



MORETON BAY REGIONAL COUNCIL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 June 2019



Financial Statements
For the year ended 30 June 2019
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STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2019

	Note	2019 \$'000	Restated 2018 \$'000
Income			
Revenue			
Recurring Revenue			
Rates and utility charges	3(a)	309,891	295,462
Fees and charges	3(b)	36,590	36,667
Rental income		5,237	7,015
Grants, subsidies and contributions	3(c)(i)	22,694	20,866
Interest revenue	3(d)	44,457	45,691
Sales revenue		3,609	3,447
Other revenue	3(e)	31,110	49,493
Share of profit of associate	9	88,406	69,539
		<u>541,994</u>	<u>528,180</u>
Capital Revenue			
Grants, subsidies and contributions	3(c)(ii)	148,333	150,371 *
Total Revenue		<u>690,327</u>	<u>678,551</u> *
Capital Income	3(f)	4,566	2,773
Total Income		<u>694,893</u>	<u>681,324</u> *
Expenses			
Recurring Expenses			
Employee benefits	4(a)	(124,115)	(120,062)
Materials and services	4(b)	(164,767)	(155,487)
Depreciation and amortisation		(98,525)	(96,041) *
Finance costs	4(c)	(23,616)	(24,142)
		<u>(411,023)</u>	<u>(395,732)</u> *
Capital Expenses			
	4(d)	(26,284)	(52,493)
Total Expenses		<u>(437,307)</u>	<u>(448,225)</u> *
NET RESULT		<u>257,586</u>	<u>233,099</u> *
Other Comprehensive Income			
Items that will not be reclassified to net result			
Increase in asset revaluation surplus	15	13,259	26,569
Changes in the fair value of financial assets at fair value through other comprehensive income		2,961	-
Items that may be reclassified subsequently to net result			
Net change in available-for-sale financial assets		-	(311)
Total other comprehensive income for the year		<u>16,220</u>	<u>26,258</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>273,806</u>	<u>259,357</u> *

The accompanying notes form part of these financial statements.

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



STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Note	2019 \$'000	Restated 2018 \$'000
Assets			
Current Assets			
Cash and cash equivalents	5	361,443	313,852
Trade and other receivables	6	46,941	49,653
Inventories		1,186	1,163
		<u>409,570</u>	<u>364,668</u>
Non-current assets held for sale		-	402
Total Current Assets		<u>409,570</u>	<u>365,070</u>
Non-Current Assets			
Trade and other receivables	6	677,451	677,485
Other financial assets	7	108,528	101,721
Investments		15	15
Investment property	8	28,481	28,635
Investment in associate	9	1,193,241	1,125,208
Property, plant and equipment	10	4,855,068	4,648,274 *
Intangible assets		40	382
Total Non-Current Assets		<u>6,862,824</u>	<u>6,581,720 *</u>
Total Assets		<u>7,272,394</u>	<u>6,946,790 *</u>
Liabilities			
Current Liabilities			
Trade and other payables	11	52,137	49,036
Borrowings	12	34,685	31,533
Provisions	13	14,631	13,778
Other liabilities	14	15,339	550
Total Current Liabilities		<u>116,792</u>	<u>94,897</u>
Non-Current Liabilities			
Borrowings	12	344,307	354,463
Provisions	13	60,014	42,582
Total Non-Current Liabilities		<u>404,321</u>	<u>397,045</u>
Total Liabilities		<u>521,113</u>	<u>491,942</u>
NET COMMUNITY ASSETS		<u>6,751,281</u>	<u>6,454,848 *</u>
Community Equity			
Retained surplus		5,814,523	5,531,349 *
Asset revaluation surplus	15	936,758	923,499
TOTAL COMMUNITY EQUITY		<u>6,751,281</u>	<u>6,454,848 *</u>

The accompanying notes form part of these financial statements.

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



STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2019

	Retained Surplus	Asset Revaluation Surplus	Total Community Equity
Note		15	
	\$'000	\$'000	\$'000
Balance as at 1 July 2018 (Restated)	5,531,349	923,499	6,454,848
Net result	257,586	-	257,586
Other comprehensive income for the year			
Increase in asset revaluation surplus	-	13,259	13,259
Changes in the fair value of financial asset at fair value through other comprehensive income	2,961	-	2,961
Adjustment to equity on the recognition of assets	22,627	-	22,627
Total comprehensive income for the year	283,174	13,259	296,433
Balance at 30 June 2019	5,814,523	936,758	6,751,281
Balance as at 1 July 2017 (Restated)	5,272,905	896,930	6,169,835 *
Net result	233,099	-	233,099
Other comprehensive income for the year			
Increase in asset revaluation surplus	-	26,569	26,569
Net change in available-for-sale financial assets	(311)	-	(311)
Adjustment to equity on the recognition of assets	25,656	-	25,656
Total comprehensive income for the year	258,444	26,569	285,013 *
Balance at 30 June 2018 (Restated)	5,531,349	923,499	6,454,848 *

The accompanying notes form part of these financial statements.

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

STATEMENT OF CASH FLOWS
For the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers		402,009	369,810
Payments to suppliers and employees		(318,379)	(305,277)
Interest received		44,728	45,945
Rental income		5,237	7,015
Non capital grants and contributions		22,694	20,866
Tax equivalent received		38,148	32,392
Borrowing costs		(21,604)	(22,392)
Net cash inflow from operating activities	CF-1	172,833	148,359
Cash flows from investing activities			
Payments for property, plant and equipment		(195,268)	(156,883)
Payments for investment property		-	(210)
Payments for financial assets at fair value (2018: available-for-sale investment)		-	(100,000)
Proceeds from sale of property, plant and equipment		1,528	48,960
Net movement in loans to community organisations		32	6
Dividends received from associate		9,173	13,096
Grants, subsidies and contributions		66,297	62,318
Net cash outflow from investing activities		(118,238)	(132,713)
Cash flows from financing activities			
Proceeds from borrowings		24,000	26,000
Repayment of borrowings		(31,004)	(27,554)
Net cash outflow from financing activities		(7,004)	(1,554)
Net increase in cash and cash equivalent held		47,591	14,092
Cash and cash equivalents at the beginning of the financial year		313,852	299,760
Cash and cash equivalents at the end of the financial year	5	361,443	313,852

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2019

Notes to the statement of cash flow

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

	2019 \$'000	Restated 2018 \$'000
Net result	<u>257,586</u>	<u>233,099</u> *
Non-cash items:		
Depreciation and amortisation	98,525	96,041 *
Revaluation adjustments	154	24,283
Change in future rehabilitation and restoration costs	1,206	2,949
Change in infrastructure offsets and credits	2,836	(571)
Impairment of property, plant and equipment	(8)	(640)
Contributed assets	(82,036)	(88,053) *
Share of profit of associate	(88,406)	(69,539)
	<u>(67,729)</u>	<u>(35,530)</u>
Investing and development activities:		
Net loss on disposal of non-current assets	22,528	26,628
Increase in financial assets at fair value through other comprehensive income (2018: available-for-sale investment)	(3,897)	(2,038)
Capital grants and contributions	(66,297)	(62,318)
	<u>(47,666)</u>	<u>(37,728)</u>
Changes in operating assets and liabilities:		
Decrease/(increase) in receivables	11,844	(11,625)
Decrease/(increase) in other operating assets	2,097	(1,670)
Increase in payables	3,101	1,788
(Decrease) in provisions	(1,189)	(115)
Increase in other liabilities	14,789	140
	<u>30,642</u>	<u>(11,482)</u>
Net cash inflow from operating activities	<u><u>172,833</u></u>	<u><u>148,359</u></u>

CF-2 Reconciliation of liabilities arising from financing activities

	2019 \$'000	2018 \$'000
Loans:		
Opening balance at beginning of financial year	385,996	387,550
Loans raised - cash inflow	24,000	26,000
Principal repayment - cash outflow	(31,004)	(27,554)
Closing balance at end of financial year	12 <u><u>378,992</u></u>	<u><u>385,996</u></u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1 Significant accounting policies

1(a) Basis of preparation

These general purpose financial statements are for the period 1 July 2018 to 30 June 2019. 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

During the year, Council has adopted AASB 9 *Financial Instruments*. Council irrevocably elected to present subsequent changes in fair value of the Queensland Investment Corporation (QIC) investment in other comprehensive income. Council's investment in QIC that was previously classified as an available-for-sale financial asset under AASB 139 *Financial Instruments: Recognition and Measurement* in 2017/18, has been re-classified as financial assets at fair value through other comprehensive income (FVTOCI) in 2018/19. The change in the fair value on these investments continues to accumulate in the fair value through the other comprehensive income (FVTOCI) reserve until they are derecognised or reclassified. The cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss. No retrospective adjustments, restatements or changes to opening retained surplus have been made to the financial statements as a result of adopting AASB 9. Refer to Note 7.

Implementing AASB 9 has resulted in a change to the way Council calculates impairment provisions, which are now based on expected credit losses instead of incurred credit losses. The amount of impairment for trade receivables is insignificant and immaterial. Consequently no impairment provision has been recognised.

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:

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1 Significant accounting policies (continued)

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

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 Statement of Financial Position. 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 (\$11,000).

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

These standards will become effective for reporting periods beginning on or after 1 July 2019. Council has assessed the impact of these standards; however, the actual impacts may differ until Council presents its first financial statements that include the date of initial application. Council intends to apply these standards initially on 1 July 2019, using the modified retrospective approach. The recognition and measurement principles of these standards will be retrospectively applied for current year and prior year comparatives as though the standards had always applied, consistent with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. Potential future impacts identifiable at the date of this report are as follows:

At 30 June 2019 Council had received pre-paid rates totalling \$6.3 million. These rates are recognised as revenue in the Statement of Comprehensive Income. If Council had applied AASB 1058 this year these rates would have been recognised as a liability in the Statement of Financial Position and Council's net result would decrease by \$6.3 million.

Special purpose grants received to construct non-financial assets controlled by Council will be recognised as a liability, and subsequently recognised progressively as revenue as Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront. Based on Council's assessment no significant material impact is expected.

Other grants presently recognised as revenue upfront may be eligible to be recognised as revenue progressively as the associated performance obligations are satisfied, but only if the associated performance obligations are enforceable and sufficiently specific. Based on Council's assessment no significant material impact is expected.

Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants from the Australian Government for which there are no sufficiently specific performance obligations and accordingly these grants are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.

Based on Council's assessment, the new requirement of AASB 15 is expected to have no material impact.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1 Significant accounting policies (continued)

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 13)

Contingencies (Note 18)

Financial instruments and financial liabilities (Note 16)

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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, manage Council's property portfolio, acquire and dispose of strategic land holdings and manage Council's enterprises.

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.

Moreton Bay
Regional Council
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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 2019	Function	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					Operating	Capital				
		Grants	Other	\$'000	Grants	Other	\$'000								
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Engineering, Construction & Maintenance	1,838	69,973	9,972	422	(15,457)	66,748	(173,367)	94	14,969	(158,304)	(91,556)	4,887,059		
	Community & Environmental Services	3,250	28,525	5	-	(33)	31,747	(57,730)	-	499	(57,231)	(25,484)	853		
	Governance	16,801	424,069	10,500	132,000	2,717	586,087	(181,183)	(26,378)	(2,519)	(210,080)	376,007	2,384,476		
	Planning and Economic Development	100	10,387	-	-	(176)	10,311	(11,692)	-	-	(11,692)	(1,381)	6		
	Total	21,989	532,954	20,477	132,422	(12,949)	694,893	(423,972)	(26,284)	12,949	(437,307)	257,586	7,272,394		

Year ended 30 June 2018	Function	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					Operating	Capital				
		Grants	Other	\$'000	Grants	Other	\$'000								
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Engineering, Construction & Maintenance	792	66,312	16,742	4,293	(14,650)	73,489	(169,179)	(445)	14,176	(155,448)	(81,959)	4,680,617		
	Community & Environmental Services	3,468	30,531	-	30,406	(42)	64,363	(60,365)	16,512	432	(43,421)	20,942	906		
	Governance	15,974	412,706	15	101,688	2,774	533,157	(167,112)	(68,560)	(2,602)	(238,274)	294,883	2,265,049		
	Planning and Economic Development	100	10,309	-	-	(94)	10,315	(11,088)	-	6	(11,082)	(767)	218		
	Total	20,334	519,858	16,757	136,387	(12,012)	681,324	(407,744)	(52,493)	12,012	(448,225)	233,099	6,946,790		

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.



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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.

	2019 \$'000	2018 \$'000
General rates	256,252	242,895
Cleansing charges	40,914	39,769
Other special levies, rates and charges	17,096	16,742
	<u>314,262</u>	<u>299,406</u>
Less: Pensioner and other rebates	<u>(4,371)</u>	<u>(3,944)</u>
	<u><u>309,891</u></u>	<u><u>295,462</u></u>

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.

	2019 \$'000	2018 \$'000
Administration	4,347	4,614
Community facilities	4,389	4,308
Development services	18,569	19,230
Waste management	5,212	4,424
Animal control	3,980	3,921
Other fees	93	170
	<u>36,590</u>	<u>36,667</u>

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.



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

3	Revenue (continued)			2019	2018
				\$'000	\$'000
3(c)	Grants, subsidies and contributions (continued)		Note		
	(i) Operating				
	Government grants and subsidies			21,108	19,637
	Other grants, subsidies, contributions			1,586	1,229
				<u>22,694</u>	<u>20,866</u>
	(ii) Capital				
	Government grants and subsidies			20,477	16,757
	Infrastructure cash contributions			44,967	41,323
	Contributed assets			82,036	88,053
	Other capital income			853	4,238
				<u>148,333</u>	<u>150,371</u>
3(d)	Interest revenue				
	Interest received is accrued over the term of the investment.				
	Interest from financial institutions			9,331	9,603
	Interest from Unitywater			33,987	35,070
	Interest from overdue rates and utility charges			1,139	1,018
				<u>44,457</u>	<u>45,691</u>
3(e)	Other revenue				
	Tax equivalent	22		23,153	42,029
	Other income			7,957	7,464
				<u>31,110</u>	<u>49,493</u>
3(f)	Capital income				
				2019	2018
				\$'000	\$'000
	Gain on sale of assets classified as held for sale			-	481
	Reinvestment on financial assets at fair value through other comprehensive income (2018: available-for-sale investment)			4,400	2,098
	Reversal of loss on impairment of assets held for sale			8	167
	Adjustment to landfill and Bio-solids composting sites			158	27
				<u>4,566</u>	<u>2,773</u>
4	Expenses				
4(a)	Employee benefits				
	Total staff wages and salaries			101,822	100,005
	Annual, sick, long service leave and other entitlements			13,388	11,987
	Superannuation	19		12,776	12,391
				<u>127,986</u>	<u>124,383</u>
	Other employee related expenses			4,003	4,352
				<u>131,989</u>	<u>128,735</u>
	Less: Capitalised employee expenses			(7,874)	(8,673)
				<u>124,115</u>	<u>120,062</u>

Total full time equivalent employees at 30 June 2019 were 1,495 (2018: 1,449).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

4	Expenses (continued)			
4(b)	Materials and services			
		Note	2019 \$'000	2018 \$'000
	Contractors		89,235	79,528
	Utilities		20,873	19,512
	Materials		9,845	9,339
	Labour hire services		6,131	5,179
	Legal costs		4,450	6,668
	Information technology hardware/software		4,232	6,982
	Commissions and contributions		3,887	6,842
	Expensed capital		3,697	2,862
	Fuel		3,538	3,007
	Other materials and services		3,351	2,304
	Donations and grants		3,063	2,105
	Security		2,879	2,386
	Insurance premiums		2,735	2,706
	Printing, postage and stationery		2,054	2,029
	Councillors' remuneration		1,877	1,835
	Consultants		1,360	665
	Cleaning		1,324	1,299
	Audit of annual financial statements by the Auditor-General of Queensland		236	239
			<u>164,767</u>	<u>155,487</u>
	Councillor remuneration represents regular payments and other allowances paid in respect of carrying out their duties.			
4(c)	Finance costs			
	Finance cost on loans		21,591	22,367
	Other		2,025	1,775
			<u>23,616</u>	<u>24,142</u>
4(d)	Capital expenses			
	Book value of property, plant and equipment disposed of		24,056	45,182
	Less: Proceeds from the sale of property, plant and equipment		(1,528)	(18,554)
	Adjustment to landfill and Bio-solids sites		262	2,085
	Loss on impairment of assets classified as held for sale		-	8
	Management fee on financial assets at fair value through other comprehensive income (2018: available-for-sale investment)		504	60
	Revaluation down of investment property	8	154	565
	Revaluation down of property, plant and equipment	10	-	23,718
	Infrastructure credits recognised	13	3,113	530
	Infrastructure credits extinguished	13	(277)	(1,101)
			<u>26,284</u>	<u>52,493</u>



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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.

	2019 \$'000	2018 \$'000
Cash at bank and on hand	11,386	8,986
Deposits at call	155,057	109,866
Term deposits	195,000	195,000
	<u>361,443</u>	<u>313,852</u>

Cash and cash equivalents at 30 June 2019 includes \$14,877,100 received from the State government to mitigate the direct impacts on households of the State Waste Levy, which comes into effect from 1 July 2019. This money has been set aside to help fund the Council's 2019-20 Levy expense.

Conditions over contributions

Council cash and cash equivalents are subject to a number of external restrictions that limit amounts available for discretionary or future use. These include:

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

	2019 \$'000	2018 \$'000
Government grants and subsidies	1,094	152
Waste levy refund received in advance	14,877	-
	<u>15,971</u>	<u>152</u>

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

	2019 \$'000	2018 \$'000
Government grants and subsidies	<u>152</u>	<u>336</u>

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 custodial 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 \$10.266 million in trust monies at 30 June 2019 (2018: \$10.154 million).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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.

The subordinated debt receivable from Unitywater is an interest only loan with the interest rate to be set by Queensland Treasury Corporation annually.

	2019 \$'000	2018 \$'000
Current		
Rates and utility charges	8,837	7,824
Loans to community organisations	93	91
Accrued receivable from Unitywater	20,871	24,936
Other debtors	10,269	7,627
GST recoverable	3,344	3,535
Prepayments	3,527	5,647
	46,941	49,660
Less: Allowance for impaired debts	-	(7)
	46,941	49,653
Non-current		
Loans to community organisations	426	460
Subordinated debt receivable from Unitywater	677,025	677,025
	677,451	677,485

7 Other non-current financial assets

Managed funds invested with Queensland Investment Corporation (QIC) are recognised as a financial asset and carried at fair value, represented by net market value less any impairment. Net market value is determined as the redemption value provided by QIC. Unrealised changes in net market value are recognised in other comprehensive income and accumulated in the fair value through other comprehensive income (FVTOCI) reserve. Where the investment is disposed of or determined to be impaired, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to revenue or expense in the Statement of Comprehensive Income. Refer to Note 1(c).

	2019 \$'000	2018 \$'000
Financial assets at fair value through other comprehensive income	108,528	-
Available-for-sale financial assets	-	101,721
	108,528	101,721

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

8 Investment property

Investment property is property held for the primary purpose of earning rentals and/or capital appreciation 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	2019 \$'000	2018 \$'000
Fair value at beginning of financial year		28,635	44,970
Additions from subsequent expenditure recognised		-	210
Net (loss) from fair value adjustments	4(d)	(154)	(565)
Disposal		-	(15,980)
Fair value at end of financial year		<u>28,481</u>	<u>28,635</u>

Investment property fair values were determined by independent valuer Australis Asset Advisory Group as at 30 June 2019.

For investment property classified as level 2 (\$26.120 million), fair value has been determined using a market approach using the income capitalisation method.

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 (\$2.361 million), this is a specialised building and fair value has been measured utilising the cost approach, determined by using current replacement cost.



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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 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.

	2019 \$'000	2018 \$'000
Total assets	3,902,190	3,777,942
Total liabilities	(1,865,263)	(1,858,898)
Net assets	<u>2,036,927</u>	<u>1,919,044</u>
Share of net assets of associate	<u>1,186,270</u>	<u>1,117,612</u>
Total revenue	<u>730,579</u>	<u>696,248</u>
Total profit for the year	<u>151,800</u>	<u>119,405</u>
Share of profit of associate	<u>88,406</u>	<u>69,539</u>
Council investment in the associate comprises of:		
Participation rights	<u>1,193,241</u>	<u>1,125,208</u>
Details of movements in participation rights:		
Opening Balance	1,125,208	1,056,084
Share of profit of associate	88,406	69,539
Less share of dividends received and accrued	<u>(20,373)</u>	<u>(415)</u>
Closing balance at end of year	<u>1,193,241</u>	<u>1,125,208</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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 (which have a recognition threshold of greater than \$1), 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) 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

10 Property, plant and equipment (continued)

10(c) Depreciation (continued)

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(g).

10(d) 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(e) 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. During the financial year an analysis performed by management has indicated that, on average, the variance between an indexed asset value and the valuation by an independent valuer when performed is not significant and the indices used by Council are sound with the exception of the land asset class which was indexed upwards using an appropriate index. Further details in relation to the land indexation is contained under Note 10(f).

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(f).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

10 Property, plant and equipment (continued)

10(f) Fair value measurements

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

Level 1 - the fair value is based on quoted prices (unadjusted) in active markets for identical assets.

Level 2 - the fair value is estimated using inputs that are directly or indirectly observable for the assets, such as prices for similar assets.

Level 3 - the fair value is estimated using unobservable inputs for the asset.

All fair value measurements are recurrent and categorised as either level 2 or level 3 in the fair value hierarchy. None of Council's valuations of assets are eligible for categorisation into level 1 of the fair value hierarchy.

The following table represents Council's assets as at 30 June 2019 as either level 2 or level 3 in accordance with AASB 13.

	Level 2		Level 3		Total	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Buildings	1,007	1,090	317,912	306,843	318,919	307,933
Land	116,404	104,707	518,164	459,121	634,568	563,828
Stormwater Infrastructure	-	-	1,497,576	1,492,871	1,497,576	1,492,871
Transport Infrastructure	-	-	1,765,633	1,701,695	1,765,633	1,701,695
Waterways and Canals	-	-	233,737	236,162	233,737	236,162
	117,411	105,797	4,333,022	4,196,692	4,450,433	4,302,489

In the course of revaluing land the nature of the inputs are reviewed and as such, Council recognises transfers between level 2 and 3 in the fair value hierarchy. Details of the valuation movement are shown in Note 15, where the below table reflects the additional detail of hierarchy movement. It is Council's policy to recognise such transfers at the end of the reporting period.

	Level 2	Level 3	Total
	2019	2019	2019
	\$'000	\$'000	\$'000
Land			
Opening balance as at 1 July 2018	104,707	459,121	563,828
Additions	-	7,118	7,118
Disposals	(234)	(1,156)	(1,390)
Internal transfer	-	410	410
Asset revaluation surplus	11,931	52,671	64,602
Closing Balance as at 30 June 2019	116,404	518,164	634,568

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

10 Property, plant and equipment (continued)

10(f) Fair value measurements (continued)

For the below asset classes, management have performed an analysis of suitable indices for the intervening period being the period since valuation by an independent valuer to 30 June 2019. This analysis identified that the movement in the indices was not material except for the land asset class, therefore no indexation has been applied to any asset class other than land.

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.

Land (Level 2 and 3)

The fair value of land was determined by independent valuer Australis Asset Advisory Group as at 31 December 2016 and indexed with the Queensland Valuer General's property market movement report as at 31 May 2019.

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.

Stormwater Infrastructure (Level 3)

The fair value of stormwater infrastructure was determined by unit rates provided by independent valuers AssetVal Pty Ltd as at 31 December 2018.

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. Level 3 input have been determined by utilise unit rates provided by suitably qualified valuation specialist.

Transport Infrastructure (Level 3)

The fair value of transport unit rates was determined by independent valuers AssetVal Pty Ltd as at 31 December 2017 and bridge infrastructure was determined by independent valuer Cardno Pty Ltd as at 31 December 2017.

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. Level 3 input have been determined by utilise unit rates provided by suitably qualified valuation specialist.

Waterways and Canals (Level 3)

The fair value of canal assets was determined by independent valuer AssetVal Pty Ltd as at 31 March 2018 and seawall assets was determined by external consultants BFA JFA Consultants Pty Ltd as at 4 August 2017.

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. Level 3 input have been determined by utilise unit rates provided by suitably qualified valuation specialist.



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

10 Property, plant and equipment (continued)
10(g) Movements

30 June 2019 Note

For the year ended 30 June 2019
Gross value / cost
Less accumulated depreciation
Book value as at 30 June 2019

Land	Buildings	Transport Infrastructure	Stormwater Infrastructure	Waterways and Canals	Land Improvements	Park Equipment	Plant and Equipment	Cultural and Heritage	Work in Progress	Total
634,568	525,415	2,413,186	1,931,027	325,362	221,625	135,728	112,358	2,573	99,444	6,401,286
-	(206,496)	(647,553)	(433,451)	(91,625)	(62,223)	(53,471)	(51,399)	-	-	(1,546,218)
634,568	318,919	1,765,633	1,497,576	233,737	159,402	82,257	60,959	2,573	99,444	4,855,068

Basis of measurement

Opening net value as at 1 July 2018 (Restated)
Plus capital expenses
Transfers between asset classes
Plus contributed assets
Plus assets not previously recognised
Plus restoration assets
Less disposals
Less depreciation provided in period
Revaluation adjustment to asset revaluation surplus
Transfer from assets withdrawn from field for sale
Transfers from WIP to other non PP&E assets or expense
Transfers from work in progress
Book value as at 30 June 2019

15

Land	Buildings	Transport Infrastructure	Stormwater Infrastructure	Waterways and Canals	Land Improvements	Park Equipment	Plant and Equipment	Cultural and Heritage	Work in Progress	Total
563,828	307,933	1,701,695	1,492,871	236,162	120,478	77,673	58,379	2,562	86,693	4,646,274
-	-	-	-	-	-	-	-	-	198,965	198,965
-	(17)	8	(346)	-	355	(5)	5	-	-	-
39	20	33,918	44,977	-	905	2,177	-	-	-	82,036
-	-	-	7,938	-	543	2	-	-	-	22,627
-	-	-	-	-	15,433	-	-	-	-	15,433
(1,390)	(2,452)	(8,309)	(8,096)	(31)	(1,103)	(716)	(1,959)	-	-	(24,056)
-	(12,004)	(42,580)	(20,352)	(2,539)	(6,390)	(6,014)	(8,304)	-	-	(98,183)
64,602	-	-	(51,343)	-	-	-	-	-	-	13,259
410	-	-	-	-	-	-	-	-	-	410
7,079	25,439	72,963	25,721	145	29,181	9,140	12,338	11	(3,697)	(182,517)
634,568	318,919	1,765,633	1,497,576	233,737	159,402	82,257	60,959	2,573	99,444	4,855,068

Range of estimated useful life in years

unlimited	1 - 128	3 - unlimited	4 - 157	9 - unlimited	3 - 100	5 - 100	1 - 110	unlimited
-	-	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

10 Property, plant and equipment (continued)
10(g) Movements (continued)

Note

30 June 2018 (Restated)

For the year ended 30 June 2018
Gross value / cost
Less accumulated depreciation
Book value as at 30 June 2018

Land	Buildings	Transport Infrastructure	Stormwater Infrastructure	Waterways and Canals	Land Improvements	Park Equipment	Plant and Equipment	Cultural and Heritage	Work in Progress	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
563,828	503,778	2,311,926	1,918,621	325,295	176,615	126,015	107,332	2,562	86,693	6,122,665
-	(195,845)	(610,231)	(425,750)	(89,133)	(56,137)	(48,342)	(48,953)	-	-	(1,474,391)
563,828	307,933	1,701,695	1,492,871	236,162	120,478	77,673	58,379	2,562	86,693	4,648,274

Note

Basis of measurement

Opening net value as at 1 July 2017
Opening net value as at 1 July 2017 not previously recognised *
Plus capital expenses
Transfers between asset classes
Plus contributed assets
Plus contributed assets not previously recognised *
Plus assets not previously recognised
Plus restoration assets
Less disposals
Less depreciation provided in period
Less depreciation provided in period not previously recognised *
Revaluation adjustment to asset revaluation surplus
Revaluation adjustment to capital expense
Transfer to assets classified as held for sale
Transfer from assets withdrawn from held for sale
Transfers from WIP to other non PP&E assets or expense
Transfers from works receivable
Transfers from work in progress
Book value as at 30 June 2018

Land	Buildings	Transport Infrastructure	Stormwater Infrastructure	Waterways and Canals	Land Improvements	Park Equipment	Plant and Equipment	Cultural and Heritage	Work in Progress	Total
Fair Value \$'000	Fair Value \$'000	Fair Value \$'000	Fair Value \$'000	Fair Value \$'000	Cost \$'000	Cost \$'000	Cost \$'000	Cost \$'000	Cost \$'000	Cost \$'000
549,475	309,599	1,623,134	1,403,469	213,187	96,293	75,843	59,576	2,538	72,666	4,405,780
-	-	1,450	1,680	-	-	66	72	-	-	3,268
-	-	(5,416)	113	-	-	-	-	-	-	159,955
53	(14)	31,155	45,311	1,352	5,305	12	-	-	-	78,971
14	-	2,679	5,642	615	1,352	1,100	-	-	-	9,082
-	-	2,692	22,964	-	615	132	-	-	-	25,656
-	-	-	-	-	7,321	-	-	-	-	7,321
(7,102)	(129)	(13,849)	(4,039)	(16)	(355)	(245)	(3,481)	-	-	(29,196)
-	(11,861)	(39,690)	(19,779)	(2,400)	(5,516)	(5,684)	(9,653)	-	-	(94,583)
-	-	(43)	(45)	-	(6)	(5)	(3)	-	-	(102)
1,390	-	-	-	25,179	-	-	-	-	-	26,569
(2,410)	-	(23,718)	-	-	-	-	-	-	-	(23,718)
18,000	-	-	-	-	-	-	-	-	-	(2,410)
-	-	-	-	-	-	-	-	-	-	18,000
-	-	-	-	-	-	-	-	-	(3,072)	(3,072)
4,408	10,338	45,842	20,518	212	192	201	-	-	-	66,753
563,828	307,933	1,701,695	1,492,871	236,162	120,478	77,673	58,379	24	86,693	4,648,274
unlimited	1 - 128	1 - unlimited	4 - 162	14 - unlimited	3 - 100	5 - 100	1 - 110	unlimited	-	-

Range of estimated useful life in years

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



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

11 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.

	2019 \$'000	2018 \$'000
Current		
Trade creditors and accruals	41,510	38,328
Employee entitlements	10,627	10,708
	<u>52,137</u>	<u>49,036</u>

12 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.

	2019 \$'000	2018 \$'000
Current		
Loans - Queensland Treasury Corporation	<u>34,685</u>	<u>31,533</u>
Non-current		
Loans - Queensland Treasury Corporation	<u>344,307</u>	<u>354,463</u>

The QTC loan market value at the reporting date was \$443,262,184. This represents the value of the debt if Council repaid it as at 30 June 2019.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

13 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 is reviewed 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) is treated as a finance cost.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

13 Provisions (continued)

	2019 \$'000	2018 \$'000
Current		
Long service leave	14,415	13,565
Bio-solids composting site rehabilitation	72	71
Refuse restoration	144	142
	<u>14,631</u>	<u>13,778</u>
Non-current		
Long service leave	3,005	3,023
Bio-solids composting site rehabilitation	1,023	985
Refuse restoration	53,970	37,428
Infrastructure credits	2,016	1,146
	<u>60,014</u>	<u>42,582</u>

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

	2019	2019
	Long service leave	Infrastructure credits
	\$'000	\$'000
Balance at beginning of financial year	16,588	1,146
Provisions arising	3,367	3,113
Provisions extinguished	(674)	(277)
Provisions paid	(1,861)	(1,966)
Balance at end of financial year	<u>17,420</u>	<u>2,016</u>
	Bio-solids composting site rehabilitation	Refuse landfill sites restoration
	\$'000	\$'000
Balance at beginning of financial year	1,056	37,570
Amount incurred and charged against the provision	(33)	(23)
Increase in provision due to unwinding of discount	24	1,078
Increase in provision due to change in estimate	-	(1,049)
Increase in provision due to change in discount rate	87	16,657
Unused amounts reversed	(39)	(119)
Balance at end of financial year	<u>1,095</u>	<u>54,114</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

13 Provisions (continued)

Site	Expected site closure year	Post closure monitoring cost completion year
Bunya landfill site	2091	2105
Dakabin landfill site	2048	2062
Caboolture landfill site	2053	2067
Ningi landfill site	closed	2032
Woodford landfill site	closed	2032
Bio-solid compositing site	closed	2032

14 Other liabilities

Current

Revenue received in advance	462	550
Waste levy refund received in advance	<u>14,877</u>	<u>-</u>
	<u>15,339</u>	<u>550</u>

The State government made an advance payment to Council in June 2019 to mitigate the impacts on households for 2019-20 of the State Waste Levy, which takes effect from 1 July 2019. The Council will be liable to the State for payment of the Levy on most forms of commercial and household waste delivered to its disposal sites from 1 July 2019. The State is required to make an annual payment to the Council that essentially refunds the Council for the portion of the Levy that relates to households. Council will fund the portion of the Levy that relates to commercial waste through charges to commercial users of disposal sites from 1 July 2019. As the receipt from the State in June 2019 is for a refund of Council's 2019-20 Levy expense, the full amount has been recognised as a liability as at 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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
2019			
Land	134,813	64,602	199,415
Buildings	72,235	-	72,235
Stormwater infrastructure	653,848	(51,343)	602,505
Waterways and canals	62,603	-	62,603
	<u>923,499</u>	<u>13,259</u>	<u>936,758</u>
	Balance at beginning of year \$'000	Movements \$'000	Balance at end of year \$'000
2018			
Land	133,423	1,390	134,813
Buildings	72,235	-	72,235
Stormwater infrastructure	653,848	-	653,848
Waterways and canals	37,424	25,179	62,603
	<u>896,930</u>	<u>26,569</u>	<u>923,499</u>



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

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.

The Council's audit committee oversees how management monitors compliance with the Council's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Council. Council's audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

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.

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

The carrying amounts of financial assets at the end of the reporting period represent the maximum exposure to credit risk for the Council.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

16 Financial instruments (continued)

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. Other investments are held with highly rated/regulated banks and financial institutions and whilst not capital guaranteed, the likelihood of a credit failure is assessed as remote.

Other non-current financial assets

Other non-current financial assets are held with Queensland Investment Corporation (QIC), which is highly rated and regulated, and whilst not capital guaranteed, the likelihood of a credit failure is considered remote.

Trade and other receivables

In the case of rate receivables, interest is charged on outstanding debts at a rate of 11% per annum (as from 1 July 2019 9.83%) 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 Council's 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 Council does not require collateral in respect of trade and other receivables. The Council does not have trade receivables for which no loss allowance is recognised because of collateral.

At 30 June 2019, the exposure to credit risk for trade receivables by type of counterparty was as follows:

	2019 \$'000	2018 \$'000
Rates and utility charges	8,837	7,824
GST recoverable	3,344	3,535
Associates	697,896	701,961
Community organisations	519	551
Other	10,269	7,620
	<u>720,865</u>	<u>721,491</u>

A summary of the Council's exposure to credit risk for trade receivables is as follows:

	2019 \$'000	2018 \$'000
Not past due	40,079	43,555
Past due 31-60 days	52	39
Past due 61-90 days	3,076	229
More than 90 days	633	650
Total gross carrying amount	<u>43,840</u>	<u>44,473</u>

The above analysis does not include the non-current receivable of \$677.025 million (2018: \$677.025 million), which represents a fixed rate of 5.02% loan to Unitywater. The credit risk on these loans is considered low. Refer to Note 6 for further information.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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.

The Council's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Council's reputation.

Council is exposed to liquidity risk through its normal course of business and through its 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
2019					
Trade and other payables	41,510	-	-	41,510	41,510
Loans - QTC	54,081	209,604	221,046	484,731	378,992
	95,591	209,604	221,046	526,241	420,502
2018					
Trade and other payables	38,554	-	-	38,554	38,328
Loans - QTC	52,153	207,190	248,813	508,156	385,996
	90,707	207,190	248,813	546,710	424,324

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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 Council does not account for any fixed-rate financial assets or financial liabilities at Fair Value through Profit or Loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

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 \$'000	Effect on Net Result		Effect on Equity	
		1% increase \$'000	1% decrease \$'000	1% increase \$'000	1% decrease \$'000
2019					
QTC cash fund	116,811	1,168	(1,168)	1,168	(1,168)
Other investments	146,775	1,468	(1,468)	1,468	(1,468)
Net total	263,586	2,636	(2,636)	2,636	(2,636)
2018					
QTC cash fund	61,224	612	(612)	612	(612)
Other investments	150,363	1,504	(1,504)	1,504	(1,504)
Net total	211,587	2,116	(2,116)	2,116	(2,116)

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 12.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

17 Commitments

Contractual commitments for capital expenditure

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

	2019 \$'000	2018 \$'000
Property, plant and equipment	<u>86,570</u>	<u>59,264</u>
These expenditures are due for payment:		
Not later than one year	83,647	43,257
One to five years	<u>2,923</u>	<u>16,007</u>
	<u>86,570</u>	<u>59,264</u>

Contractual commitments for operating expenditure

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

	2019 \$'000	2018 \$'000
Waste and maintenance services	<u>214,474</u>	<u>77,242</u>
These expenditures are due for payment:		
Not later than one year	46,505	39,487
One to five years	87,139	34,106
More than five years	<u>80,830</u>	<u>3,649</u>
	<u>214,474</u>	<u>77,242</u>

Operating lease income

Future operating lease rental commitments receivable for property, plant and equipment comprise:

	2019 \$'000	2018 \$'000
The minimum lease receipts are as follows:		
Not later than one year	3,018	2,798
One to five years	6,184	5,620
Later than five years	<u>3,342</u>	<u>3,947</u>
	<u>12,544</u>	<u>12,365</u>



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

18 Contingencies

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 \$12 million (2018: approximately \$10m).

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 2018 the financial statements of LGM Queensland reported a members' equity balance of \$75,834,341.

Local Government Workcare

Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. Council's maximum exposure to the bank guarantee is \$3,153,058.



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

19 Superannuation - Regional Defined Benefit Fund

Council contributes to the LGIASuper Regional Defined Fund (the scheme), at the rate of 12% for each permanent employee who is a defined benefit member. This rate is set in accordance with the LGIASuper trust deed and may be varied on the advice of an actuary. The Regional Defined Benefits Fund is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the Local Government Act 2009.

The scheme is a defined benefit plan, however Council is not able to account for it as a defined benefit plan in accordance with AASB 119 because LGIASuper is unable to account for its proportionate share of the defined benefit obligation, plan assets and costs.

Any amount by which the scheme is over or under funded may affect future benefits and result in a change to the contribution rate, but has not been recognised as an asset or liabilities of the Council.

Technically Moreton Bay Regional Council can be liable to the scheme for a portion of another local governments' obligations should that local government be unable to meet them. However the risk of this occurring is extremely low and in accordance with the LGIASuper trust deed changes to council's obligations will only be made on the advice of an actuary.

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2018. The actuary indicated that "At the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date". The Council is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

No changes have 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.

The next triennial review is not due until 1 July 2021.

The most significant risks that may result in LGIASuper increasing the contribution rate, on the advice of the actuary, are:

Investment risk - The risk that the scheme's investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.

Salary growth risk - The risk that wages or salaries will rise more rapidly than assumed, increasing vested benefits to be funded.

There are currently 62 entities contributing to the scheme and any changes in contribution rates would apply equally to all 62 entities. Moreton Bay Regional Council made 5.24% of the total contributions to the scheme for the 2018-2019 financial year.

	2019	2018
Note	\$'000	\$'000
Superannuation contributions made to the Regional Defined Benefits Fund	831	855
Other superannuation contributions for employees	11,945	11,536
Total superannuation contributions paid by Council for employees:	4(a) <u>12,776</u>	<u>12,391</u>

Contributions Council expects to make to the Regional Defined Benefits Funds for 2019-20 is \$849,318.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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
Revenue	2019
	\$'000
Revenue for services provided to Council	2,831
Revenue for services provided to external clients	51,809
Community service obligations	539
	55,179
Expenditure	44,471
Surplus/(deficiency)	10,708

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	2019 \$'000
Waste	
Pensioner Discounts	539

21 Events subsequent to balance date

Council is in the process of listing for sale properties with an estimated value of \$8.9 million that are surplus to Council requirements. Some of these properties are yet to be actively marketed.

During the financial year a Crime and Corruption Commission (CCC) investigation resulted in one Councillor being charged with official corruption. In accordance with section 182A of the Local Government Act 2009, that Councillor is currently suspended from office. The CCC's investigation remains ongoing. To the best of Council's knowledge at the date of this financial report, there is no material impact in relation to the matters identified through the CCC investigations, on this financial report.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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;

	2019 \$'000	2018 \$'000
Revenue		
Interest on loans	33,987	35,070
Taxation equivalents	23,153	42,029
Dividends	20,373	415
Other revenue	216	1,426
	<u>77,729</u>	<u>78,940</u>
Expenses		
Material and services	7,567	6,493
	<u>7,567</u>	<u>6,493</u>
Amounts receivable		
Interest	8,497	8,767
Dividends	11,200	-
Taxation equivalents	1,174	16,169
Other	113	2
	<u>20,984</u>	<u>24,938</u>
Loans		
Loans	677,025	677,025
	<u>677,025</u>	<u>677,025</u>
Amounts payable		
Material and services	1,628	1,308
	<u>1,628</u>	<u>1,308</u>

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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 are the KMP of Council for 2018/19 year.

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

	2019 \$'000	2018 \$'000
Short-term benefits	3,959	4,157
Post-employment benefits	437	436
Other long-term benefits	50	53
Termination benefits	89	126
	<u>4,535</u>	<u>4,772</u>

(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:

	2019 \$'000	2018 \$'000
Expense		
Employee expenses for close family members of KMP ¹	196	216
Purchase of material and services from entities controlled by close family member of KMP	-	142
Revenue		
Infrastructure contributions and development fees received from entities controlled by KMP ²	24	-

¹All close family members of key management personnel were employed through an arm's length process. They are paid in accordance with the relevant award for the job they perform. Council employs 1611 staff of which only 2 are close family members of KMP.

²A company controlled by KMP, paid infrastructure contributions and development application fees to Council. Contributions and fees paid were in accordance with Council's normal terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

22 Related party transactions (continued)

(c) Outstanding balances

There were no balances outstanding at the end of reporting period in relation to transactions with related parties.

No expenses has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

(d) Loans and guarantees to/from related parties

Apart from its associate (Unitywater) council does not make loans to or receive loans from related parties. No guarantees have been provided.

(e) Commitments to/from related parties

There were no commitments outstanding at the end of reporting period in relation to transactions with related parties.

(f) Transaction with related parties not disclosed

On a regular basis ordinary citizen transactions occur between Council and its related parties. Examples include rates, use of Council pools, payment of animal registration and library borrowings. Council has not included these types of transactions in its disclosure where they are made on the same terms and conditions available to the general public.

(g) LGIAsuper

Information about superannuation is included in Note 19.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

23 Restated balances

Contributed assets not previously recognised

During 2018/19, Council identified a prior period error that related to contributed assets that had commission dates prior to 1 July 2018. As a result, for 2017/18 Council had understated its contributed revenue and property, plant and equipment by \$9.082 million and applicable depreciation of \$0.103 million. Prior to 1 July 2017, contributed revenue and property, plant and equipment had been understated by \$3.351 million and applicable depreciation of \$0.083 million. To correct the impact of the prior period error, Council has adjusted the 2017/18 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 2018 Comparative year

Financial statement line item / balance affected	Note	Actual 2018 \$'000	Adjustments 2018 \$'000	Restated Actual 2018 \$'000
<i>Statement of Comprehensive Income (Extract)</i>				
Capital Revenue				
Grants, subsidies and contributions	3(c)(ii)	141,289	9,082	150,371
Total Revenue		<u>669,469</u>	<u>9,082</u>	<u>678,551</u>
Total Income		<u>672,242</u>	<u>9,082</u>	<u>681,324</u>
Recurring Expenses				
Depreciation and amortisation		(95,939)	(102)	(96,041)
Total Expenses		<u>(448,123)</u>	<u>(102)</u>	<u>(448,225)</u>
NET RESULT		<u>224,119</u>	<u>8,980</u>	<u>233,099</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>250,377</u>	<u>8,980</u>	<u>259,357</u>
<i>Statement of Financial Position (Extract)</i>				
Non-Current Assets				
Property, plant and equipment	10	4,636,026	12,248	4,648,274
Total Non-Current Assets		<u>6,569,472</u>	<u>12,248</u>	<u>6,581,720</u>
Total Assets		<u>6,934,542</u>	<u>12,248</u>	<u>6,946,790</u>
NET COMMUNITY ASSETS		<u>6,442,600</u>	<u>12,248</u>	<u>6,454,848</u>
Community Equity				
Retained surplus		5,519,101	12,248	5,531,349
TOTAL COMMUNITY EQUITY		<u>6,442,600</u>	<u>12,248</u>	<u>6,454,848</u>
<i>Statement of Changes in Equity (Extract)</i>				
Retained Surplus				
Balance as at 1 July 2017		5,269,637	3,268	5,272,905
Net result		224,119	8,980	233,099
Total comprehensive income for the year		<u>249,464</u>	<u>8,980</u>	<u>258,444</u>
Balance at 30 June 2018		<u>5,519,101</u>	<u>12,248</u>	<u>5,531,349</u>



MANAGEMENT CERTIFICATE
For the year ended 30 June 2019

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 40, 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.

A handwritten signature in black ink, appearing to read "AS", written over a horizontal line.

Cr Allan Sutherland
Mayor

Date: 9, 10, 19

A handwritten signature in black ink, appearing to read "GK", written over a horizontal line.

Mr Graeme Kanofski
Acting Chief Executive Officer

Date: 9, 10, 19

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 accompanying financial report of Moreton Bay Regional Council (the council).

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2019, 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 2019, 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 management certificate given by the Mayor and the Acting 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 2019, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information 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 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 of the council.

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the council to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the council. I remain solely responsible for my audit opinion.

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 2019:

- 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.



Carolyn Dougherty
as delegate of the Auditor-General

14 October 2019

Queensland Audit Office
Brisbane



CURRENT-YEAR FINANCIAL SUSTAINABILITY STATEMENT
For the year ended 30 June 2019

Measures of Financial Sustainability

Council's performance at 30 June 2019 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)	24.2%	between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	54.8%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	20.6%	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 2019.



CERTIFICATE OF ACCURACY
For the year ended 30 June 2019

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.

A handwritten signature in black ink, appearing to be "AS", written over a horizontal line.

Cr Allan Sutherland
Mayor

Date: 9, 10, 19

A handwritten signature in black ink, appearing to be "GK", written over a horizontal line.

Mr Graeme Kanofski
Acting Chief Executive Officer

Date: 9, 10, 19

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 statement of financial sustainability of Moreton Bay Regional Council (the council) for the year ended 30 June 2019 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Acting 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 2019 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 2019, 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 was the general purpose financial statements and the 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 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.



Carolyn Dougherty
as delegate of the Auditor-General

14 October 2019

Queensland Audit Office
Brisbane



LONG-TERM FINANCIAL SUSTAINABILITY STATEMENT
Prepared as at 30 June 2019

Measures of Financial Sustainability

	Measure	Target	Projected for the years ended									
			30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028
Operating surplus ratio	Net result divided by total operating revenue	between 0% and 10%	24.2%	14.4%	18.2%	18.2%	17.4%	16.2%	15.4%	14.8%	15.1%	14.4%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	54.8%	68.7%	80.1%	71.9%	71.9%	78.6%	81.7%	84.1%	81.5%	79.5%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	20.6%	21.4%	22.1%	25.8%	35.2%	28.2%	34.5%	38.4%	38.8%	39.6%

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 Local Government, Racing and Multicultural Affairs 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 Council's 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 on the path for ensuring future viability and financial sustainability for the region.



CERTIFICATE OF ACCURACY
For the long-term financial sustainability statement prepared as at 30 June 2019

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: 9, 10, 19



Mr Graeme Kanofski
Acting Chief Executive Officer

Date: 9 10, 19