

# **SOMERSET REGIONAL COUNCIL**



## **Financial Statements For the period 15 March 2008 to 30 June 2009**

**SOMERSET REGIONAL COUNCIL**  
**Income Statement**  
**For the period 15 March 2008 to 30 June 2009**

	<b>Note</b>	<b>2009 Actual (\$ 000's)</b>
<b>Revenue</b>	3	281,683
Consisting of:		
Assets and liabilities transferred from abolished Councils	41	210,710
Adjustments due to accounting policy alignment	41	(1,007)
Gain on restructure of local government	41	209,703
Capital Revenue	3	33,486
Operating Revenue	3	38,494
<b>Expenses</b>	4	(38,117)
<b>Finance costs</b>	5	(1)
<b>Net result attributed to council</b>		<u>243,565</u>
<b>Operating surplus component of net result</b>		<u>376</u>

---

**Cash Flow Statement**  
**For the period 15 March 2008 to 30 June 2009**

	<b>Note</b>	<b>2009 Actual (\$ 000's)</b>
<b>Cash flows from operating activities :</b>		
Receipts from customers		46,936
Payments to suppliers and employees		(29,001)
		<u>17,935</u>
Interest received		3,140
Finance costs		(1)
<b>Net cash inflow (outflow) from operating activities</b>	36	<u>21,074</u>
<b>Cash flow from investing activities :</b>		
Payments for property, plant and equipment		(9,357)
Net movement in loans and advances		-
Proceeds from sale of property, plant and equipment		11,471
<b>Net cash inflow (outflow) from investing activities</b>		<u>2,114</u>
<b>Cash flow from financing activities :</b>		
Proceeds from borrowings		-
Repayment of borrowings	28	(135)
<b>Net cash inflow (outflow) from financing activities</b>		<u>(135)</u>
<b>Net increase (decrease) in cash held</b>		23,053
Cash flow arising from restructure of local government	41	29,477
Cash at beginning of reporting period		-
<b>Cash at end of reporting period</b>	16	<u>52,530</u>

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

**SOMERSET REGIONAL COUNCIL**  
**Balance Sheet**  
**As at 30 June 2009**

	<b>Note</b>	<b>2009 Actual (\$ 000's)</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	16	52,530
Trade and other receivables	17	3,326
Inventories	19	534
Other current assets	20	301
		<u>56,691</u>
Non-current assets classified as held for sale	21	1,999
		<u><b>58,690</b></u>
<b>Non-Current Assets</b>		
Trade and other receivables	18	-
Investments	22	-
Property, plant and equipment	23	197,987
Capital works in progress	24	820
		<u><b>198,807</b></u>
<b>TOTAL ASSETS</b>		<u><b>257,496</b></u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	25	3,214
Borrowings	26	-
Provisions	27	-
		<u><b>3,214</b></u>
<b>Non-Current Liabilities</b>		
Trade and other payables	25	1,137
Borrowings	26	-
Provisions	27	128
		<u><b>1,265</b></u>
<b>TOTAL LIABILITIES</b>		<u><b>4,479</b></u>
<b>NET COMMUNITY ASSETS</b>		<u><b>253,018</b></u>
<b>Community Equity</b>		
Retained surplus		217,890
Asset revaluation reserve	29	9,454
Other reserves	30	25,674
<b>TOTAL COMMUNITY EQUITY</b>		<u><b>253,018</b></u>

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

**SOMERSET REGIONAL COUNCIL**  
**Statement of Changes in Equity**  
**For the period 15 March 2008 to 30 June 2009**

	<b>Total</b>	<b>Retained surplus</b>	<b>Asset revaluation reserve</b>	<b>Other reserves</b>
	<b>2009</b>	<b>2009</b>	<b>2009</b>	<b>2009</b>
	<b>(\$ 000's)</b>	<b>(\$ 000's)</b>	<b>(\$ 000's)</b>	<b>(\$ 000's)</b>
Balance at beginning of period	-	-	-	-
Net result for the period	243,564	243,564	-	-
Transfers to other reserves	-	(26,540)	-	26,540
Transfers from other reserves	-	866	-	(866)
Asset revaluation adjustments	9,454	-	9,454	-
Balance at end of period	<b>253,018</b>	<b>217,890</b>	<b>9,454</b>	<b>25,674</b>

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

The basis of preparation and the significant accounting policies that have been adopted in the preparation of these financial statements are:

**Basis of preparation**

**1.01 General**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and complies with the requirements of the Local Government Act 1993, the Local Government Reform Implementation Regulation 2008 and the Local Government Finance Standard 2005.

The Local Government Reform Commission report to the Minister for Local Government, Planning and Sport on 27 July 2007 recommended that the former Esk and Kilcoy Shire Councils be amalgamated to form the Somerset Regional Council. Pursuant to Part 1B of Local Government Act 1993 and in accordance with the Local Government Reform Implementation Regulation 2008, the Somerset Regional Council was formed on 15 March 2008.

The Local Government Reform Implementation Regulation 2008 and the Local Government Reform Implementation (Transferring Areas) Amendment Regulation (No.1) 2008 transferred the assets and liabilities of the former Esk and Kilcoy Shire Councils to the Somerset Regional Council as at 15 March 2008.

Pursuant to section 159YQ of the Local Government Act 1993 and sections 26 and 35 of the Local Government Reform Implementation Regulation 2008, financial statements have been prepared for the period starting on 15 March 2008 and ending on 30 June 2009. Future periods will be for twelve month periods starting 1 July and ending on 30 June.

Assets and liabilities of the former councils have been recognised by Somerset Regional Council on 15 March 2008 at the previous book values of the transferor local governments. This is shown as income in the Income Statement and details are disclosed in note 41.

The former councils had differing asset recognition thresholds to each other and to Somerset Regional Council. Consequently, some of the assets transferred on 15 March 2008 were derecognised as at that date. This accounting policy alignment adjustment is shown in the Income Statement and details are disclosed in notes 23 and 41.

This financial report has been prepared under the historical cost convention except for the revaluation of certain non-current assets.

**1.02 Statement of Compliance**

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Because the Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS), to the extent these inconsistencies are applied, this Report does not comply with IFRS. The main impacts are in:

- the offsetting of revaluation and impairment gains and losses within a class of assets
- the recognition of assets and liabilities of the former councils at the amounts at which they were recognised by the transferor local governments.

**1.03 Currency**

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

**1.04 Constitution**

The Council is constituted under the Queensland Local Government Act 1993 and is domiciled in Australia.

**1.05 Date of authorisation**

The financial report was authorised for issue on the date it was submitted to the auditors for final signature. This is the date the management certificate is signed.

The Local Government has the power to amend the financial report after it is authorised for issue until the adoption of the report by the Local Government as part of the annual report.

**1.06 Changes to Accounting Policies**

Unless otherwise stated, accounting policies have been consistently applied throughout the period.

**1.07 Adoption of new Accounting Standards**

The following Australian Accounting Standards, issued on the dates shown, are not mandatory for the period ending 30 June 2009 and have not been applied.

AASB 1004 Contributions (December 2007)  
AASB 1051 Land Under Roads (December 2007)  
AASB 1052 Disaggregated Disclosures (December 2007)

AASB 2007-9 Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31  
AASB Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.  
AASB3 Business Combinations (March 2008)  
AASB8 Operating Segments (Feb 2007)  
AASB101 Presentation of Financial Statements (September 2007)  
AASB123 Borrowing Costs (June 2007)  
AASB127 Consolidated and Separate Financial Statements (March 2008)  
AASB 1039 Concise Financial Reports (August 2008)  
AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB8 (February 2007)  
AASB2007-6 Amendments to Australian Accounting Standards arising from AASB123 (June 2007)  
AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB101 (September 2007)  
AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101  
AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations (February 2008)  
AASB2008-2 Amendments to Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation (March 2008)  
AASB2008-3 Amendments to Accounting Standards arising from AASB3 and AASB127 (March 2008)  
AASB2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008)  
AASB2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project  
AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (July 2008)  
AASB2008-8 Amendments to Australian Accounting Standards - Eligible Hedged Items [AASB 139] (August 2008)  
AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101 (September 2008)  
AASB 2008-11 Amendments to Australian Accounting Standard – Business Combinations Among Not-for-Profit Entities [AASB 3] (November 2008)  
AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners (December 2008) [AASB 5 & AASB 110]  
Interpretation 15 - Agreements for the Construction of Real Estate (August 2008)  
Interpretation 16 - Hedges of a Net Investment in a Foreign Operation (August 2008)  
Interpretation 17 – Distributions of Non-cash Assets to Owners (December 2008)

It is not expected that the new standards would have made a substantial difference to the results if they had applied to this accounting period. Most of the changes are matters of presentation.

#### **1.08 Critical accounting estimates**

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

The estimates and assumptions that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are referred to in the appropriate notes to the financial statements.

### **(ii) Summary of significant accounting policies**

#### **2.01 Rates, grants and other revenue**

##### **(i) Rates**

Where rate monies are received prior to the commencement of the rating period, the amount is recognised as revenue in the period in which they are received.

##### **(ii) Grants and subsidies**

Where the Council has an obligation to use a grant or subsidy in a particular manner the amount is recognised as revenue on receipt. An equivalent amount is placed in an appropriate reserve until the obligation is satisfied.

##### **(iii) Non-cash contributions**

Non-cash contributions in excess of the recognition thresholds set out in note 2.09 in value, are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.

##### **(iv) Other revenue including contributions**

Other revenue is recognised as a receivable when it is probable that it will be received and the amount is known, otherwise the amount is recognised upon receipt.

#### **2.02 Cash and cash equivalents**

For the purposes of the balance sheet and the cash flow statement, cash and cash equivalents include cash on hand, all cash

and cheques receipted but not banked at year end and deposits at call with financial institutions. It also includes bank overdrafts and liquid investments with short periods to maturity that are readily convertible to cash at the Council's option without penalty and that are subject to a low risk of changes in value. The Council considers all its term deposits, being for periods of less than three months to be cash equivalents.

The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximate their carrying amounts and are not disclosed separately.

### **2.03 Receivables**

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery, settlement on trade debtors being generally required within 30 days from the invoice date. Rate debts fall due 42 days after issue of a rate assessment notice.

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts were written-off at balance date.

The fair value of trade receivables and payables are assumed to approximate their nominal value less estimated credit adjustments.

### **2.04 Other current assets**

Other current assets are recognised at cost. These include prepayments.

The fair value of prepayments is represented by the book value as the period of time to consumption is short and there are no rates involved in the calculation, therefore they are not disclosed separately.

### **2.05 Inventories**

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

Inventories held for distribution are:

- goods to be supplied at no, or nominal, charge, and
- goods to be used for the provision of services at no, or nominal, charge.

These goods are valued at the lower of cost and replacement cost.

Treated water representing the water in the water supply network has not been recognised in the accounts. At the reporting date Council's water supply network has a capacity of approximately 12 megalitres of treated water. The value of this treated water is not material.

### **2.06 Land held for resale**

Land acquired with the intention of reselling it (with or without further development) is classified as inventory. As inventory this land is valued at the lower of cost or net realisable value. Inventory items are always treated as current assets.

Profit arising upon sale of land is recognised in the income statement on the signing of a valid unconditional contract of sale.

Land acquired for use by the Council which is no longer required is reclassified within property, plant and equipment to land held for development and resale. It continues to be measured at fair value until it is actively being marketed and expected to be sold within one year. When this occurs it is transferred to non-current assets held for resale and revalued at fair value less costs to sell.

### **2.07 Investments**

Financial institution deposits at call and term deposits are treated as cash equivalents

Interest and dividend revenues are recognised on an accrual basis.

### **2.08 Investment property**

Council holds immaterial assets that are held by lessees under operating leases.

These assets are incorporated in property, plant and equipment and are included in the "land" and "buildings and other assets" categories in note 23. The assets are not considered to be material and are maintained on short term leases so that they may be used for Council owner occupier purposes in the future.

Council has elected under AASB 140 not to reclassify these assets separately as investment properties.

The properties are disclosed at fair value under land and buildings. Lease payments receivable are disclosed in note 31(e).

Direct operating expenses on the parts of these properties that was used for rental purposes during the year was not material.

## **2.09 Property, plant and equipment**

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss.

Items of plant and equipment with a total value of less than the following thresholds are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

• Land	\$	1
• Plant and equipment	\$	5,000
• Other assets	\$	10,000

Council holds a large number of low value structures such as short pieces of fencing, light poles and the like. It is considered that the aggregate value of these structures is immaterial and that resources necessarily required in recording and valuing these assets might detract from resources necessary for recording and valuing assets with a replacement cost of more than \$10,000 where omission or valuation error might have a material effect on the financial statements.

### **(i) Acquisition of Assets**

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect fees and engineering design fees and all other establishment costs.

Non-monetary assets, including property, plant and equipment, received in the form of contributions are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Assets transferred from the former Esk and Kilcoy Shire Councils, as a result of a Government restructure, were initially recognised at the amount at which they were recognised by the former councils as at the changeover day as disclosed in Note 1.01 and Note 41. Those assets are reflected as additions at cost in Note 23.

### **(ii) Capital and operating expenditure**

Wage and materials expenditure incurred for the acquisition or construction of assets are treated as capital expenditure. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity of the non-current asset is expensed as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

### **(iii) Valuation**

Land, buildings and infrastructure are measured on the revaluation basis, at fair value, in accordance with AASB116 Property, Plant and Equipment and the Local Government Finance Standard 2005. All other non-current assets, principally plant and equipment is measured at cost.

Non-current physical assets measured at fair value are revalued where required so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This revaluation may involve the application of a suitable index to the cost elements of each asset, or may involve an independent assessment of the value. Only those assets, the total values of which are material, compared to the value of the class of assets to which they belong, are comprehensively revalued.

Details of valuers and methods of valuations are disclosed in Note 23.

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation reserve of the appropriate class, 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 reserve relating to that asset class.

Plant and equipment is measured at depreciated cost. The carrying amounts for plant and equipment measured at depreciated cost does not differ materially from their fair value.

### **(iv) Depreciation**

Land is not depreciated as it has 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.

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

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

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

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

The estimated useful lives of property, plant and equipment are reviewed annually.

The range of useful lives for each class of asset are as follows:

<b>Asset</b>	<b>Range of Estimated Useful Life in Years</b>
<b>Land</b>	Not depreciated
<b>Buildings and Other Structures</b>	7 to 100
<b>Plant and Equipment</b>	3 to 20
<b>Infrastructure</b>	
Roads	10 to 200/ refer below
Water and sewerage network	5 to 80
Bridges	30 to 100

Gravel and unsealed roads have been given values for the purposes of these accounts however no depreciation has been applied on gravel pavements because these roads are all maintained annually to a standard equivalent to the standard of the previous year.

(v) Land under roads

The Regional Council does not control any land under roads. All land under the road network within the council area has been dedicated and opened for public use under the Land Act 1994 or the Land Title Act 1994 and is not controlled by Council but is controlled by the State pursuant to the relevant legislation. Therefore this land is not recognised in these financial statements.

## **2.10 Intangible Assets**

Only intangible assets which have a cost exceeding \$10,000 are recognised as intangible assets.

Expenditure on internally generated intangible assets is recognised from the date of the approval by the Council of a capital expenditure authorisation for the acquisition or development of the asset.

This approval is taken to indicate that the project meets the criteria for recognition in AASB138.57

Expenditure on internally generated assets, up to the decision to generate the asset in a particular form, is research expenditure and is not capitalised.

As at balance date, Council has no intangible assets that require recognition under its accounting policy.

## **2.11 Capital Work in Progress**

The cost of property, plant and equipment being constructed by the Council includes the cost of purchased services, materials, direct labour and an appropriate proportion of labour overheads.

## **2.12 Impairment**

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis.

If an indicator of possible impairment exists, the Council determines the asset's recoverable amount.

Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Income Statement, unless the asset is carried at a revalued amount.

When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation reserve of the relevant class to the extent available.

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

### **2.13 Leases**

Leases of plant and equipment under which the Council as lessee assumes substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are classified as finance leases. Other leases, where substantially all the risks and benefits remain with the lessor, are classified as operating leases.

#### **(i) Finance leases**

Finance leases are capitalised in that a lease asset and a liability equal to the fair value of the leased property (or the present value of the minimum lease payments, if lower) are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged as finance costs. The asset is accounted for on the same basis as other assets of the same class. Contingent rentals are written off as an expense in the accounting period in which they are incurred.

Council has no finance leases.

#### **(ii) Operating leases**

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

### **2.14 Payables**

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

### **2.15 Liabilities - employee benefits**

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

#### **(i) Salaries and wages**

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability is treated as a payable and not as a provision.

#### **(ii) Annual leave**

A liability for annual leave is recognised. The current portion is based on current wage and salary levels and includes related employee on-costs. The non current portion is based on projected future wage and salary levels and related employee on-costs discounted to present values. This liability is treated as a payable and not as a provision.

#### **(iii) Sick leave**

Sick leave taken in the future will be met by future entitlements and hence no recognition of sick leave has been made in these financial statements.

#### **(iv) Superannuation**

The superannuation expense for the reporting period is the amount of the contribution the local government makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 34.

#### **(v) 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 the council's employment or other associated employment which would result in the 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. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. This liability is reported in Note 25 as a payable and not as a provision.

#### **2.16 Borrowings**

Loans payable are measured at amortised cost. Interest is recognised as it accrues.

Finance costs are treated as an expense and not capitalised. All loans are unsecured.

#### **2.17 Restoration provision**

A provision is made for future restoration costs where it is probable the Council will be liable, or required, to incur such a cost on the cessation of use of the facility. This liability is provided in respect of roadside gravel pits.

The provision is measured at the expected cost of the work required discounted to current day values using an appropriate Commonwealth Government guaranteed rate.

Gravel pits are on State reserves which the Council does not control. The cost of the provisions for restoration of these is therefore treated as an expense in the year the provision is first recognised. Changes in the provision not arising from the passing of time are treated as an expense or income.

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

#### **2.18 Asset Revaluation Reserve**

The asset revaluation reserve 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 this reserve.

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 reserve in respect of that class. Any excess is treated as an expense.

When an asset is disposed of the amount in the reserve in respect of that asset is retained in the reserve.

#### **2.19 Reserves**

The following reserves are cash backed reserves and represent funds that are accumulated within the Council to meet anticipated future needs. In each case the amount relates to a perceived future requirement which is not currently a liability.

##### **(i) Asset Replacement Reserve**

This reserve was created for replacement of non current assets not specifically identified.

##### **(ii) Plant Reserve**

This reserve was created for acquisition of Council's plant in line with Council's asset management program.

##### **(iii) Capital Grants Reserve**

This reserve was used to hold capital grants and subsidies which Council has received for specific capital works but the funds have not been expended as at year end. The constraint that applies to such grants and subsidies is that they can only be used for the purpose for which they have been given and for no other purpose unless specific prior approval is given by the granting authority.

##### **(iv) Constrained Works Reserve**

This reserve is created to ensure sufficient funds are available to carry out future capital works which the Council is legally obliged to perform together with non-binding commitments. It represents unspent infrastructure charges, capital grants and similar items.

##### **(v) Building Reserve**

This reserve was created to provide funding for future buildings.

##### **(vi) Road Maintenance Special Levy Reserves (various names)**

These reserves exist to ensure transparency in how Council manages its road maintenance special charges and its asset management activities on these roads. It is proposed that for each levy the relevant reserve will receive all net levy proceeds and that when the funds are expended that the monies be transferred out of these reserves.

# **SOMERSET REGIONAL COUNCIL**

## **Notes to the Financial Statements**

**For the period 15 March 2008 to 30 June 2009**

### **Note 1**

#### **(vii) Tennis Court Major Maintenance Reserve**

This reserve was created for the purpose of providing funding for future tennis court major maintenance projects at the Moore, Esk and Toogoolawah Council owned tennis courts for which a lease rental is paid by local clubs.

#### **(viii) Light Plant Fleet Reserve**

This reserve is held for the purpose of replacing vehicles currently held under operating leases with purchased vehicles if at the time of making a replacement decision, the estimated whole of life costs of owning the replacement vehicle are less than the replacement vehicle are less than the cost of leasing.

#### **(ix) Environmental Reserve**

This reserve was created to provide funding for future compliance with obligations required under the Environmental Protection Act.

#### **(x) Legal Expenses Reserve**

This reserve was created to provide a contingency amount to offset any legal costs which may be required.

#### **(xi) National Competition Policy (NCP) Reserve**

This reserve was created to hold funds distributed by government to Council for the purpose of assisting Council to undertake the reform necessary to comply with National Competition Policy (NCP)

#### **(xii) Disaster Management Reserve**

This reserve was created to provide a contingency amount for any unforeseen adverse events.

#### **(xiii) Recurrent Revenue Reserve**

This reserve was used to hold recurrent revenue which Council has received for specific projects but the funds have not been expended as at year end. The constraint that applies to such grants and subsidies is that they can only be used for the purpose for which they have been given and for no other purpose unless specific prior approval is given by the granting authority. The reserve also holds an amount equivalent to rates received in advance of physical rate levies which have been recognised as revenue but which are potentially refundable.

#### **(xiv) Elections Reserve**

This reserve was created to fund future elections and by-elections as required.

#### **(xv) Esk Showground Sport and Recreation Reserve Fund**

This reserve was created to separately record the accumulated surplus (if any) of rentals and contributions over the costs of the Esk Showground Sport and Recreation Reserve.

#### **(xvi) Land Sales Reserve**

This reserve was established to represent the sale proceeds of properties sold by Council since July 2001, to provide funding for land development projects such as Haslingden Park Drive and to fund potential Lowood industrial estate rebates under contract. Funds from the land sales reserve may also be used for the purchase of land in Lowood from Queensland Rail and for marketing costs for sale of land.

### **2.20 Retained Surplus**

This represents the amount of Council's net funds not set aside in reserves to meet specific future needs. The main part of this amount is not available for Council to spend as it has already been invested in assets used to provide services.

### **2.21 Rounding and Comparatives**

Amounts included in the financial statements have been rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero. There may be differences between financial statements and notes to the financial statements due to the rounding.

Comparative figures have not been provided as Somerset Regional Council commenced operation on 15 March 2008 and the financial statements cover the period 15 March 2008 to 30 June 2009.

### **2.22 Financial risk management**

The Council minimises its exposure to financial risk in the following ways:

- Investments in financial assets are only made where those assets are with a bank or other financial institution in Australia and are for a period of less than one year.
- The Council does not invest in derivatives or other risky investments.
- When the Council borrows, it borrows from the Queensland Treasury Corporation unless another financial institution can offer a more beneficial rate, taking into account any risk.

The Statutory Bodies Financial Arrangements Act 1982 regulates the Council's investment activities.

Details of financial instruments and the associated risks are shown at note 35

The Council's financial instruments consist mainly of at call deposits with banks, short-term deposit investments, accounts receivable and payable and loans from Queensland Treasury Corporation.

Council's major financial risk exposure is interest rate risk and credit risk. Further disclosure on these risks is detailed in Note 35.

#### **2.23 Trust funds held for outside parties**

Funds held in the Trust Account on behalf of outside parties include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) paid into the Trust Account by the Council. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

The monies are disclosed in the notes to the financial statements for information purposes only.

#### **2.24 Taxation**

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

#### **2.25 National Competition Policy**

The Council has reviewed its activities and has identified a number of activities that are business activities. Details of these activities can be found in Note 39.

#### **2.26 Judgements and Assumptions**

The council has made no judgements or assumptions which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

**SOMERSET REGIONAL COUNCIL**  
**Notes to the Financial Statements**  
**For the period 15 March 2008 to 30 June 2009**

**Note 2 (a) - Analysis of  
Results by Function**

	Subsidy and Grant Revenue		Other Revenue		Total Revenue		Expenses		Net Result		Total Assets	
	2009 Actual (\$ 000's)		2009 Actual (\$ 000's)		2009 Actual (\$ 000's)		2009 Actual (\$ 000's)		2009 Actual (\$ 000's)		2009 Actual (\$ 000's)	
Corporate Services	1,755		854		2,609		4,610		(2,001)		-	
Executive	-		-		-		1,170		(1,170)		-	
Finance	4,580		248,588		253,167		1,900		251,268		58,690	
Human Resources	31		0		31		755		(724)		-	
Operations	2,107		9,584		11,692		20,259		(8,568)		150,412	
Planning/ Development	81		1,915		1,996		2,474		(479)		-	
Plant	95		-		95		70		25		5,196	
Waste management	-		1,753		1,753		1,546		208		-	
Water and sewerage	178		10,162		10,340		5,334		5,006		43,199	
<b>Total</b>	<b>8,827</b>		<b>272,856</b>		<b>281,683</b>		<b>38,118</b>		<b>243,565</b>		<b>257,497</b>	

**Note 2.(b)** Description of Component Programs/ Functions

- Corporate Services includes general administrative activities such as customer service, information systems, records management, insurance and community and cultural activities like community services and grants, libraries, arts, swimming pools, tourism promotion, Centrelink and QGAP agencies and recreation.
- Executive includes the elected council and support and advice to council as well as ensuring the implementation of council resolutions, policies and decisions, providing leadership and coordination of departmental operations and performance, corporate planning and public relations management.
- Finance includes rates, non-rates debtors and revenue, grants and subsidies, investment of surplus funds, loans, purchasing and stores, payment of suppliers, payroll, maintaining fixed asset registers, costing of jobs and financial reporting, planning and budgeting, taxation and internal controls.
- Human Resources deals with personnel issues including training, traineeships, recruitment and workplace, health and safety.
- Operations includes design, construction, management and maintenance of Council's infrastructure, town stewardship including grass control, State Emergency Services and disaster risk management, public toilets, camping areas, maintenance of recreational facilities and cemeteries and contract works for other parties.
- Planning and Development includes land use planning and building issues, economic development and regulatory services including animal control.
- Plant includes the costs and revenues resulting from the operations and ownership of Council's plant fleet including a maintenance workshop.
- Waste Management includes the collection and disposal of domestic and other refuse, recycling and the operation of a landfill and 3 waste transfer stations.
- Water and sewerage operations include acquisition, testing and reticulation of water and collection, treatment and disposal of sewage.

**SOMERSET REGIONAL COUNCIL**  
**Notes to the Financial Statements**  
**For the period 15 March 2008 to 30 June 2009**

		<b>2009</b>
	Note	(\$ 000's)
<b>3. Ordinary revenue activity comprises:</b>		
<b>Operating income</b>		
General rates		11,745
Road maintenance special charges		141
Various inspection program special charges	15	74
Rural fire levy special charge		158
Environmental separate charge		132
State Emergency Service separate charge		100
Water - access charges		1,578
Water - consumption charges		2,178
Sewerage		1,771
Garbage charges		1,789
Total gross rates and charges		<u>19,666</u>
<b>Less: Discounts and pensioner remissions</b>		
Discount - General rates		(1,578)
Discount - Water - access charges		(208)
Discount - Sewerage		(240)
Discount - Garbage charges		(236)
Pensioner remissions		(9)
Total rate and charges discounts and pensioner remissions		<u>(2,271)</u>
<b>Net rates and utility charges</b>		<u>17,395</u>
<b>Other operating income</b>		
Fees and charges	15	2,890
Sales contracts and recoverable works	15	7,183
Government grants, contributions and donations	7 (i)	5,219
Gain (loss) on sale of developed land	8	1,087
Gain (loss) on disposal of shares	22	-
Interest received from investments	15	3,140
Penalty interest from rates and charges	15	153
Rental income		324
Other	15	1,103
<b>Total operating income</b>		<u>38,494</u>
<b>Gain on restructure of local government:</b>		
Assets and liabilities transferred from abolished Councils	41	210,710
Adjustments due to accounting policy alignment	23	(1,007)
<b>Total gain on restructure of local government</b>		<u>209,703</u>
<b>Capital income:</b>		
Government grants and contributions	7 (ii)	3,608
Contribution of monetary assets by developers	7 (iii)	6,381
Other contributions	7 (iv)	2,318
Gain/ (loss) on the disposal of buildings	9	(228)
Gain/ (loss) on the disposal of plant and equipment	9	196
Gain/ (loss) on the disposal of water and sewerage infrastructure	9	1,766
Gain/ (loss) on the disposal of bridges	9	(188)
Gain/ (loss) on the disposal of land	9	608
Other capital income	10	19,025
<b>Total capital income</b>		<u>33,486</u>
<b>Total revenue from ordinary activities</b>		<u><u>281,683</u></u>
<b>4. Ordinary expense activity comprises:</b>		
<b>Operating expenses before interest</b>		
Materials/ services (incl construction materials/ services)		24,580
Employee costs (capital and operating)	11	13,768
Less: Capitalised employee, materials/ services costs	14	(9,834)
Depreciation	12	8,845
Revaluation adjustment to Expense	23	-
Other expenses	13	758
<b>Total operating expenses before interest</b>		<u><u>38,117</u></u>
<b>5. Borrowing cost</b>		
Finance costs charged by the Queensland Treasury Corporation		<u>1</u>
		<u><u>1</u></u>

**SOMERSET REGIONAL COUNCIL**  
**Notes to the Financial Statements**  
**For the period 15 March 2008 to 30 June 2009**

	<b>2009</b>
Note	(\$ 000's)
<b>6. Reconciliation of revenues and expenses</b>	
Total revenue for the period was derived from:	
Total revenue	3      281,683
<b>Revenue reconciled to analysis of results by function</b>	2 (a)      281,683
Total expenses for the period were incurred as follows:	
Total ordinary expenses	4      38,117
Add: Borrowing costs	5      1
<b>Expenses reconciled to analysis of results by function</b>	2 (a)      38,118
<b>Result from ordinary activities</b>	2 (a)      243,565
<b>7. Contributions, grants and subsidies</b>	
<b>Contributions, subsidies and grants are analysed as follows:</b>	
<b>(i) Government subsidies/ grants used for recurrent expenditure</b>	
Financial Assistance Grant	4,230
Business Water Efficiency Program/ other water programs	3
CROSS program	138
Diesel Fuel - State and Federal Subsidies	95
Disaster management/ flooding studies	109
Immunisation	28
Kilcoy water operating costs	43
Local Government Reform funding	350
Memorials restoration	1
Natural disaster relief arrangements grants	40
Pest management projects	24
Regional Arts Development Fund	20
Riverbank remediation (SEQ Catchments)	1
Sport and recreation mid-Brisbane River study	-
Sport and recreation participation	43
Sport and recreation - tennis courts - Fernvale school	10
State Emergency Service	7
Street lighting subsidy	48
Training and development	31
Total operational revenue	5,219
<b>(ii) General/ special purpose government capital subsidies/ grants</b>	
Commonwealth Water Grants	133
Fernvale Indoor Sports Centre	1,050
Libraries	493
Nuisance and animal management grants	29
Regional Community Infrastructure Program	369
Roads and drainage grants	166
Roads to Recovery - Commonwealth road funding	715
Sporting facilities	63
Transport Infrastructure Development	591
Total capital grants and subsidies	3,608
<b>(iii) Contributions constrained for capital purposes</b>	
Contribution of monetary assets by developers	6,381
Total capital contributions	6,381
<b>(iv) Other contributions</b>	
Esk Gatton Laidley Water Board contribution	2,110
Other capital contributions	208
Total other contributions	2,318
<b>(v) Other capital revenue</b>	
Gain/ (loss) on the disposal of bridges	(188)
Gain/ (loss) on the disposal of buildings	(228)
Gain/ (loss) on the disposal of land	608
Gain/ (loss) on the disposal of plant and equipment	196
Gain/ (loss) on the disposal of water and sewerage infrastructure	1,766
Contribution of non-monetary assets by developers at fair value	7,933
Contribution of non-monetary assets by others at fair value	11,092
Total capital revenue	21,179
	33,486



**SOMERSET REGIONAL COUNCIL**  
**Notes to the Financial Statements**  
**For the period 15 March 2008 to 30 June 2009**

	Note	2009 (\$ 000's)
<b>8. Gain (loss) on sale of developed land (inventory asset)</b>		
Proceeds from sales of land developed for resale		1,659
Less: Current cost of developed land sold		(572)
Gain (loss) on sale of developed land (inventory asset)		<u>1,087</u>
<b>9. Gain (loss) on the disposal of capital assets</b>		
(i) Proceeds from the sale of property, plant & equipment:		
Buildings and other structures		-
Plant and equipment		594
Water and sewerage infrastructure		9,219
Bridges		-
Less: Book value of property, plant & equipment disposed	23 (b)	
Buildings and other structures		(228)
Plant and equipment		(398)
Water and sewerage infrastructure		(7,453)
Bridges		(188)
		<u>1,546</u>
(ii) Proceeds from the sale of land (not held for redevelopment)		1,517
Less : Book value of land sold	23 (b)	(909)
Gain (loss) on the disposal of land		<u>608</u>
		<u>2,154</u>
Gain (loss) on the disposal of bulk water assets to the State Government that is included in the above gain (loss)		
Proceeds from the transfer of water and sewerage infrastructure and land to State		10,257
Book value of water and sewerage infrastructure transferred to State		(7,285)
Book value of land transferred to State		(820)
Total book value of assets transferred to State		<u>(8,105)</u>
Total gain (loss) on transfer of bulk water assets to State	40	<u>2,152</u>
<b>10. Other capital income (expense)</b>		
Capital income recognised during the period arose from:		
Contribution of non-monetary non-current assets by developers at fair value		7,933
Contribution of non-monetary non-current assets by others at fair value		11,092
Non-cash contributions		<u>19,025</u>
Contribution of monetary assets for acquisition of non-current assets by developers		6,381
		<u>25,406</u>
<b>11. Employee costs</b>		
Total wages and salaries		11,852
Annual leave, accrued hours and long service leave entitlements		362
Superannuation		<u>1,348</u>
		13,563
Other employee related expenses		205
Total employee costs		<u>13,768</u>
Employed for:		
Capital purposes		1,092
Operating purposes		<u>12,676</u>
		<u>13,768</u>
<b>12. Depreciation</b>		
Depreciation and amortisation was charged in respect of:		
Buildings and other structures		968
Roads		4,463
Bridges		637
Underground drainage		30
Plant and equipment		1,213
Water and sewerage network		<u>1,535</u>
		<u>8,845</u>
<b>13. Other expenses</b>		
Included in other expenses are the following :		
Audit services		97
Conferences and other Councillor costs		161
Councillors' remuneration		<u>500</u>
		<u>758</u>

Councillor remuneration represents salary, superannuation contributions and other allowances paid in respect of carrying out their duties. In addition to these amounts, the Mayor received the use of a fully maintained motor vehicle and all Councillors received reimbursement for various expenses incurred. Council has resolved that councillors are not employees. Councillor remuneration is therefore not included in employee costs.

**SOMERSET REGIONAL COUNCIL**  
**Notes to the Financial Statements**  
**For the period 15 March 2008 to 30 June 2009**

	Note	2009 (\$ 000's)
<b>14. Capitalised expenditure</b>		
Capitalised expenditure includes the following:		
New assets commissioned	23	29,147
Capital work in progress - acquired from abolished councils	41	(1,109)
Capital work in progress - at year end	24	820
		<u>28,859</u>
Contribution of non-monetary non-current assets at fair value		<u>(19,025)</u>
		<u>9,834</u>
<b>15. Revenue dissections (refer note 3)</b>		
Fees and charges revenue was derived from:		
Animal control/ local law fees		200
Building fees		710
Cemetery fees		121
Change of ownership fees		61
Health fees		9
Planning and engineering fees		818
Property search fees		209
Sewerage fees and charges		55
Waste fees		181
Water fees and charges		527
Total		<u>2,890</u>
Sales contracts and recoverable works revenue was derived from:		
Department of Main Roads		3,815
State water entities		1,136
Other		2,233
Total		<u>7,183</u>
Interest received from investments was derived from:		
Queensland Treasury Corporation		3,125
National Australia Bank/ other		15
Total		<u>3,140</u>
Penalty interest from rates and utility charges was derived from:		
General rates and special and separate charges		94
Water - access and consumption		28
Sewerage		12
Garbage charges		19
Total		<u>153</u>
Other income was derived from:		
Centrelink agency fees		42
Commissions earned		55
Esk Shire events - sponsorships and contributions		95
Ex-Gratia Queensland Treasury payments		823
Greening the Lockyer project revenue (Powerlink)		14
Other income		74
Total		<u>1,103</u>
Various inspection program special charges comprised:		
Food Act inspection special charge		16
Dangerous Goods Safety Management Regulation charge		6
Environmental Protection Act inspection special charge		14
Extractive industries inspection program special charge		16
Kennels inspection program special charge		7
Intensive poultry farm inspection program special charge		15
Total		<u>74</u>

**SOMERSET REGIONAL COUNCIL**  
**Notes to the Financial Statements**  
**For the period 15 March 2008 to 30 June 2009**

	Notes	2009 (\$ 000's)
<b>16. Cash and cash equivalents</b>		
Cash on hand – petty cash and cash floats		7
Cash at bank - operating fund (including unrepresented cheques)		1,167
Less cheques drawn on operating fund but not presented at balance date		(420)
Cash at bank – trust fund		8,294
Short term investments at call		43,482
Balance per cash flow statement		52,530
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:		
Unspent government grants and subsidies		-
Unspent developer contributions		8,294
Total unspent restricted funds for capital and recurrent projects		8,294
Investments are held with the Queensland Treasury Corporation. The short term investments at call bore floating interest rates as detailed in note 35.		
<b>17. Trade and other receivables (current)</b>		
Rates and utility charges levied		1,128
Less: Provision for doubtful debts (rates debtors)		(15)
		1,113
Add: water charges not yet levied		882
		1,995
GST recoverable		(199)
Other debtors accrued		235
Other debtors levied		1,367
Less: Provision for doubtful debts (non-rates debtors)		(71)
		1,332
Loans and advances to community organisations		-
		3,326
Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges and fees.		
<b>18. Trade and other receivables (non-current)</b>		
Loans and advances to community organisations		-
<b>19. Inventories - current</b>		
Inventories held for distribution		
Stores, sundry and road making materials		534
Less: Provision for slow moving and obsolete stores		-
Total inventories held for distribution		534
Land purchased for development and sale - current		
Total current inventories		534
<b>20. Other current assets</b>		
Prepayments		301
<b>21. Non-current assets classified as held for sale</b>		
Land purchased for development and sale - non-current		1,999
Movement in land held for development and sale		
Opening balance		-
Net value of developed land transferred from abolished Councils		1,228
Land development costs		1,342
Land designated as inventories		-
Less: cost of developed land sold		(572)
Land purchased for development and sale (current and non-current)		1,999
Dissected as:		
Current		1,999
Non-current		-
		1,999
<b>22. Equity investment</b>		
<b>Non-Current</b>		
Non-traded shares in SEQ Distribution Entity (Interim) Pty Ltd		-
Council held a \$1 share in this company at year end		

23. PROPERTY, PLANT AND EQUIPMENT

Basis of measurement

Asset Values

Net value of assets transferred from abolished Councils  
Additions at cost  
Derecognition due to change in asset recognition threshold  
Disposals  
Revaluation adjustment to the ARR  
Revaluation adjustment to Expense  
Assets classified as held for sale  
Assets transferred to Investment Property  
Internal transfers  
Closing gross value

Land	Buildings and other structures	Roads	Bridges	Underground drainage	Plant and Equipment	Water and sewerage	Total
Revaluation 2009 \$	Revaluation 2009 \$	Revaluation 2009 \$	Revaluation 2009 \$	Revaluation 2009 \$	Cost 2009 \$	Revaluation 2009 \$	2009 \$
11,648	17,383	93,739	15,776	910	4,710	34,248	178,413
89	2,542	5,140	842	2,328	2,272	15,935	29,147
-	(832)	-	-	-	(176)	-	(1,007)
(909)	(228)	-	(188)	-	(424)	(7,548)	(9,297)
686	13,471	104,068	8,456	49	-	1,970	128,699
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
11,513	32,337	202,946	24,886	3,287	6,382	44,605	325,955

Accumulated Depreciation and Impairment

Opening balance  
Depreciation provided in period  
Depreciation on disposals  
Revaluation adjustment to the ARR  
Impairment adjustment to the ARR  
Impairment adjustment to Income  
Impairment on disposals  
Assets transferred to Investment Property  
Internal transfers  
Accumulated depreciation at period end  
Book value at period end

-	-	-	-	-	-	-	-
-	968	4,463	637	30	1,213	1,535	8,845
-	-	-	-	-	(26)	(95)	(122)
-	10,540	100,602	8,055	49	-	-	119,245
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	11,508	105,064	8,692	79	1,187	1,440	127,969
11,513	20,829	97,882	16,194	3,208	5,196	43,155	197,986

Revaluation adjustments to the asset revaluation reserve

Total revaluation adjustments (overall increments) (\$'000's)

686	2,932	3,466	400	-	-	1,970	9,454
-----	-------	-------	-----	---	---	-------	-------

Book value of assets disposed of (refer note 9)

(909)	(228)	-	(188)	-	(398)	(7,453)	(9,175)
-------	-------	---	-------	---	-------	---------	---------

**23. PROPERTY, PLANT AND EQUIPMENT**

Valuations of Non-Current Assets were determined by reference to the following:

**(i) Land**

Land assets were independently valued as at 30 June 2009 at their fair value by Mr Neil Nelson (Registered Valuer No 3124) and Mr Dominic Power (Registered Valuer No 3135) of Rushton AssetVal Pty Ltd. Reserve land does not have a value for the purpose of the financial statements of Somerset Regional Council.

**(ii) Buildings and other structures**

Buildings and other structures were independently valued as at 30 June 2009 at their fair value by Mr Neil Nelson (Registered Valuer No 3124) and Mr Dominic Power (Registered Valuer No 3135) of Rushton AssetVal Pty Ltd.

**(iii) Plant and equipment**

Plant and equipment are shown in the statements at historical cost less accumulated depreciation.

**(iv) Roads**

Road assets were valued by Council's Manager of Operations, Mr Tony Jacobs (B Eng (Civil), Registered Professional Engineer (RPEQ) and Registered Local Government Engineer and Fellow of the Institute of Public Works Engineering Australia) and Council Technical Officer, Mr G Winter (B Sc (Geology) and Assoc Dip Civil Engineering). Road assets were valued as at 15 March 2008 and again as at 30 June 2009.

**(v) Water assets and sewerage assets**

All network water and sewerage assets were valued by Council's Manager of Operations, Mr Tony Jacobs (B Eng (Civil), Registered Professional Engineer (RPEQ) and Registered Local Government Engineer and Fellow of the Institute of Public Works Engineering Australia) at fair value as at 30 June 2009.

**(vi) Bridges**

Council's bridges and hydraulic structures were valued by Council's Manager of Operations, Mr Tony Jacobs (B Eng (Civil), Registered Professional Engineer (RPEQ) and Registered Local Government Engineer and Fellow of the Institute of Public Works Engineering Australia). Bridges were valued at fair value as at 30 June 2009.

**(vii) Underground Drainage**

Underground drainage assets were valued by Council's Manager of Operations, Mr Tony Jacobs (B Eng (Civil), Registered Professional Engineer (RPEQ) and Registered Local Government Engineer and Fellow of the Institute of Public Works Engineering Australia). Underground drainage were valued at fair value as at 30 June 2009. Above ground drainage is valued with road assets.

**SOMERSET REGIONAL COUNCIL**  
**Notes to the Financial Statements**  
**For the period 15 March 2008 to 30 June 2009**

	Note	2009 (\$ 000's)
<b>24. Capital works in progress</b>		
Capital works in progress is stated at cost and is represented by the following categories at the reporting date:		
Bridges		97
Roads		387
Water and sewerage		34
Other		302
Total capital works in progress		<u>820</u>
<b>25. Trade and other payables</b>		
<b>Current</b>		
Trade creditors		19
Sundry accruals		2,096
Other loans and liabilities		-
Employee entitlements - annual leave		849
Employee entitlements - accrued hours		51
Employee entitlements - long service leave		200
		<u>3,214</u>
<b>Non-Current</b>		
Employee entitlements - long service leave		<u>1,136</u>
<b>26. Interest bearing liabilities</b>		
<b>Current</b>		
Loans - Queensland Treasury Corporation	28	<u>-</u>
<b>Non-Current</b>		
Loans - Queensland Treasury Corporation	28	<u>-</u>
The Council has an unsecured overdraft facility to a limit of:		50
Unused portion:		<u>50</u>
<b>27. Provisions</b>		
<b>Non-Current</b>		
Restoration of gravel pits		<u>128</u>
Details of movements in provisions:		
Opening balance		-
Value of provision transferred from abolished Councils		123
Increase in provision - borrowing cost		-
Increase (decrease) in provision due to change in discount rate		4
Balance at the end of the period		<u>128</u>
This is the present value of the estimated cost of restoring the quarry sites to a usable state at the end of their useful lives. The projected cost that is expected to be incurred in 2027 is:		<u>297</u>

**SOMERSET REGIONAL COUNCIL**  
**Notes to the Financial Statements**  
**For the period 15 March 2008 to 30 June 2009**

		<b>2009</b>
	<b>Note</b>	<b>(\$ 000's)</b>
<b>28. Loans</b>		
<b>(a) Composition</b>		
Classified as Current liability	26	-
Classified as Non-current liability	26	-
Debt held with Queensland Treasury Corporation		-
<b>(b) Movement in loans</b>		
Opening balance (book value)		-
Value of loans transferred from abolished Councils		135
Add: Loans drawn		-
Less: Principal repayments		(135)
Balance at the reporting date (book value)		-
All loans were held with the Queensland Treasury Corporation (QTC).		
<b>29. Asset Revaluation Reserve</b>		
Balance at beginning of period		-
Net adjustments to non-current assets at end of period to reflect a change in current fair value		
Land	23	686
Buildings and other structures	23	2,932
Road assets	23	3,466
Bridge assets	23	400
Underground drainage assets	23	-
Water and sewerage assets	23	1,970
		9,454
Balance of Asset Revaluation Reserve at end of period		9,454
The Asset Revaluation Reserve consists of the following components:		
Land		686
Buildings and other structures		2,932
Road assets		3,466
Bridge assets		400
Underground drainage assets		-
Water and sewerage assets		1,970
Balance of Asset Revaluation Reserve		9,454

**SOMERSET REGIONAL COUNCIL**  
**Notes to the Financial Statements**  
**For the period 15 March 2008 to 30 June 2009**

**30. Other reserves**

**30-Jun-09**

**A. Reserves held for future capital expenditure**

	Opening balance (\$ 000's)	Transfer from retained surplus for future expected expenditure (\$ 000's)	Transfers to retained surplus, amount expended in the period (\$ 000's)	Closing balance (\$ 000's)
Capital grants reserve	-	1,604	-	1,604
Asset replacement reserve	-	8,340	-	8,340
Plant reserve	-	300	-	300
Constrained works reserve	-	9,160	(866)	8,294
Building reserve	-	197	-	197
Arababy Creek Road Maint Reserve	-	-	-	-
Atkinson Dam Road Maint Reserve	-	89	-	89
E Summervilles Road Maint Reserve	-	-	-	-
Gregors Creek Road Maint Reserve	-	-	-	-
Pine Mountain Road Maint Reserve	-	6	-	6
Rocky Gully Road Maint Reserve	-	18	-	18
Sinnamons Lane Road Maint Reserve	-	11	-	11
Skew Gully Road Maint Reserve	-	6	-	6
Staghurst Road Maint Reserve	-	-	-	-
Tennis court major maintenance reserve	-	104	-	104
Light plant fleet reserve	-	1,075	-	1,075
Buaraba Creek Road Maint Reserve	-	8	-	8
Kavanaghs Road Maint Reserve	-	9	-	9
<b>Total reserves held for future capital expenditure</b>	-	<b>20,926</b>	<b>(866)</b>	<b>20,059</b>

**B. Reserves held for future recurrent expenditure**

Environmental reserve	-	216	-	216
Elections reserve	-	70	-	70
Esk Showground Sport + Recreation Reserve	-	-	-	-
Legal expenses reserve	-	248	-	248
Disaster management reserve	-	180	-	180
NCP reserve	-	328	-	328
Recurrent revenue reserve	-	206	-	206
Land Sales Reserve	-	4,367	-	4,367
<b>Total reserves held for future recurrent expenditure</b>	-	<b>5,615</b>	-	<b>5,615</b>
<b>Grand total</b>	-	<b>26,540</b>	<b>(866)</b>	<b>25,674</b>



**2009**  
(\$ 000's)

### **31. Commitments and contracts**

#### **(a) Finance lease commitments (expenditure)**

At the reporting date, the Council had no obligations under finance leases

#### **(b) Operating lease commitments (expenditure)**

At the reporting date, the Council had the following obligations under non-cancellable operating leases (these obligations are not recognised as liabilities):

Not later than 1 year	190
Later than 1 year, but not later than 5 years	67
Later than 5 years	-
	<u>257</u>
Operating lease expenditure incurred during the period:	<u>395</u>

#### **(c) Contractual commitments – recurrent expenditure**

At the reporting date, the Council had the following obligations under contract and which have not been recognised as liabilities:

Not later than 1 year	564
Later than 1 year, but not later than 5 years	1,425
Later than 5 years	-
	<u>1,989</u>

#### **(d) Contractual commitments – capital expenditure**

At the reporting date, the Council had the following obligations under contract and which have not been recognised as liabilities:

Buildings	276
Infrastructure assets	58
	<u>334</u>

These expenditures are payable within the next 12 months.

#### **(e) Operating leases where Council is lessor**

Council leases commercial premises under short term operating leases. The minimum lease payments are as follows:

Not later than 1 year	31
Later than 1 year, but not later than 5 years	23
Later than 5 years	-
	<u>54</u>

### **32. Contingent Liabilities**

Various claims may be made against Council in the ordinary course of its business activities.

After consulting legal advisers, Council considers that there are no claims against Council as at 30 June 2009 that required a provision to be recognised or a contingent liability to be disclosed in the financial report.

#### **Memberships of Insurance Schemes**

Somerset Regional Council is a member of the local government self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled because of insufficient funds to cover outstanding liabilities. Only Local Government Workcare may call on any part of the guarantee should the above circumstances arise.

The Council's maximum exposure is:

<b>2009</b>
<b>(\$ 000's)</b>
<b>432</b>

Somerset Regional 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 June 2008 the financial statements reported an accumulated equity of \$10.1 million (30 June 2007 - \$8.3 million). As at the reporting date the Council's share of any liability (if any) cannot be reliably estimated.

#### **South East Queensland Water Strategy**

Under the emergency provisions of the Water Act 2000, the Water Amendment Regulation No 6 (2006) has been enacted. This regulation requires certain local governments and other service providers to undertake various measures and implement the South East Queensland Water Strategy.

Council is a "service provider" under the regulation and is specifically required to complete the following works:

- implement pressure and leakage reduction procedures for existing reticulation systems,
- complete a residential home retrofit program of water saving devices within its boundaries, and
- implement water saving initiatives for industrial and commercial customers.

The actual construction costs and sources of funding to complete these projects is yet to be determined however capital subsidies will be available to fund a percentage of works. Council however is required to fund the non-subsidised component. The amount net of subsidy cannot be reliably measured at the date of this report. Council may be fined or liable to other penalty, if the scheduled works are not finished by the various completion dates specified in the regulations.

#### **Landfill**

Council operates a landfill near Esk. Whilst it is believed that Council is meeting its current legal and licence obligations under the Environmental Protection Act and other environmental regulations in operating this landfill including carrying out site remediation work as part of ongoing operations, a contingent liability may exist for future work that may be required if the specifications for environmental protection are changed or if there is an unforeseen leakage or other environmental contamination. No reliable estimate can be made in respect of any potential liability (if any).

#### **Loan guarantee to SEQ Distribution Entity (Interim) Pty Ltd**

Council is a shareholder of SEQ Distribution Entity (Interim) Pty Ltd which is a company established to facilitate the second stage of water reforms detailed in Note 40 to these statements. Council has agreed, along with other shareholder local governments in south east Queensland to severally guarantee the loan facilities of SEQ Distribution Entity (Interim) Pty Ltd on the basis of the relative populations of the local authority areas.

The guarantor local governments are Brisbane City Council, Gold Coast City Council, Ipswich City Council, Logan City Council, Lockyer Valley Regional Council, Moreton Bay Regional Council, Redland City Council, Scenic Rim Regional Council, Somerset Regional Council and Sunshine Coast Regional Council.

On implementation of the Water Reform Project, the company's liability under the Queensland Treasury Corporation (QTC) loan facility is intended to be transferred to a new distribution entity, which will at the same time be placed in a position of assets and income sufficient to repay the QTC loan facility by its due date.

The maximum QTC loan facility of the company was \$40,000,000 of which Council's maximum potential liability as loan guarantor based its relative regional population would be \$274,000.

2009  
Note (\$ 000's)

### 33. Conditions over contributions

Contributions, grants and other revenue which were recognised as revenues during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date :

Contributions for expenditure on infrastructure	30	9,160
Recurrent grants received during reporting period not expended at balance date		
Capital grants received during reporting period not expended at balance date	30	-
Transferred to capital grants reserve	30	1,604
Transferred to recurrent revenue reserve	30	206
		<u>10,969</u>

Contributions and grants which were recognised as revenues in the current or previous reporting period and were expended during the current reporting period in accordance with the Council's obligations.

Contributions expended on infrastructure	30	(866)
Recurrent grants from prior periods expended during reporting period		
Capital grants from prior periods expended during reporting period		
Transferred from capital grants reserve		-
Transferred from recurrent revenue reserve		-
		<u>(866)</u>

Net increase (decrease) in restricted asset (cash) at period end

10,103

### 34. Superannuation

The Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB119 Employee Benefits. The scheme has two elements referred to as the Defined Benefits Fund (DBF) and the Accumulation Benefits Fund (ABF).

The ABF is a defined contribution scheme as defined in AASB119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the Local Government Act.

The DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs.

Under amendments to the Local Government Act 1993 passed in June 2009, the trustee of the scheme has the power to levy additional contributions on councils which have employees in the DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits. Clause 56(e) of the scheme's Trust Deed indicates that any increase in the contributions is limited to 6% of the relevant employee's salary.

In its letter to Council dated 5 June 2009 the trustee advised that "at this stage, there is no requirement for Councils to contribute any additional contributions." The letter further stated that "any additional contributions above 12% (standard rate of contribution) that may be required would be on a temporary basis only, and would be requested based on independent actuarial advice. When possible, the contribution rate would reduce at a later date to offset additional costs - for example, councils may be asked to pay 18% contributions instead of 12% for a period, then contributions may reduce to 6% for a compensatory period before returning to the regular 12% contribution rate." Any amount by which either fund is over or under funded would only affect future benefits and contributions to the DBF, and is not an asset or liability of the Council. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

The audited general purpose financial report of the scheme as at 30 June 2008 (the most recent available) which was not subject to any audit qualification, indicates that the assets of the scheme are sufficient to meet the vested benefits.

The general purpose financial report discloses that the most recent actuarial assessment of the scheme was undertaken as at 1 July 2006. The actuary indicated that without improvements to benefit conditions, or other unanticipated events, current contribution rates would be sufficient to meet members benefits as they accrue. The next actuarial investigation will be made as at 1 July 2009.

The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:

1,348

### 35. Financial Instruments

#### (a) Interest rate risk

The Council's exposure to interest rate risk, which is the risk that the value of a financial instrument will fluctuate as a result of changes in market rates and the weighted average interest rate by maturity periods is set out in the table below. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposure arises predominantly from assets and liabilities bearing variable interest rates. At 30 June 2009, Council has no fixed rate or variable rate borrowings and interest rate risk on borrowings is managed through the absence of borrowings.

Interest rate risk relating to investments has been managed through the use of Queensland Treasury Corporation Cash Fund investments for all funds under investment so that Council achieves Queensland State Government investment returns. Council does not undertake any hedging of interest rate risk.

Interest rate risk has been measured using sensitivity analysis. If market interest rates increased or decreased by 1%, the net result attributable to the Council in respect of cash assets and cash equivalents would be increased or decreased by \$518,000.

Financial Instrument	Note	Floating Interest Rate (\$ 000's)	Fixed Interest Rate (\$ 000's)	Non-interest Bearing (\$ 000's)	Total (\$ 000's)	Weighted average effective interest rate %
<b>30-Jun-09</b>						
<b>Financial Assets</b>						
Cash assets and cash equivalents - 1	16	-	-	754	754	0.00%
Cash assets and cash equivalents - 2	16	51,776	-	-	51,776	3.62%
Receivables - 1	17	-	1,128	-	1,128	11.00%
Receivables - 2	17	-	-	2,199	2,199	0.00%
Investments	22	-	-	-	-	0.00%
Other current assets	20	-	-	301	301	0.00%
Total financial assets		51,776	1,128	3,254	56,157	
Weighted average interest rate		3.62%	11.00%	0.00%	3.56%	
<b>Financial liabilities</b>						
Payables - 1	25	-	-	3,214	3,214	0.00%
Payables - 2	25	-	-	1,136	1,136	0.00%
Provisions	27	-	-	128	128	0.00%
Borrowings	26	-	-	-	-	0.00%
Total financial liabilities		-	-	4,478	4,478	
		0.00%	0.00%	0.00%	0.00%	
Net financial assets		51,776	1,128	1,225	51,679	

#### (b) Credit risk exposure

The credit risk on financial assets of the Council which have been recognised on the balance sheet, other than investments in shares, is generally the carrying amount, net of provision for doubtful debts. The Council has no major concentration of credit risk to any single debtor or group of debtors.

Credit risk on debts is managed through the existence and use of the sale of land for rate arrears powers contained in the Local Government Act 1993 and credit risk on non-rate debtors is managed through Council policies which require security such as bank guarantees before contracts are entered into with non-government bodies. No collateral is held as security relating to the financial assets held by the Council.

Credit risk relating to investments has been managed through the use of Queensland Treasury Corporation Cash Fund investments for all funds under investment so that Council's capital is guaranteed by the Queensland State Government. The Queensland State Government and therefore, Queensland Treasury Corporation has a long term credit rating of AA+ by rating agency Standard and Poor's. Credit risk on debtors is measured through regular analysis of doubtful debts. Doubtful debts are disclosed at note 17.

#### Past due or impaired

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated. The following table represents an analysis of the age of the Council's financial assets that are either fully performing, past due or impaired:

		Receivables (\$ 000's)
Fully performing		2,108
Past due	Less than 30 days	-
Past due	30-60 days	33
Past due	61-90 days	219
Past due	More than 90 days	880
Impaired		86
Total		3,326

#### (c) Net fair values of financial assets and liabilities

The net fair value of cash, cash equivalents and non-interest bearing monetary financial assets and liabilities of the Council approximates their carrying amounts. The net fair value of other monetary financial assets and liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles. The net fair value of non-traded equity investments is an assessment by the Council based on the underlying net assets and future earnings capability.

#### (d) Liquidity risk

Council has no interest bearing financial liabilities. There is considered to be no liquidity risk. The Council had an overdraft facility up to \$50,000 that was unused as at 30 June 2009.

**SOMERSET REGIONAL COUNCIL**  
**Notes to the Financial Statements**  
**For the period 15 March 2008 to 30 June 2009**

**36. Reconciliation of result from ordinary activities to net cash inflows from operating activities**

	<b>2009</b>
	(\$ 000's)
	Actual
Result from ordinary activities	243,565
Non-cash operating items :	
Contribution of non-monetary non-current assets at fair value	(19,025)
Assets and liabilities transferred from abolished Councils	(210,710)
Adjustments due to accounting policy alignment	1,007
Revaluation decrements	-
Depreciation and amortisation	8,845
	<u>(219,883)</u>
Investing and development activities :	
Net (profit) loss on sale of developed land	(1,087)
Proceeds from sale of developed land	1,659
Land development costs	(1,342)
Net (profit) loss on disposal of non current assets	(2,154)
	<u>(2,924)</u>
Changes in operating assets and liabilities :	
(Increase) decrease in receivables	(3,326)
(Increase) decrease in other operating assets	(835)
Increase (decrease) in payables	4,479
	<u>318</u>
Net cash inflow from operating activities	<u><u>21,075</u></u>

**37. Trust Funds**

Monies collected or held on behalf of another entity yet to be paid out to or on behalf of that entity	<u><u>1,129</u></u>
--	---------------------

Council performs only a custodial role in respect of these monies, and because the monies cannot be used for Council, they are not brought to account in these financial statements.

**38. Events after balance date**

There were no material adjusting events after balance date.

Note 40 discloses events occurring after balance date which may affect the future transfer of water assets and operations from Council as of 30 June 2010.

While these after balance date events are not considered to have a material impact on Council, they provide an indication of the inherent uncertainty involved in this future transaction.

### **39. National Competition Policy**

#### **Activities to which the code of competitive conduct applies**

A "business activity" of a local government is divided into two categories :

(a) Roads business activity means :

- (i) the construction or maintenance of State controlled roads for which the local government submits an offer to carry out work in response to a tender invitation other than through a sole supplier arrangement; or
- (ii) submission of a competitive tender for construction or road maintenance on the local government's roads which the local government has put out to tender, or called for by another local government.

(b) Business activity means

- (i) trading in goods and services to clients in competition with the private sector, or
- (ii) the submission of a competitive tender in the local government's own tendering process in competition with others for the provision of goods and services to itself.

Excluded activities are (a) library services and (b) an activity or part thereof prescribed by legislation. These business activities are referred to as type 3 activities.

Larger Councils may also be subject to provisions involving type 1 or type 2 business activities. Somerset Regional Council has no activities with expenditure amounts in excess of type 1 or type 2 thresholds. Local governments may elect to apply a Code of Competitive Conduct (CCC) to their identified business activities. This requires the application of full cost pricing, identifying the cost of community service obligations (CSO) and eliminating the advantages and disadvantages of public ownership within that activity. The application of the CCC to the roads business activity is compulsory. Council had no roads business transactions as defined in 2008/2009.

On 14 May 2008, Council resolved as follows:

"That Council no longer apply the code of competitive conduct to any business activity under section 766 of the Local Government Act 1993 because the government is transferring the two largest activities of water and sewerage away from Council before 30 June 2010 and because the former Kilcoy Shire Council whose operations were transferred to the Council on 15 March 2008 did not apply the code to any activity."

**SOMERSET REGIONAL COUNCIL**  
**Notes to the Financial Statements**  
**For the period 15 March 2008 to 30 June 2009**

**40. Water reform and transfer of bulk water assets to State**

**Bulk water assets**

Council was in receipt of advice from the State Government that certain listed assets and employees had transferred to a State authority (Queensland Bulk Water Supply Authority) as at 14 March 2008.

In accordance with a government-imposed "Interim Service Level Agreement" with State authorities however, Council remained in control of these assets until 30 June 2008 with Council retaining the major risks and rewards in relation to the bulk water assets until that date.

The effective date of disposal of the assets was therefore 1 July 2008.

The details of the transfer included in these Statements are:

	(\$000's)
Compensation received	10,257
Property, plant and equipment transferred to State at 30 June 2008 book value	8,105
Net gain on transfer	<u>2,152</u>

The entitlements of the transferring employees were not included in liabilities acquired by Somerset Regional Council from the abolished Councils on 15 March 2009 set out in note 41.

**Distribution and retail water**

On 18 July 2009, the Minister for Natural Resources, Mines and Energy Stephen Robertson announced that a new water entity would be created that would assume the water distribution and retail functions and assets of the Somerset Regional Council as well as Brisbane and Ipswich City Council and Scenic Rim and Lockyer Valley Regional Councils.

The State had previously announced that this transfer would occur as of 30 June 2010 with all of Council's remaining water and sewerage assets and operations to be included in the transfer.

The State's position as to which council assets and operations would transfer to what proposed new water entity has altered on two occasions. The Minister stated on 18 July 2009 that the "key principles for the merger of assets and establishment of the new businesses" would need to be negotiated with the Queensland Water Commission.

As at 30 June 2009, the State's position was that the council assets and water distribution operations would transfer to an entity in the ownership of nine other south east Queensland councils while retail operations would transfer to one of three water retail entities in the ownership of certain councils.

As the impact of these changes is not yet determined, no account has been taken of them in preparing this financial report. However inherent uncertainty exists about the recoverable amount of the assets which are expected to be transferred to the new entity.

The fair values of water and sewerage infrastructure assets at 30 June 2009 is (note 23):

	<u>43,165</u>
--	---------------

**SOMERSET REGIONAL COUNCIL**  
**Notes to the Financial Statements**  
**For the period 15 March 2008 to 30 June 2009**

**41. Gain on restructure of local government**

The Local Government Reform Commission report to the Minister for Local Government, Planning and Sport on 27 July 2007 recommended that the former Kilcoy and Esk Shire Councils be amalgamated to form the Somerset Regional Council. Pursuant to Part 1B of the Local Government Act 1993 and in accordance with the Local Government Reform Implementation Regulation 2008 the amalgamation was effective from the changeover date of 15 March 2008.

The *Local Government Reform Implementation Regulation 2008* and the *Local Government Reform Implementation (Transferring Areas) Amendment Regulation (No.1) 2008* transferred the assets and liabilities of the former Esk and Kilcoy Shire Councils to the Somerset Regional Council as at changeover date.

The assets and liabilities of the former councils have been recognised at the amounts at which they were recognised by the transferor local governments as at the changeover day.

Details are as follows:

	Council of the Shire of Esk	Kilcoy Shire Council	Total assets and liabilities recognised by Somerset Regional Council	Adjustments due to accounting policy alignment	Gain on restructure of local government
	14-Mar-08 \$	14-Mar-08 \$	15-Mar-08 \$	2009 \$	2009 \$
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	27,702	1,774	29,477		29,477
Trade and other receivables	2,501	900	3,401		3,401
Inventories	1,541	256	1,797		1,797
Other current assets	-	-	-		-
<b>Total current assets</b>	<b>31,744</b>	<b>2,930</b>	<b>34,674</b>	<b>-</b>	<b>34,674</b>
<b>Non-current Assets</b>					
Trade and other receivables	-	-	-		-
Investments	-	-	-		-
Property, plant and equipment	131,003	47,413	178,415	(1,007)	177,408
Capital works in progress	369	740	1,109		1,109
<b>Total non-current assets</b>	<b>131,372</b>	<b>48,152</b>	<b>179,524</b>	<b>(1,007)</b>	<b>178,517</b>
<b>TOTAL ASSETS</b>	<b>163,116</b>	<b>51,083</b>	<b>214,198</b>	<b>(1,007)</b>	<b>213,191</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and other payables	1,896	467	2,364		2,364
Borrowings	-	135	135		135
Provisions	-	-	-		-
<b>Total current liabilities</b>	<b>1,896</b>	<b>602</b>	<b>2,499</b>	<b>-</b>	<b>2,499</b>
<b>Non-current Liabilities</b>					
Trade and other payables	679	187	866		866
Borrowings	-	-	-		-
Provisions	123	-	123		123
<b>Total non-current liabilities</b>	<b>803</b>	<b>187</b>	<b>990</b>	<b>-</b>	<b>990</b>
<b>TOTAL LIABILITIES</b>	<b>2,699</b>	<b>789</b>	<b>3,488</b>	<b>-</b>	<b>3,488</b>
<b>NET ASSETS TRANSFERRED FROM ABOLISHED COUNCILS</b>	<b>160,417</b>	<b>50,293</b>	<b>210,710</b>	<b>(1,007)</b>	<b>209,703</b>



**MANAGEMENT CERTIFICATE**

For the period 15 March 2008 to 30 June 2009

This general purpose financial report has been prepared pursuant to Section 532 of the Local Government Act 1993, Section 35 of the Local Government Reform Implementation Regulation 2008, the Local Government Finance Standard 2005 (the Standard) and other prescribed requirements.

In accordance with Section 48 of the Standard, we certify that:

1. the local government considers the relevant recording and reporting procedures have been complied with in the preparation of the financial statements; and
2. the financial statements for the period ended 30 June 2009 and supporting notes present the Council's income, equity, balance sheet and cash flows as required by the Local Government Act 1993.



---

Cr Graeme Lehmann  
Mayor

Date: 28 October 2009



---

Robert Bain  
Chief Executive Officer

Date: 28 October 2009

## **INDEPENDENT AUDITOR'S REPORT**

To the Mayor of Somerset Regional Council

### **Report on the Financial Report**

I have audited the accompanying financial report of Somerset Regional Council, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the period ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Mayor and Chief Executive Officer.

### **The Council's Responsibility for the Financial Report**

The Council is responsible for the preparation and fair presentation of the financial report in accordance with the Local Government Act 1993, Local Government Finance Standard 2005 and the Local Government Reform Implementation Regulation 2008 including compliance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

My responsibility to express an opinion on the financial report based on the audit is prescribed in the Auditor-General Act 2009. This Act, including transitional provisions, came into operation on 1 July 2009 and replaces the previous requirements contained in the Financial Administration and Audit Act 1977.

The audit was conducted in accordance with the Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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

#### Independence

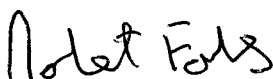
The Auditor-General Act 2009 promotes the independence of the Auditor-General and QAO authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

#### Auditor's Opinion

In accordance with s.40 of the Auditor-General Act 2009 –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
  - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of the Somerset Regional Council for the financial period 15 March 2008 to 30 June 2009 and of the financial position as at the end of that period.



**R J Forbes FCA**  
as Delegate of the Auditor-General of Queensland

Dated this 2 November, 2009  
Brisbane