	-	1,233,952
Total written down value as at 30 June 2016		573,018	58,298	2,529	36,677	4,314,691
Range of estimated useful life in years	10(d)	unlimited	2 - 110	unlimited	-	

* Not previously recognised adjustments as disclosed in Note 23 Restated balances.

10(g) Fair value measurements

(a) 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 13 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.

10(g) Fair value measurements (continued)

The table presents the Council's assets and liabilities measured and recognised at fair value at 30 June 2017.

	Note	Level 2 (Significant other observable inputs)		Level 3 (Significant unobservable inputs)		Total	
		2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
Recurring fair value measurements							
Buildings	**10**	**1,173**	1,257	**308,411**	300,115	**309,584**	301,372
Investment Property	**8**	**42,674**	40,606	**2,296**	2,330	**44,970**	42,936
Land	**10**	**151,782**	347,376	**397,643**	225,642	**549,425**	573,018
Stormwater Infrastructure	**10**	**-**	-	**1,393,140**	1,386,256	**1,393,140**	1,386,256
Transport Infrastructure	**10**	**-**	-	**1,616,094**	1,585,303	**1,616,094**	1,585,303
Waterways and Canals	**10**	**-**	-	**213,187**	212,494	**213,187**	212,494
		195,629	389,239	**3,930,771**	3,712,140	**4,126,400**	4,101,379

Non-recurring fair value measurements							
Land and building held for sale	**7**	**45,758**	7,150	**-**	-	**45,758**	7,150

(b) 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 and pools by independent valuer Cardno (QLD) Pty Ltd as at 31 May 2017.

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

For buildings and pools classified as level 3, no active market exists and fair value has been determined using the current replacement cost method valuation and is deemed to be a Level 3 input.

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.

10(g) Fair value measurements (continued)

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 2017.

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, determined by using current replacement cost.

Land (Level 2 and 3)

The fair value of land was determined by independent valuer Australis Asset Advisory Group as at 31 December 2016

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.

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

10(g) Fair value measurements (continued)

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 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 and is deemed to be a Level 3 input.

(c) 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 8 (Investment Property) Note 10 (Property, Plant and Equipment) and Note 3(f) (Capital Income).

	Land	
	Level 2	Level 3
	$'000	$'000
Opening balance as at 1 July 2016	347,376	225,642
Transfers between levels	(187,127)	187,127
Additions	1	1,524
Disposals	(661)	(1,261)
Reclassifications as held for sale	(50,901)	(2,629)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	43,094	(12,760)
Closing balance as at 30 June 2017	151,782	397,643

(d) 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 10(c) and Note 8 respectively. Non-recurring fair value measurements are made at the point of reclassification by a registered valuer.

11 Intangible assets

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.

Intangible assets are assessed for indicators of impairment on an annual basis.

Computer software is capitalised and amortised on a straight-line basis over the period of expected benefit to Council.

Software has a finite life estimated between 3 to 24 years. Straight line amortisation has been used with no residual value.

	2017 $'000	2016 $'000
Software		
Opening gross carrying value	11,350	11,167
Additions through acquisitions	4	183
Closing gross carrying value	11,354	11,350
Accumulated amortisation		
Opening balance	9,070	8,529
Amortisation in the period	540	541
Closing balance	9,610	9,070
Net carrying value at end of financial year	1,744	2,280
Total intangible assets	1,744	2,280

12 Trade and other payables

Creditors are recognised when goods or services are received, at the amount owed. Amounts owing are unsecured and are generally settled on 30 day terms.

Liabilities are recognised for employee benefits such as vested sick leave and annual leave in respect of services provided by the employees up to the reporting date. The liability is calculated using the present value of remuneration rates that will be paid when the liability is expected to be settled and includes related on-costs.

As Council does not have an unconditional right to defer settlement of annual leave beyond twelve months after the reporting date, all annual leave is classified as current.

Council has an obligation to pay sick leave on termination to certain employees and therefore a liability has been recognised for this obligation.

12 Trade and other payables (continued)

	2017 $'000	2016 $'000
Current		
Trade creditors and accruals	**36,312**	34,656
Employee entitlements	**10,722**	11,032
	47,034	45,688
Non-Current		
Trade creditors and accruals	**213**	414

13 Borrowings

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

In accordance with the *Local Government Regulation 2012* Council adopts an annual debt policy that sets out Council's planned borrowings for the next nine years. Council's current policy is to only borrow for capital projects and for a term no longer than the expected life of the asset. Council also aims to comply with the Queensland Treasury Corporation's borrowing guidelines and ensure that sustainability indicators remain within acceptable levels at all times.

Borrowing costs, which 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.

	2017 $'000	2016 $'000
Current		
Loans - Queensland Treasury Corporation	**28,479**	25,861
Non-current		
Loans - Queensland Treasury Corporation	**359,071**	365,598

The QTC loan market value at the reporting date was $444,483,304. This represents the value of the debt if Council repaid it as at 30 June 2017.

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

14 Provisions

Long service leave

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

Restoration and rehabilitation

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

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

Changes in the provision not arising from the passing of time are treated as an adjustment to the provision and associated asset. Once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in profit and loss. Changes to the provision resulting from the passing of time (the unwinding of the discount) are treated as a finance cost.

During 2016/17 an increase in the provision for refuse landfill sites of $13 million was recognised as a result of updated estimates of cost inputs, an increase in the land area to be rehabilitated and the extension of the expected closure date applicable to a landfill site.

Infrastructure offsets and credits

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

14 Provisions (continued)

	2017 $'000	2016 $'000
Current		
Long service leave	**13,320**	13,978
Bio-solids composting site rehabilitation	**26**	46
Refuse restoration	**48**	749
	13,394	14,773
Non-current		
Long service leave	**3,286**	3,317
Bio-solids composting site rehabilitation	**573**	353
Refuse restoration	**27,756**	14,430
Infrastructure offsets and credits	**1,767**	3,072 *
	33,382	21,172 *

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

	2017 Long service leave $'000	2017 Infrastructure offsets and credits $'000
Balance at beginning of financial year	17,295	3,072
Provisions arising	2,120	61
Provisions extinguished	(1,105)	(813)
Provisions paid	(1,704)	(553)
Balance at end of financial year	16,606	1,767

	Bio-solids composting site rehabilitation $'000	Refuse landfill sites restoration $'000
Balance at beginning of financial year	399	15,179
Amount incurred and charged against the provision	(29)	(978)
Increase in provision due to unwinding of discount	7	332
Increase in provision due to change in estimate	276	20,309
Decrease in provision due to change in discount rate	(37)	(6,998)
Unused amounts reversed	(17)	(40)
Balance at end of financial year	599	27,804

14 Provisions (continued)

Site	Expected site closure year	Post closure monitoring cost completion year
Bunya landfill site	2050	2065
Dakabin landfill site	2040	2055
Caboolture landfill site	2045	2060
Ningi landfill site	closed	2027
Woodford landfill site	closed	2027
Bio-solid compositing site	closed	2038

15 Asset revaluation surplus

The asset revaluation surplus comprises adjustments relating to changes in 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.

	Balance at beginning of year $'000	**Movements $'000**	**Balance at end of year $'000**
2017			
Land	**103,089**	**30,334**	**133,423**
Buildings	**68,488**	**3,747**	**72,235**
Stormwater infrastructure	**653,848**	**-**	**653,848**
Waterways and canals	**37,424**	**-**	**37,424**
	862,849	**34,081**	**896,930**

	Balance at beginning of year $'000	Movements $'000	Balance at end of year $'000
2016			
Land	51,840	51,249	103,089
Buildings	47,218	21,270	68,488
Stormwater infrastructure	653,848	-	653,848
Waterways and canals	37,424	-	37,424
	790,330	72,519	862,849

16 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.

16 Financial instruments (continued)

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	2017 $'000	2016 $'000
Cash and cash equivalents	5	**299,760**	218,311
Receivables - rates	6	**7,445**	6,990
Receivables - Unitywater		**705,259**	703,035
Receivables - other		**76,608**	73,001
		1,089,072	1,001,337

Cash and cash equivalents
The Council may be exposed to credit risk through its investments in the QTC Cash Fund. The QTC Cash Fund is an asset management portfolio that invests with a wide range of high credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed.

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:

	2017 $'000	2016 $'000
Not past due	**110,648**	105,044
Past due 31-60 days	**979**	65
Past due 61-90 days	**16**	34
More than 90 days	**644**	858
Impaired	**(12)**	(225)
Total	**112,275**	105,776

The above analysis does not include the non-current receivable of $677.025 million (2016: $677.025 million), which represents a fixed rate of 5.33% loan to Unitywater. The credit risk on these loans is considered low. Refer to Note 6 for further information.

16 Financial instruments (continued)

Liquidity risk

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

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
2017					
Trade and other payables	**36,337**	**226**	**-**	**36,563**	**36,525**
Loans - QTC	**49,921**	**199,627**	**275,107**	**524,655**	**387,550**
	86,258	**199,853**	**275,107**	**561,218**	**424,075**
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

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 borrowings with QTC and investments through QTC and other financial institutions.

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

16 Financial instruments (continued)

Sensitivity

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

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

	Net carrying amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
	$'000	$'000	$'000	$'000	$'000
2017					
QTC cash fund	**105,821**	**1,058**	**(1,058)**	**1,058**	**(1,058)**
Other investments	**28,293**	**283**	**(283)**	**283**	**(283)**
Net total	**134,114**	**1,341**	**(1,341)**	**1,341**	**(1,341)**
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)

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 13.

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.

17 Commitments

	2017 $'000	2016 $'000
Contractual commitments for capital expenditure		
Contractual commitments at end of financial year but not recognised in the financial statements are as follows:		
Property, plant and equipment	**54,991**	25,938
These expenditures are due for payment:		
Not later than one year	**34,888**	25,236
One to five years	**20,103**	702
	54,991	25,938
Contractual commitments for operating expenditure		
Contractual commitments at end of financial year but not recognised in the financial statements are as follows:		
Waste and maintenance services	**56,378**	46,965
These expenditures are due for payment:		
Not later than one year	**28,044**	23,530
One to five years	**28,308**	23,326
More than five years	**26**	109
	56,378	46,965
Operating lease income		
Future operating lease rental commitments receivable for property, plant and equipment comprise:		
The minimum lease receipts are as follows:		
Not later than one year	**6,533**	3,820
One to five years	**13,442**	9,555
Later than five years	**7,075**	7,770
	27,050	21,145

18 Contingencies

18(a) Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

Legal claims

Council is subject to a number of compensation claims with regards to the compulsory acquisition of land and contract disputes. Information in respect of individual claims has not been disclosed in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* on the basis that Council considers such disclosures would seriously prejudice the outcome of the claims. In total the claims amount to approximately $11 million (2016: approximately $9.1m).

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 2016 the financial statements of LGM Queensland reported a members' equity balance of $60,234,042.

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 $2,760,090.

18(b) Contingent assets

Moreton Bay Rail Link

Council is in the process of reviewing and accepting a number of data packages that relate to assets Council is receiving as a result of the Moreton Bay Rail Link (MBRL) Project. Council contributed $105 million (GST inclusive) to the jointly funded project in partnership with Australian Government and Queensland State Government. It is expected that the finalisation and recognition of all the MBRL assets will occur in the 2017/18 financial year.

As at 30 June 2017 Council has recorded in its Statement of Financial Position a work receivable for the MBRL project representing financial contributions and costs incurred by Council less the value of any infrastructure 'handed' over to Council. When the MBRL assets are recognised in 2017/18 the value of the assets in excess of the works receivable balance will be recorded as contributed assets.

19 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 65 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 65 entities. Moreton Bay Regional Council made 4.78% of the total contributions to the plan for the 2016-2017 financial year.

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

	Note	2017 $'000	2016 $'000
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees and councillors was:	4(a)	12,561	12,950

20 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
	2017
Revenue	**$'000**
Revenue for services provided to Council	2,662
Revenue for services provided to external clients	46,224
Community service obligations	933
	49,819
Expenditure	42,275
Surplus/(deficiency)	7,544

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	**2017 $'000**
Waste	
Pensioner Discounts	548
Litter Management	355
Clean Up Australia	30

21 Events subsequent to balance date

Council is in the process of listing for sale properties with an estimated value of $30.2 million that are surplus to Council requirements. Some of these properties are yet to be actively marketed.

22 Related party transactions

(a) Associate

Council has a participating interest in the Northern SEQ Distributor-Retailer Authority (trading as Unitywater) governed by a Participation Agreement.

Transactions with Unitywater

The amount of revenue and expenditure included in the Statement of Comprehensive Income, and the amount receivable or payable to Unitywater are as follows;

	2017 $'000
Revenue	
Interest on loans	36,085
Taxation equivalents	19,947
Dividends	21,484
Other revenue	1,129
	78,645
Expenses	
Material and services	8,006
	8,006
Amounts receivable	
Interest	9,021
Dividends	12,681
Taxation equivalents	6,532
Other	10
	28,244
Loans	
Loans	677,025
	677,025
Amounts payable	
Material and services	2,022
	2,022

Unitywater operates under an income tax equivalent regime; with all tax paid being distributed to the participating Councils on a pro-rata basis to their participation rights. Income tax equivalent payments from Unitywater are recognised as revenue when the significant risks and rewards related to the corresponding assets have been transferred to Council.

Dividends received by Council from Unitywater are recorded as a reduction in the carrying value of the non-current asset.

Participant loans provide for a fixed interest rate with monthly interest only payments.

Further detail regarding Unitywater is contained in Note 9 Investment in associate.

22 Related party transactions (continued)

(b) Key management personnel

(i) Details of compensation

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of Council directly or indirectly. The Mayor, Councillors, CEO and the Executive Management Team is the KMP of Council for 2016/17 year.

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

	2017 $'000
Short-term benefits	4,075
Post-employment benefits	482
Other long-term benefits	52
	4,609

(ii) Transactions with other related parties - KMP's close family members and organisations in which the KMP and/or their close family members have controlling interests (individually or jointly)

Details of transactions between Council and KMP are disclosed below:

Nature of transaction	Nature of relationship	Total value of transactions for the year ended 30 June 2017	Amount of outstanding balance at 30 June 2017	Committed amount as at 30 June 2017 to be incurred in the following years	Terms and conditions
Infrastructure contributions and a condition payment received by Council from a development company	Development company controlled by KMP	$219,101	Nil	Nil	Assessed and approved in accordance with Council's normal terms and conditions.
Economic Development Strategy Services provided to Council	Consulting Company controlled by a related party of KMP	$270,446	$47,284 (outstanding pending payment of invoice)	Nil	Services were provided in accordance with Council's normal terms and conditions

There were no allowances for doubtful debts or bad debt expenses recognised during the reporting period in relation to the above transactions.

All other related party transactions between Council and KMP that occurred during the financial year were trivial in nature and occurred on an arm's length basis on terms and conditions no more favourable than those available, or which might reasonably be expected to be available, to members of the public.

(c) Loans and guarantees to/from related parties

Council does not make loans to or receive loans from related parties. No guarantees have been provided.

(d) LG Super

Information about superannuation is included in Note 19.

23 Restated balances

(a) Infrastructure offsets

During 2016/17, Council identified a prior period error that related to the amount of infrastructure offsets and credits recorded in the 2015/16 financial year. As a result, Council had overstated its capital expenses and its provision by $5.93 million. To correct the impact of the prior period error, Council has adjusted the 2015/16 comparative amounts in the Statement of Comprehensive Income, Statement of Financial Position and notes where indicated.

(b) Contributed assets not previously recognised

During 2016/17, Council identified a prior period error that related to contributed assets that had commission dates prior to 1 July 2016. As a result, for 2015/16 Council had understated its contributed revenue and property, plant and equipment by $13.028 million and applicable depreciation $0.111 million. Prior to 1 July 2015, contributed revenue and property, plant and equipment had been understated by $1.354 million and applicable depreciation $0.050 million. To correct the impact of the prior period error, Council has adjusted the 2015/16 comparative amounts in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes where indicated.

(c) Constructed assets not previously recognised

During 2016/17, Council identified a prior period error that related to constructed assets that had commission dates prior to 1 July 2016 but had not been recognised. As a result, for 2015/16 Council had within the property, plant and equipment note disclosure, overstated its work in progress and understated various asset classes by $17.263 million and applicable depreciation $0.099 million. Prior to 1 July 2015, work in progress had been overstated and various asset classes understated by $2.437 million and applicable depreciation $0.443 million. To correct the impact of the prior period error, Council has adjusted the 2015/16 comparative amounts in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes where indicated.

Details of the adjustments impacting financial statement line items is provided below:

30 June 2016 Comparative year

	Financial statement line item / balance affected	Note	Actual 2016 $'000	Adjustments 2016 $'000	Restated Actual 2016 $'000
	Statement of Comprehensive Income (Extract)				
	Capital Revenue				
(b)	Grants, subsidies and contributions	3(c)(ii)	109,312	13,028	122,340
	Total Revenue		591,764	13,028	604,792
	Total Income		592,420	13,028	605,448
	Recurring Expenses				
(b),(c)	Depreciation and amortisation	10,11	(85,504)	(211)	(85,715)
			(377,778)	(211)	(377,989)
(a)	**Capital Expenses**	4(d)	(18,834)	5,930	(12,904)
	Total Expenses		(396,612)	5,719	(390,893)
	NET RESULT		195,808	18,747	214,555
	TOTAL COMPREHENSIVE INCOME/(DEFICIT) FOR THE YEAR		268,327	18,747	287,074

		Note	Actual 2016 $'000	Adjustments 2016 $'000	Restated Actual 2016 $'000
	Statement of Financial Position (Extract)				
	Non-Current Assets				
(b),(c)	Property, plant and equipment	10	4,301,013	13,678	4,314,691
	Total Non-Current Assets		6,086,696	13,678	6,100,374
	Total Assets		6,358,437	13,678	6,372,115
	Non-Current Liabilities				
(a)	Provisions	14	27,102	(5,930)	21,172
	Total Non-Current Liabilities		393,114	(5,930)	387,184
	Total Liabilities		480,052	(5,930)	474,122
	NET COMMUNITY ASSETS		5,878,385	19,608	5,897,993
	Community Equity				
(a),(b),(c)	Retained surplus		5,015,536	19,608	5,035,144
	TOTAL COMMUNITY EQUITY		5,878,385	19,608	5,897,993
	Statement of Changes in Equity (Extract)				
	Retained Surplus				
	Balance as at 1 July 2015		4,819,728	861	4,820,589
(a),(b),(c)	Net result		195,808	18,747	214,555
	Total comprehensive income for the year		195,808	18,747	214,555
	Balance at 30 June 2016		5,015,536	19,608	5,035,144

Moreton Bay

MANAGEMENT CERTIFICATE
For the year ended 30 June 2017

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 41, 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: 5 / 10 / 17	Date: 5 / 10 / 17

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Moreton Bay Regional Council

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of Moreton Bay Regional Council.

In my opinion, the financial report:

a) gives a true and fair view of the council's financial position as at 30 June 2017, and of its financial performance and cash flows for the year then ended

b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Mayor and Chief Executive Officer.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of my report.

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Other information

Other information comprises the information included in Moreton Bay Regional Council's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information prepared and approved by the Councillors was the Current Year Financial Sustainability Statement and Long-Term Financial Sustainability Statement.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have expressed a separate opinion on the Current Year Financial Sustainability Statement.

In connection with my audit of the financial report, my responsibility is to read the other information approved by the Councillors and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the council 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 the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards, and for such internal control as the council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The council is also responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the council or to otherwise cease operations.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017:

a) I received all the information and explanations I required.

b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

C.C. Strickland

QUEENSLAND
11 OCT 2017
AUDIT OFFICE

C G STRICKLAND CA
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Moreton Bay Regional Council

CURRENT-YEAR FINANCIAL SUSTAINABILITY STATEMENT
For the year ended 30 June 2017

Measures of Financial Sustainability

Council's performance at 30 June 2017 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)	**26.0%**	between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	**59.9%**	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	**3.9%**	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 2017.

Moreton Bay

CERTIFICATE OF ACCURACY
For the year ended 30 June 2017

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: 5 / 10 / 17

Mr Daryl Hitzman
Chief Executive Officer

Date: 5 / 10 / 17

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Moreton Bay Regional Council

Report on the Current-Year Financial Sustainability Statement

Opinion

I have audited the accompanying current year financial sustainability statement of Moreton Bay Regional Council for the year ended 30 June 2017, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Moreton Bay Regional Council for the year ended 30 June 2017 has been accurately calculated.

Basis of opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the current year financial sustainability statement* section of my report.

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Emphasis of matter – basis of accounting

I draw attention to Note 1 which describes the basis of accounting. The current year financial sustainability statement has been prepared in accordance with the Financial Management (Sustainability) Guideline 2013 for the purpose of fulfilling the council's reporting responsibilities under the Local Government Regulation 2012. As a result, the statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Other information

Other information comprises the information included in Moreton Bay Regional Council's annual report for the year ended 30 June 2017, but does not include the Current Year Financial Sustainability Statement and my auditor's report thereon. At the date of this auditor's report, the other information prepared and approved by the Councillors was the General Purpose Financial Report and Long-Term Financial Sustainability Statement.

My opinion on the Current Year Financial Sustainability Statement does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government regulation 2012, I have expressed a separate opinion on the General Purpose Financial Report.

In connection with my audit of the financial report, my responsibility is to read the other information approved by the Councillors and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the council 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 responsibilities for the audit of the current year financial sustainability statement

My objectives are to obtain reasonable assurance about whether the current year financial sustainability statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this statement.

My responsibility does not extend to forming an opinion on the appropriateness or relevance of the reported ratios, nor on the council's future sustainability.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Evaluate the overall presentation, structure and content of the statement, including the disclosures, and whether the statement represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

C. G. Strickland

QUEENSLAND
1 1 OCT 2017
AUDIT OFFICE

C G Strickland CA
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Moreton Bay

LONG-TERM FINANCIAL SUSTAINABILITY STATEMENT

Prepared as at 30 June 2017

Measures of Financial Sustainability

			Actual	Projected for the years ended								
	Measure	Target	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	30 June 2026
Operating surplus ratio	Net result divided by total operating revenue	between 0% and 10%	26.0%	21.7%	21.9%	20.0%	21.3%	22.5%	20.6%	21.1%	20.6%	20.5%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	59.9%	68.7%	59.7%	60.9%	81.4%	71.9%	75.5%	79.0%	89.7%	93.3%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	3.9%	27.9%	31.4%	30.4%	26.6%	25.7%	34.4%	34.0%	30.2%	26.0%

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 2017

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: 5 / 10 / 17

Mr Daryl Hitzman
Chief Executive Officer

Date: 5 / 10 / 17

We've got it all

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