

# THE COMMUNITY FINANCIAL REPORT

The purpose of the Community Financial Report is to provide residents and interested parties with a better understanding of council's financial performance and position over the previous financial year.

The financial information that is presented in the Community Financial Report is identical to council's financial statements however it is presented in a simplified format so that members of the community are able to gain insights into how the council's financial performance and position measure up at the end of the financial year.

The Community Financial Report uses plain language and pictorial aids such as graphs and tables to give readers an easy-to-follow summary of the financial statements for the past financial year. In addition, this report includes key financial statistics and ratios that can also be useful indicators of council's performance and position.

## FINANCIAL STATEMENTS

The financial statements of council are audited records of financial performance and position for a financial year (12 months). There are four statements that comprise what is termed "the financial statements", the statements are outlined as follows;

### 1. STATEMENT OF COMPREHENSIVE INCOME

A statement detailing the income and expenditure of council. This statement shows what council has earned (revenue) and what costs council has incurred (expenses) throughout the year. This is presented on an 'accrual' basis, that is it records revenue when it is earned and expenses when they are incurred, regardless of the timing of the receipts or payment of cash.

Statement of Comprehensive Income For the year ended 30 June 2019	\$'000
<b>Operating Revenue</b>	
Rates and utility charges	309,891
Fees and charges	36,590
Grants, subsidies and contributions	22,694
Interest revenue	44,457
Other revenue	39,956
Share of profit of associate	88,406
<b>Total Operating Revenue</b>	<b>541,994</b>
<b>Operating Expenses</b>	
Employee benefits	(124,115)
Materials and services	(164,767)
Depreciation and amortisation	(98,525)
Finance costs	(23,616)
<b>Total Operating Expenses</b>	<b>(411,023)</b>
<b>Operating Result</b>	<b>130,971</b>
<b>Capital Revenue and Expenses</b>	
Grants, subsidies and contributions	148,333
Capital Income	4,566
Capital Expenses	(26,284)
<b>Capital Result</b>	<b>126,615</b>
<b>NET RESULT</b>	<b>257,586</b>
<b>Other Comprehensive Income</b>	<b>16,220</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>273,806</b>

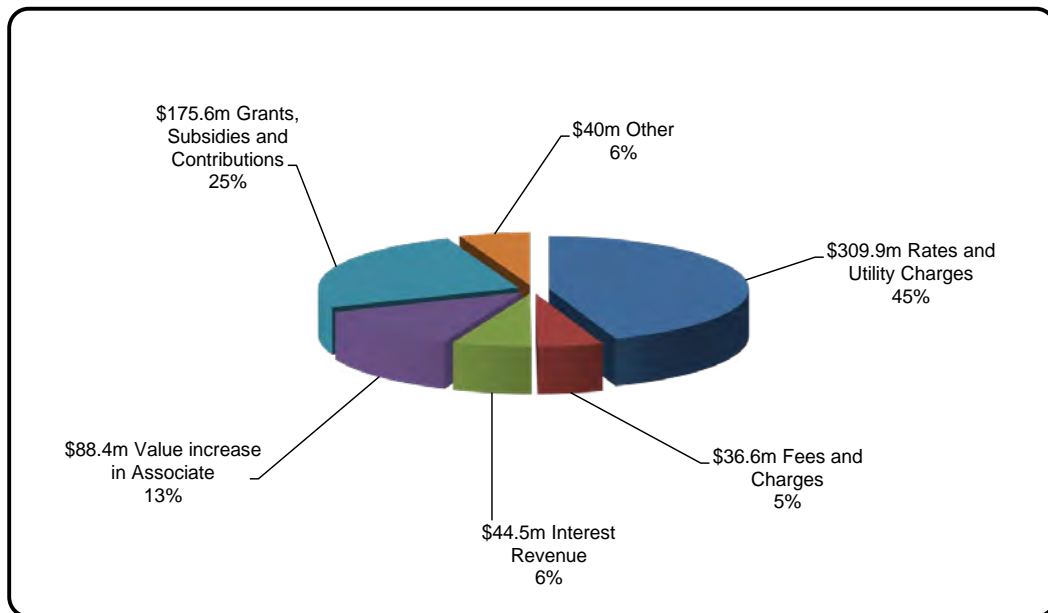
## SOURCING OUR REVENUE: WHAT IT COMPRISES

Council's key revenue sources include:

- **Rate and Utility Charges** - are levied on property owners within the region. Each year, as part of the budget process, council decide the rate and utility charges to be levied in the financial year. The level of rate and utility charges that landowners must pay is at the sole discretion of council.
- **Fees and Charges** - Council generates a level of income through the charging of fees for services and some goods. The fees can vary from admission to an aquatic facility through to the payment of a hall hire fee. A key function of council is the administration of a range of regulatory functions. These can vary from administering the town planning process through to animal registration.
- **Grants, Subsidies and Contributions** - Council receives grants and subsidies from federal and state governments which can be for general or specific purposes. Council also receives monetary and non-monetary contributions, typically from developers, in relation to activities occurring within the council region. Non-monetary contributions are received in the form of gifted assets, such as roads, footpaths, drainage and other community facilities. Monetary contributions are received to assist council deliver essential infrastructure related to the growth of the region.
- **Interest Revenue** - received from the investment of available cash.
- **Other Revenue** - includes tax payments from council's participation in Unitywater.
- **Share of Profit of Associate** - that is council's share of Unitywater's annual net operating profit.

The graph below shows the breakdown for 2018/19.

### Sources of revenue - \$695 million



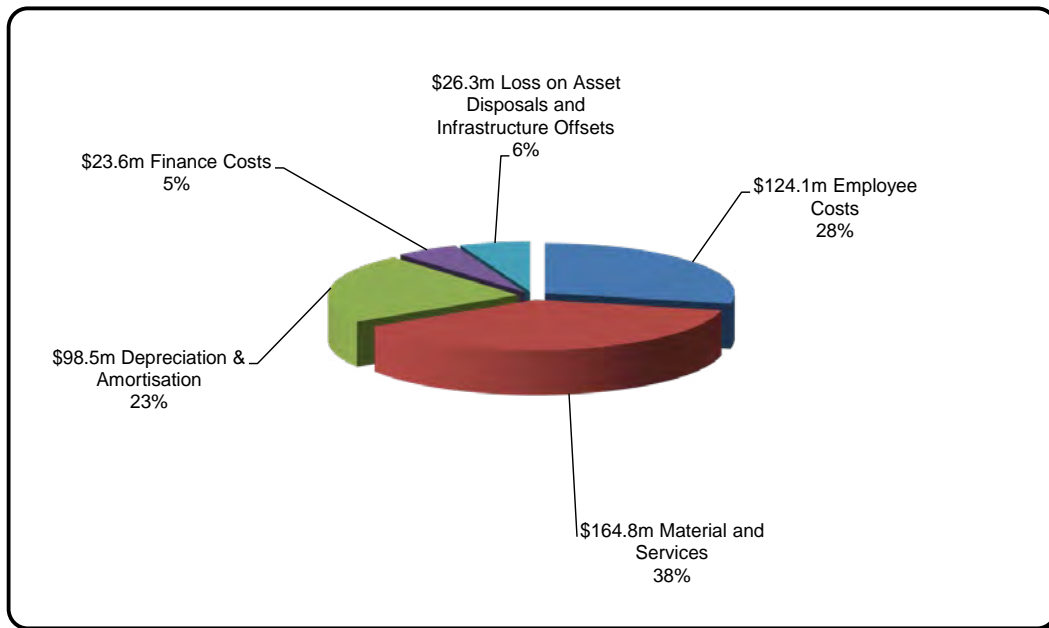
## IDENTIFYING OUR EXPENSES: WHAT IT COMPRISES

Council's key expense components are:

- **Employee Costs** - these represent the total cost of staff employed in the delivery of council services. The costs are typically inclusive of items such as wages, superannuation, employee leave entitlements, training and other on-costs.
- **Materials and Services** - these are the operating costs incurred for the purchase of materials or other services necessary to deliver council services.
- **Depreciation and Amortisation** - is recognised as a cost to council and is measured as an estimate in the consumption of council's asset base.
- **Finance Costs** - These are the costs mainly associated with interest on borrowings and banking fees.
- **Capital Expenses** - These represent predominantly the value of assets replaced or disposed of throughout the year.

The expenditure by type graph shows the various classifications of council's expenditure incurred during 2018/19.

### Expenditure by type - \$437.3 million



## 2. STATEMENT OF FINANCIAL POSITION

This statement details the assets and liabilities of council. The statement measures what council owns (assets) and what council owes (liabilities). The difference between these two components is the net wealth (equity) of council and our community.

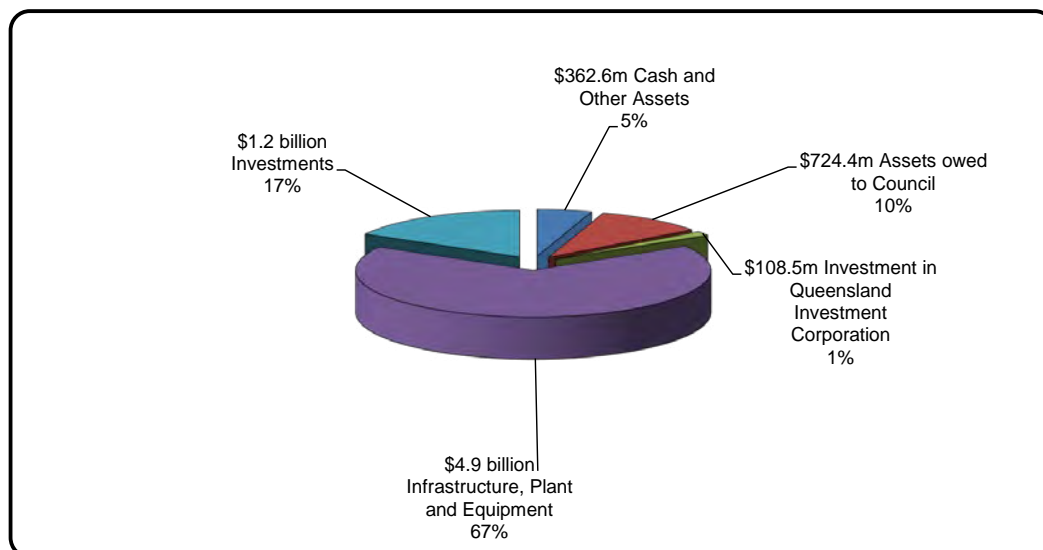
Statement of Financial Position For the year ended 30 June 2019		\$'000
<b>Assets</b>		
Cash Balance		361,443
Other Current Assets		48,127
Non-Current Assets		6,862,824
<b>Total Assets</b>		<b>7,272,394</b>
<b>Liabilities</b>		
Current Liabilities		116,792
Non-Current Liabilities		404,321
<b>Total Liabilities</b>		<b>521,113</b>
<b>NET COMMUNITY ASSETS</b>		<b>6,751,281</b>
<b>Community Equity</b>		
Retained Surplus		5,814,523
Asset Revaluation Surplus		936,758
<b>TOTAL COMMUNITY EQUITY</b>		<b>6,751,281</b>

### ASSETS: WHAT THE COMMUNITY OWNS

- **Assets** - can be current or non-current. Current assets are those that are readily available to meet expenses and mainly include cash and amounts owed by customers. Non-current assets include property, plant and equipment, investment in associate and financial investments.

The value of all assets council owns totals \$7.3 billion as at 30 June 2019. The major classes of assets are shown in the graph below:

### What the community owns - \$7.3 billion

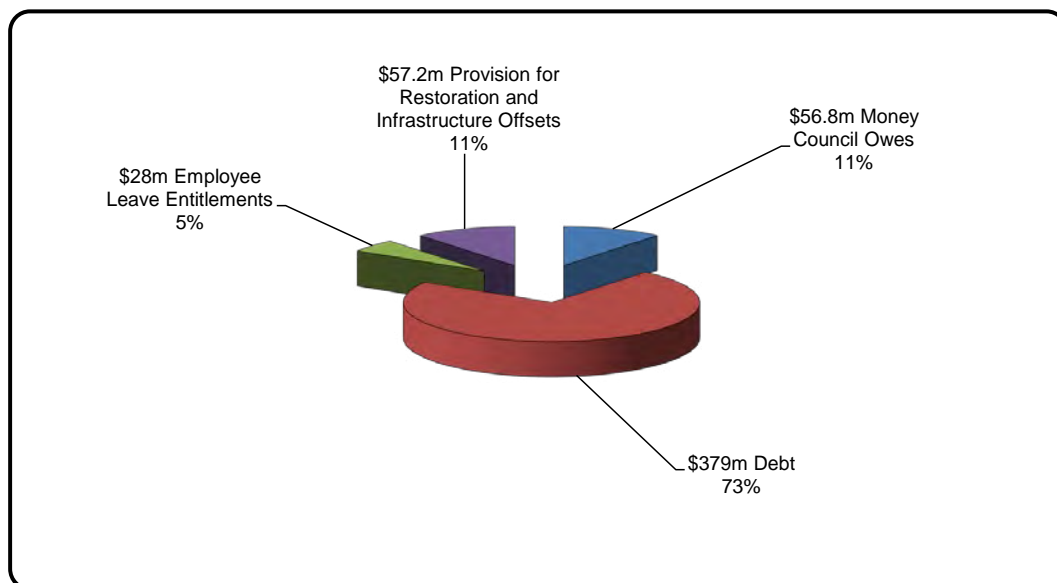


## LIABILITIES: WHAT THE COMMUNITY OWES

- Liabilities** - Can be current or non-current. Liabilities mostly consist of loans, amounts owing to suppliers, amounts owing to employees for leave entitlements and future estimates to rehabilitate landfill sites administered by council. Current liabilities are those amounts that are payable by council within the next twelve months, and non-current liabilities are payable beyond the twelve month horizon.

Council's liabilities totalled \$521 million as at 30 June 2019. The major classes of liabilities are shown in the graph below:

### What the community owes - \$521 million



## 3. STATEMENT OF CHANGES IN EQUITY

This statement details the changes in equity of council. This statement details the movement in the net assets (equity) of council and shows the overall change in council's net wealth over the year.

Statement of Changes in Equity For the year ended 30 June 2019		\$'000
<b>Balance as at 1 July 2018</b>		<b>6,454,848</b>
Add: Net Result		257,586
Add: Other Comprehensive Income		16,220
Add: Increase to equity on the recognition of assets		22,627
<b>Balance at 30 June 2019</b>		<b>6,751,281</b>

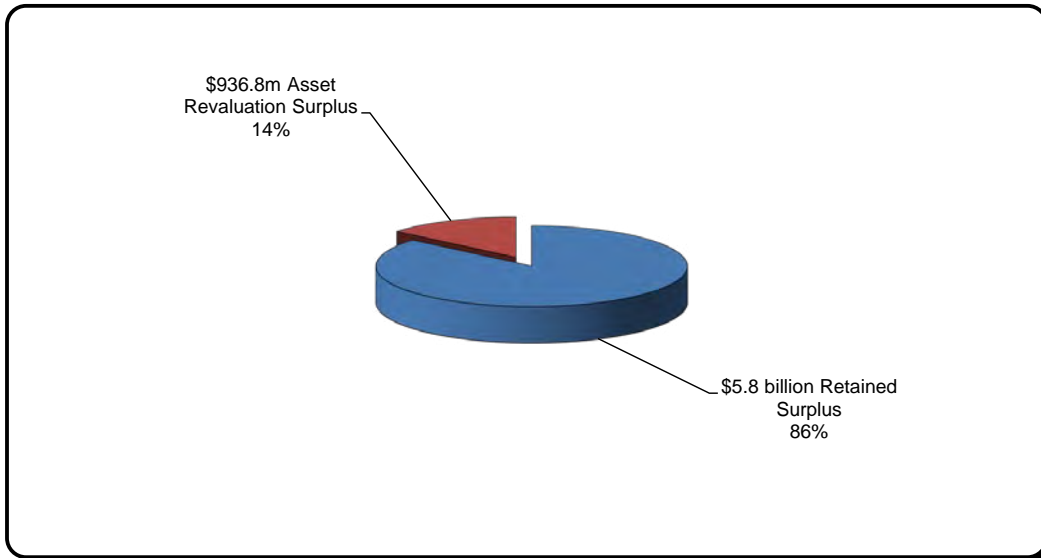
**COMMUNITY EQUITY**

- **Community equity** - Community equity (what the council is worth) is measured as the net of council's assets less liabilities.

Council's total community equity as at 30 June 2019 is \$6.8 billion. Community equity consists of an asset revaluation surplus and retained surplus.

The graph below shows the breakdown of community equity:

**Breakdown of community equity - \$6.8 billion**



**4. STATEMENT OF CASH FLOWS**

The statement of cash flows provides information on the cash inflows and outflows of council, classified by different types of cash flows activities.

<b>Statement of Cash Flows For the year ended 30 June 2019</b>		<b>\$'000</b>
<b>Opening Cash Balance</b>		<b>313,852</b>
Net cash flows from Operating Activities		172,833
Net cash flows from Investing Activities		(118,238)
Net cash flows from Financing Activities		(7,004)
<b>Net increase in cash held</b>		<b>47,591</b>
<b>Cash at the end of the financial year</b>		<b>361,443</b>

## CASH: WHAT WERE THE MAJOR INFLOWS AND OUTFLOWS OF CASH?

There are three types of activities that have an impact on cash balances:

- **Cash flows from operating activities** including cash receipts (inflows) and cash payments (outflows) from the day-to-day operations of council.
- **Cash flows from investing activities** include payments and receipts on purchase and disposal of investments as well as the cash flows associated with new capital works and the purchases of other non-current assets.
- **Cash flows from financing activities** include the cash movement from loans received and loans repaid.

Council ended the year with \$361.4m in cash. This is very strong cash position. Council holds a large portion of cash with various banks where it earns income through interest gained on term deposits.

The table below outlines the main sources of cash coming into council and what cash is going out.

Cash Holdings For the year ended 30 June 2019	\$'000
<b>Cash at beginning of the financial year</b>	<b>313,852</b>
<b>Cash Flows from Operating Activities:</b>	
Cash received from rates and utility charges	308,878
Cash received from fees and charges	81,565
Cash received from other revenue	11,567
Cash received from interest earned	44,728
Cash received from rent	5,237
Cash received from operational grants and contributions	22,694
Cash received from tax equivalents	38,148
Cash used to pay employees and material and services	(318,379)
Cash used to pay interest on debt	(21,604)
<b>Net Cash Provided by Operating Activities</b>	<b>172,833</b>
<b>Cash Flows from Investing Activities:</b>	
Cash used to pay for property, plant and equipment	(195,268)
Cash from the sale of assets	1,528
Cash received from dividends	9,173
Cash received from capital grants, subsidies, contributions	66,297
Cash net movement in loans to community organisations	32
<b>Net Cash Provided by Investing Activities</b>	<b>(118,238)</b>
<b>Cash Flows from Financing Activities:</b>	
Cash received for new loans	24,000
Cash spent on the repayment of loans	(31,004)
<b>Net Cash Provided by Financing Activities</b>	<b>(7,004)</b>
<b>Cash at end of the financial year</b>	<b>\$361,443</b>

## RESPONSIBLE FINANCIAL MANAGEMENT

In a period of continued growth and expansion, responsible financial management is crucial for council to provide key services and strike the balance between meeting the needs of the community today and providing a solid financial future for the Moreton Bay Region.

### MEASURES OF FINANCIAL SUSTAINABILITY

This Community Financial Report includes three relevant measures of financial sustainability used to demonstrate that the council is operating in a prudent financial manner and ensuring the council's long-term financial sustainability and viability.

	2018/2019 Actual	Target	Analysis
<p><b>Asset sustainability ratio</b> Demonstrates whether council is renewing infrastructure assets at the same rate that it is wearing out its overall stock of assets.</p>	<b>54.8%</b>	greater than 90%	While this result is below the recommended target, council believes its assets are generally renewed within appropriate timeframes, and is working to improve this ratio through the implementation of robust condition-based asset renewal programs.
<p><b>Net financial liabilities ratio</b> Demonstrates the extent to which the net financial liabilities of council can be serviced by its operating revenues.</p>	<b>20.6%</b>	not greater than 60%	This ratio indicates council has the capacity to fund its financial liabilities and may have the capacity to increase its loan borrowings if required. Council's ratio is well under the 60% upper limit for this ratio.
<p><b>Operating surplus ratio</b> Demonstrates the extent to which operating revenues cover operating expenses only or are available for capital purpose.</p>	<b>24.2%</b>	between 0% and 10%	This positive ratio indicates council has achieved an operating surplus with recurring operating revenue exceeding recurring operating expenses. This facilitates utilising operating surpluses to help fund capital expenditure thus placing less reliance on borrowings. The flow on effects of reduced borrowings is reduced levels of associated interest expense. Council is committed to achieving strong operating surplus ratios into the future to ensure long-term financial sustainability.

The targets indicated are recommended by the Department of Local Government, Racing and Multicultural Affairs in accordance with the 'Financial management (sustainability) guideline 2013'. The guideline is available from the department's website [www.dlgrma.qld.gov.au](http://www.dlgrma.qld.gov.au)



## FINANCIAL SNAPSHOT

The financial snapshot table below compares key financial information at the end of the current reporting period with the previous reporting period:

	2018/19 \$	2017/18 \$
Net rate revenue	<b>309.9 million</b>	295.5 million
Fees and charges revenue	<b>36.6 million</b>	36.7 million
Total operating revenue	<b>542 million</b>	528.2 million
Operating expenses	<b>411 million</b>	395.7 million
Operating result	<b>131 million</b>	132.4 million
Net Result	<b>257.6 million</b>	233.1 million
Total assets	<b>7.3 billion</b>	6.9 billion
Total liabilities	<b>521.1 million</b>	491.9 million
Total equity	<b>6.8 billion</b>	6.5 billion
Capital expenditure on assets	<b>199 million</b>	160 million
Cash on hand	<b>361.4 million</b>	313.9 million
Operating surplus ratio	<b>24.2%</b>	25.1%
Net financial liabilities ratio	<b>20.6%</b>	24.0%
Asset sustainability ratio	<b>54.8%</b>	62.5%

Further detailed information on council's financial performance and position can be obtained from the financial statements.

## FEEDBACK

If you have any feedback or wish to contact us in relation to any of the information contained in this report please send an email to [mbrc@moretonbay.qld.gov.au](mailto:mbrc@moretonbay.qld.gov.au)