Somerset
REGIONAL COUNCIL

Financial Statements
For the year ended 30 June 2015

Printed on 2/10/2015

SOMERSET REGIONAL COUNCIL
Statement of Comprehensive Income
For the year ended 30 June 2015

	Note	2015 ($ 000's)	2014 ($ 000's)
Continuing operations			
Revenue			
Capital Revenue			
Grants, subsidies, contributions and donations	7	22,772	31,146
Recurrent revenue			
Rates, levies and charges	3a	18,505	17,836
Fees and charges	3b	1,404	1,271
Rental income		261	212
Interest income	3c	3,205	3,079
Sales revenue	3d	6,524	3,006
Other income	3e	1,704	1,922
Grants, subsidies, contributions and donations	6	5,804	9,589
		37,406	36,916
Total revenue		60,179	68,061
Share of the profit of associated entity accounted for using the equity method	15	1,553	1,103
		61,732	69,164
Expenses			
Recurrent expenses			
Finance costs	5	-	-
Loss on the disposal of capital assets	9	(343)	(67)
Employee benefits	10	(13,111)	(12,690)
Depreciation	16	(6,655)	(6,472)
Other expenses	11	(1,144)	(1,096)
Materials and services	4 (a)	(13,919)	(11,775)
Total expenses		(35,170)	(32,100)
Revaluation decrement of road assets in excess of balance held in asset revaluation surplus	16a	(3,155)	(5,666)
Net result for year		23,407	31,398
Other comprehensive income			
Items that will not be reclassified to net result			
Increase in asset revaluation surplus	21	192	-
Share of the other comprehensive income of associated entity accounted for using the equity method	15	1,272	-
Decrease in asset revaluation surplus	21	-	(466)
Total other comprehensive income for the year		1,464	(466)
Total comprehensive income for the year		24,871	30,932

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

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SOMERSET REGIONAL COUNCIL
Statement of Financial Position
As at 30 June 2015

	Note	2015 ($ 000's)	2014 ($ 000's)
ASSETS			
Current Assets			
Cash and cash equivalents	12	62,479	65,318
Trade and other receivables	13	5,459	3,981
Inventories		720	802
		68,658	**70,101**
Non-Current Assets			
Trade and other receivables	14	13,804	13,804
Investment in associate	15	25,257	23,051
Property, plant and equipment	16	263,918	240,752
		302,979	**277,607**
TOTAL ASSETS		**371,636**	**347,707**
LIABILITIES			
Current Liabilities			
Trade and other payables	18	5,895	6,478
Borrowings	19	-	-
Provisions	20	2,250	2,551
		8,144	**9,030**
Non-Current Liabilities			
Provisions	20	492	549
		492	**549**
TOTAL LIABILITIES		**8,637**	**9,578**
NET COMMUNITY ASSETS		**363,000**	**338,129**
Community Equity			
Retained surplus		323,039	298,419
Asset revaluation surplus	21	9,010	8,818
Reserves	22	30,951	30,893
TOTAL COMMUNITY EQUITY		**363,000**	**338,129**

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

SOMERSET REGIONAL COUNCIL
Statement of Cash Flows
For the year ended 30 June 2015

	Note	2015 ($ 000's)	2014 ($ 000's)
Cash flows from operating activities			
Receipts from customers		60,188	69,535
Payments to suppliers and employees		(34,069)	(29,703)
		26,119	39,832
Interest received		3,031	2,767
Dividend received		620	584
Finance costs		-	-
Net cash inflow (outflow) from operating activities	28	29,770	43,184
Cash flow from investing activities			
Payments for property, plant and equipment		(32,958)	(33,075)
Proceeds from sale of property, plant and equipment		349	417
Net cash inflow (outflow) from investing activities		(32,609)	(32,658)
Cash flow from financing activities			
Proceeds from borrowings	19	-	-
Repayment of borrowings	19	-	-
Net cash inflow (outflow) from financing activities		-	-
Net increase (decrease) in cash held		(2,839)	10,525
Cash at beginning of reporting period		65,318	54,793
Cash at end of reporting period	12	**62,479**	**65,318**

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 year ended 30 June 2015

	Total		Retained surplus		Asset revaluation surplus Note 21		Reserves Note 22	
	2015 ($ 000's)	**2014** ($ 000's)	**2015** ($ 000's)	**2014** ($ 000's)	**2015** ($ 000's)	**2014** ($ 000's)	**2015** ($ 000's)	**2014** ($ 000's)
Balance at beginning of period	338,129	307,197	298,419	267,025	8,818	9,284	30,893	30,887
Net result for the period	23,407	31,398	23,407	31,398	-	-	-	-
Transfers to reserves	-	-	(58)	(746)	-	-	58	746
Transfers from reserves	-	-	-	740	-	-	-	(740)
Other comprehensive income for the year - share other comprehensive income of associated entity accounted for using the equity method	1,272	-	1,272	-	-	-	-	-
Other comprehensive income for the year - net increase/(decrease) in asset revaluation surplus	192	(466)	-	-	192	(466)	-	-
Balance at end of period	**363,000**	**338,129**	**323,039**	**298,419**	**9,010**	**8,818**	**30,951**	**30,893**

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

Note 1

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

These general purpose financial statements are for the period 1 July 2014 to 30 June 2015 and have been prepared in compliance with the requirements of the Local Government Act 2009 and the Local Government Regulation 2012.
Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain non-current assets.

Recurrent/capital classification
Revenue and expenditure are presented as "recurrent" or "capital" in the Statement of Comprehensive Income on the following basis:

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

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

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

1.02 Statement of Compliance

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Council's operations and effective for the current reporting period. 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, these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

1.03 Currency

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

1.04 Constitution

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

1.05 Date of authorisation

The financial statements were authorised for issue on the date they were submitted to the Auditor-General for final signature. This is the date the management certificate is signed.

1.06 Changes to Accounting Policies

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

1.07 Adoption of new and revised Accounting Standards

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective except for AASB 2015-7 (Amendments to Australian Accounting Standards – Fair Value Disclosures for Not-for-Profit Public Sector Entities) which Council has early-adopted.

The Council has elected to early adopt 2015-7 which provides relief for not-for-profit public sector entities from making certain specified disclosures about the fair value measurement of assets measured at fair value and categorised within level 3 of the fair value hierarchy.

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

From 1 July 2016 AASB 124 Related Party Disclosures will apply to Council. This means that council will disclose more information about related parties and transactions with those related parties. Council is currently preparing for this change by identifying related parties. Related parties will include the Mayor, councillors and some council staff. In addition the close family members of those people and any organisations that they control or are associated with will be classified as related parties.

The amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have a material impact on the financial statements.

1.08 Critical accounting judgements and key sources of estimation uncertainty

In the application of Council's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and ongoing assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Judgements, estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

Valuation and depreciation of property, plant and equipment - Note 1.16 and Note 16
Impairment of property, plant and equipment - Note 1.19 and Note 16
Investments - Note 1.13, 1.14 and Note 15
Provisions - Note 1.22 and 1.24 and Note 20
Contingent liabilities - Note 24

1.09 Revenue

(i) Rates and levies

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

(ii) Grants and subsidies

All grants and subsidies are non-reciprocal in nature and are recognised as revenue in the year in which Council obtains control over them.

Where the council has an obligation to use a non-reciprocal 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.

Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled.

Council did not have any reciprocal grants during the year where the conditions over the grant had not been satisfied.

(iii) Non-cash contributions

Non-cash contributions in excess of the recognition thresholds set out in Note 1.16 in value, are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.

Physical assets contributed to Council by developers in the form of road works, stormwater infrastructure and recreation assets are recognised as revenue when the development becomes "on maintenance" (i.e. the council obtains control of the assets and becomes liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets. All non-cash contributions are recognised at the fair value of the contribution received on the date of acquisition.

(iv) Cash contributions

Developers also pay infrastructure charges for development of trunk infrastructure, such as roadworks, stormwater infrastructure and recreation assets. These infrastructure charges are not within the scope of AASB Interpretation 18 because there is no performance obligation associated with them. Consequently, the infrastructure charges are recognised as income when received.

(v) Interest

Interest received from term deposits is accrued over the term of the investment.

(vi) Sales contracts and recoverable works

The council generates revenues from a number of services including contracts for road and earthworks. Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with a charge for use of equipment and employees based on an agreed contract price due at the time of sale or service delivery. Contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date.

Revenue is measured at the fair value of consideration received or receivable in relation to that activity. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed.

The majority of revenue achieved during 2014/2015 related to road maintenance and construction contracts with State Government.

(vii) Fees and charges

Fees and charges consist of both cost-recovery fees as defined in the Local Government Act 2009 for which Council has a statutory power to collect and commercial fees and charges which are collected on a contractual basis for matters such as cemetery operations and waste operations. The majority of fee revenue Council has a statutory power to collect.

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

(viii) Other revenue including cash 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.

1.10 Financial assets and financial liabilities

Council recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, Council becomes a party to the contractual provisions of the instrument.

Council has categorised and measured the financial assets and financial liabilities held at balance date as follows:

Financial assets
- Cash and cash equivalents (Note 1.11)
- Receivables - measured at amortised cost (Note 1.12)
- Term deposits - measured at amortised cost (Note 1.13)
- Investment in associate - measured at amortised cost (Note 1.14)

Financial liabilities
- Payables - measured at amortised cost (Note 1.21)

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

The fair value of financial instruments is determined as follows:

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.

Council had no interest bearing borrowings at either 30 June 2014 or 30 June 2015.

The fair value of trade receivables approximates the amortised cost less any impairment. The fair value of payables approximates the amortised cost.

Council does not recognise financial assets or financial liabilities at fair value in the Statement of Financial Position.

All other disclosures relating to the measurement and financial risk management of financial instruments are included in Note 27.

1.11 Cash and cash equivalents

For the purposes of the statement of financial position and the statement of cash flows, 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 term deposits, being for periods of less than six months to be cash equivalents.

1.12 Receivables

Trade receivables are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase price or contract price. Settlement of trade debtors amounts is generally required within 30 days from invoice date.

Rate debts fall due 42 days after issue of a rate assessment notice.

The collectability of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment.

All known bad debts were written-off at balance date

Council held an equity participant debt with Queensland Urban Utilities valued at $13,804,033 as at balance date.

Further information about the relationship between the council and Queensland Urban Utilities is contained at Note 1.14.

The loan receivable was subject to an agreement that provided for interest rate with monthly interest-only payments until 30 June 2013.

The agreement was renegotiated for a period of ten years which commenced as at 1 July 2013. The new loan agreement provided for monthly interest-only payments based on a mixture of fixed and variable interest rate components with an interest rate set based on the recommendations of Queensland Treasury Corporation. At balance date this interest rate was 4.82% (2014 - 4.98%)

Accordingly the equity participant debt is treated as a non-current receivable.

This debt was not secured.

1.13 Investments - term deposits

Financial institution deposits at call and term deposits which will mature less than 6 months after balance date are treated as cash equivalents, whilst deposits at call and term deposits which will mature beyond 6 months after balance date are treated as current investments. At 30 June 2015, the council did not have any term deposits in excess of 6 months.

1.14 Investments in associate and other entities - Queensland Urban Utilities and other entities

The South East Queensland Water (Distribution and Retail Restructuring) Act 2009 (the Act) established a statutory body called the Central SEQ Distributor-Retailer Authority on 3 November 2009 to deliver water and wastewater services to customers within the local government areas of Somerset Regional Council, Brisbane City Council, Ipswich City Council, Lockyer Valley Regional Council and Scenic Rim Regional Council.

On 1 July 2010 the Authority acquired legislative power to begin trading, using the business name Queensland Urban Utilities.

Queensland Urban Utilities is an unincorporated entity and is domiciled in Brisbane, Australia.

Under the Act, governance arrangements for the Authority were established in a Participation Agreement, which was approved by the State Government on 25 June 2010. The Agreement provides for participation rights to be held by the participating councils to be negotiated between the councils.

Somerset Regional Council holds 0.826% of the rights to participate in the profits of Queensland Urban Utilities.

These rights held are recognised as investment assets as they represent a resource controlled by Council as a result of past events and from which future economic benefits are expected to flow.

Notwithstanding that the South-East Queensland Water (Distribution and Retail Restructuring) Act 2009 does not permit the transfer of participation rights to another party (except by Ministerial approval), Council controls the investment in participation rights because it is entitled to the benefits of holding and realising the investment.

Included in the definition of financial assets is any asset that is an investment in an associated entity. As discussed above, the participation rights represent equity of the Distributor-Retailers and accordingly the participation rights held by Council meets the definition of a financial asset.

An investment in an associate is recognised and measured in accordance with the requirements of AASB 128.

Although Council holds less than 1% of the participation rights of Queensland Urban Utilities, the operation of the participation agreement allows Council to exert significant influence over Queensland Urban Utilities because any three of the minority participants (that is any three of Ipswich City Council, Lockyer Valley Regional Council, Scenic Rim Regional Council and Somerset Regional Council) are potentially able to operate together to prevent a board appointment. Conversely any two minority participants together with Brisbane City Council are able to appoint board members to Queensland Urban Utilities.

The Authority's Board is comprised of independent directors. No individual Council has the ability to dominate the Authority's decision making so as to obtain greater benefits from its activities than any other participant.

AASB 128 requires an investment in an associate to be accounted for using the equity method.

Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Council's share of net assets of the associate. Dividends received or receivable from associates reduce the carrying amount of the investment. When the Council's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Council does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

When the local government participants transferred the relevant assets to the Distributor-Retailers on 1 July 2010 the participation rights that they received were determined on the basis of their proportionate share of Regulatory Asset Base ("RAB") of the total water assets transferred to the relevant Distributor-Retailer.

Council has been advised that the RAB (and the weighted average cost of capital) will provide the owner of the water assets with a commercial return commensurate with the risks inherent in the assets.

Together with the fact that the RAB was the basis upon which the relevant participation rights were determined, RAB was an appropriate methodology to determine the fair value of the transferred assets.

Movements in the value of the council's interest in the Authority are disclosed at Note 15.

The Authority operates under a tax equivalent regime; with all tax paid distributed to the participating Councils on a pro-rata basis to their participation rights. Tax is payable quarterly based on a percentage of the Authority's gross revenue.

As a party to the Participation Agreement, the council receives a proportional share of net profits as a participation return. Returns are paid from post-tax operating profits (after adjusting for capital receipts).

Council holds a shareholding in SEQ Regional Recreational Facilities Pty Ltd (8,000 shares of 1,100,000 shares issued). This holding was initially recorded at cost ($8,000) however it was subsequently fully impaired and now has a nil value.

1.15 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 16. The assets are maintained on short term leases so that they can be used for Council owner occupier purposes in the future.

It is considered that these assets do not meet the definition of investment property under AASB140.5.

Lease amounts receivable are disclosed in Note 23 (e).

1.16 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 property, 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
• Buildings and other structures, roads, bridges and underground drainage	$	10,000

(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.

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.

(ii) Capital and operating expenditure

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

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

Expenditure incurred in accordance with Natural Disaster Relief and Recovery Arrangements on road assets is analysed to determine whether the expenditure is capital in nature. The analysis of the expenditure requires Council engineers to review the nature and extent of expenditure on a given asset. For example, expenditure that patches a road is generally maintenance in nature, whereas a full width rebuild is treated as capital. Material expenditure that extends the useful life or renews the service potential of the asset is capitalised.

(iii) Valuation

Land and improvements, buildings and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 Property, Plant & Equipment and AASB 13 Fair Value Measurement. Plant and equipment and work in progress are measured at cost.

Non-current physical assets measured at fair value are revalued where required so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This revaluation involves either the application of a suitable index to the cost elements of each asset or involves an assessment of the value by someone with requisite skills and qualifications. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

Details of valuers and methods of valuations are disclosed in Note 16 however the frequency of valuation and the relationship of the valuer to the council for each class property, plant and equipment is as follows:

Asset class	Basis of measurement	Date of last revaluation	Relationship between valuer and the council
Land	Revaluation	30 June 2012	Independent registered valuer
Buildings and other structures	Revaluation	30 June 2012	Independent registered valuer
Roads	Revaluation	30 June 2015	Suitably qualified council employee
Bridges	Revaluation	30 June 2015	Suitably qualified council employee
Underground drainage	Revaluation	30 June 2012	Suitably qualified council employee
Plant and Equipment	Cost	Not applicable	Not applicable

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

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

Plant and equipment is measured at depreciated cost.

During the year, Council resolved to reclassify playgrounds, picnic units, lighting, CCTV systems and other modular assets from the buildings and other structures class to plant and equipment. The value of assets reclassified is disclosed at Note 16. No material change to depreciation expense or to any asset values was expected to result from this reclassification.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

(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.

Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

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

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

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

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

The depreciation methods, residual values and estimated useful lives of property, plant and equipment are reviewed end of each annual reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions.

The condition assessments performed as part of the annual valuation process for assets measured at written down current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown below:

Asset		Range of Estimated Useful Life in Years	Depreciation method used
Land		Not depreciated	Not depreciated
Buildings and Other Structures		7 to 100	Straight line
Plant and Equipment		3 to 50	Straight line
Infrastructure	Roads	10 to 200	Straight line
	Underground drainage	50 to 100	Straight line
	Bridges	30 to 100	Straight line

(v) Land under roads

Somerset 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.

(vi) 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.

(vii) Impact of flooding

In January 2011, January, February and March 2013, significant flood events occurred within Council's boundaries. These flood events caused extensive damage to the council's road and bridge assets.

Flood reconstruction works were funded by the Australian and State Governments in accordance with funding submissions approved by the Queensland Reconstruction Authority (QRA).

All restoration works in respect of the 2011 and 2013 events were completed before 30 June 2015.

In February 2015, a declared natural disaster flood event which was much less severe than the 2011 and 2013 events occurred within Council's boundaries.

In respect of the 2015 event, consulting engineers have identified flood affected sites located on 74 roads and have recorded damage incurred at those sites in detail. Restoration works on affected assets has been proceeding in accordance with approvals received from QRA. The repair estimates combined with detailed reporting to the QRA on repairs provide sufficient detail for Council engineers to quantify the condition of assets as at balance date and to assess valuations.

1.17 Intangible Assets

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

1.18 Biological Assets

The council operates a nursery to produce bedding plants and trees for its own use. In view of the immaterial nature of this operation the accounting procedures related to biological assets have not been applied. The costs incurred in this operation are included in Council's general operations as they are incurred.

1.19 Impairment of non-current assets

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

1.20 Leases

Leases of plant and equipment under which the Council as lessee or lessor assumes or transfers 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

Where Council enters into a finance lease, Council recognises an asset equal to the lower of fair value of the leased property and the present value of the minimum lease payments. The lease liability is recognised at the same amount. 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 had no finance leases at 30 June 2015 as either lessee or lessor.

(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.

1.21 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.

1.22 Liabilities - employee benefits

(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 represents an accrued expense and is reported in Note 18 as a payable.

(ii) Annual leave

A liability for annual leave is recognised. Amounts expected to be settled within 12 months are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense and is reported in Note 18 as a payable.

As Council does not have an unconditional right to defer this liability beyond 12 months, annual leave is classified as a current liability.

(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. Council has no obligation to pay sick leave on termination to any employee.

(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 25.

(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 20 as a provision.

Where employees have met the prerequisite length of service and Council does not have an unconditional right to defer this liability beyond 12 months, long service leave is classified as a current liability. Otherwise it is classified as non-current.

(vi) Remuneration of senior contract employees

Note 26 provides disclosures required under section 201 of the Local Government Act 2009.

The remuneration disclosed at Note 26 represents the total of:

1. Gross salary paid to relevant employees as detailed on the statements of earnings issued by Council for the 2014/2015 income year.
2. Reportable superannuation contributions in favour of the relevant employees as detailed on the statements of earnings issued by Council for the 2014/2015 income year to those employees.
3. Reportable fringe benefits provided to relevant employees at the value detailed on the statements of earnings issued by Council for the 2014/2015 income year to those employees.

1.23 Borrowings

At 30 June 2014 and 30 June 2015 the council had no interest bearing debt.

1.24 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 liability is reported in Note 20 as a provision.

The provision is measured at the expected cost of the work required, discounted to current day values using the interest rates attaching to Commonwealth Government guaranteed securities with a maturity date corresponding to the anticipated date of the restoration.

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.

The provision represents the present value of the anticipated future costs associated with the closure of the roadside pits, refilling the basin, and reclamation and rehabilitation of these sites. The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for quarry rehabilitation is reviewed at least annually and updated based on the facts and circumstances available at the time. Management estimates that the restoration will occur in 2027.

1.25 Asset revaluation surplus

The asset revaluation surplus comprises adjustments relating to changes in value of property, plant and equipment that do not result from the use of those assets. Net incremental changes in the carrying value of classes of non-current assets since their initial recognition are accumulated in the asset revaluation surplus.

Increases and decreases on revaluation are offset within a class of assets.

Where a class of assets is decreased on revaluation, that decrease is offset first against the amount remaining in the asset revaluation surplus in respect of that class. Any excess is treated as an expense.

When an asset is disposed of the amount in the surplus in respect of that asset is retained in the asset revaluation surplus and is not transferred to retained surplus.

1.26 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.

The Australian Accounting Standards Board "Framework for the Preparation and Presentation of Financial Statements" discusses the potential legal or other restrictions that may exist in some places in respect of cash backed reserves.

There are no legal restrictions on the council in respect of funds identified as represented by cash backed reserves per se.

(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) Skew Gully Road Maintenance Special Levy Reserve
This reserve exists to ensure transparency in how Council manages road maintenance special charges and asset management activities on roads for which a special charge applied. The nett difference between special charges raised for the road and relevant expenditure on that road is transferred to or from the reserve.

(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) New Financial System Reserve
This reserve is held for the purpose of funding the replacement of Council's financial system.

(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) 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.

1.28 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.

1.29 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.

1.30 National Competition Policy
The council has reviewed its activities to identify business activities. Details of business activities are disclosed in Note 33.

1.31 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.

1.32 Financial risk management

The council minimises its exposure to financial risk on investments in the ways outlined in its investment policy.

Under this policy and applicable legislation, risk management strategies include:

- Restrictions on what types of financial institutions and products council will invest in as outlined in Note 27.
- the council does not invest in derivatives or other high risk 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 27.

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 as well as liquidity risk is detailed in Note 27.

Note 2 (a) - Analysis of Results by Function

	Subsidy and Grant Income		Other Income		Total Income		Expenses		Net Result		Total Assets	
	2015 ($ 000's)	2014 ($ 000's)	2015 ($ 000's)	2014 ($ 000's)	2015 ($ 000's)	2014 ($ 000's)	2015 ($ 000's)	2014 ($ 000's)	2015 ($ 000's)	2014 ($ 000's)	2015 ($ 000's)	2014 ($ 000's)
Community and Corporate Services	1,937	1,622	811	736	2,748	2,358	5,843	5,372	(3,095)	(3,014)	-	-
Executive	-	-	-	-	-	-	1,343	1,286	(1,343)	(1,286)	-	-
Finance*	3,467	1,811	20,988	20,285	24,454	22,096	4,697	6,754	19,757	15,343	107,719	106,956
Human Resources/ Customer Service	26	17	1	1	27	18	1,352	1,435	(1,325)	(1,417)	-	-
Operations	22,359	36,627	6,750	3,295	29,109	39,923	20,571	19,100	8,538	20,823	253,886	233,722
Planning/ Development	43	116	1,080	972	1,123	1,088	2,759	2,720	(1,635)	(1,632)	-	-
Plant	111	90	-	-	111	90	(196)	(721)	307	811	10,032	7,030
Waste management	-	1	2,606	2,487	2,606	2,488	1,957	1,821	649	667	-	-
Share of profit from associate	-	-	1,553	1,103	1,553	1,103	-	-	1,553	1,103	-	-
Total	**27,942**	**40,284**	**33,790**	**28,880**	**61,732**	**69,164**	**38,325**	**37,766**	**23,407**	**31,398**	**371,636**	**347,707**

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

- Community and Corporate Services includes general administrative activities such as information systems, records management, insurance and community and cultural activities like community services and grants, libraries, arts, swimming pools, tourism promotion, Centrelink and Queensland Government 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.
  * Finance expenses includes asset revaluation movements accounted for as income or expenditure

- Human Resources and Customer Services deals with personnel issues including training, traineeships, recruitment and workplace, health and safety as well as customer service functions.

- 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 three refuse and recycling centres.

- Share of profit from associate is detailed at note 15 and relates to Central SEQ Distributor-Retailer Authority trading as Queensland Urban Utilities.

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3. Revenue analysis

	Note	2015 ($ 000's)	2014 ($ 000's)
(a) Rates, levies and charges			
General rates		17,675	17,060
Food Act inspection special charge		26	23
Extractive industries inspection program special charge		26	19
Kennels inspection program special charge		8	8
Intensive poultry farm inspection program special charge		25	19
Rural fire levy special charge		222	230
Environmental separate charge		118	115
State Emergency Service separate charge		269	261
Garbage charges		2,862	2,743
Total gross rates and charges		21,230	20,478
Less: Discounts and pensioner remissions			
Discount - General rates		(2,351)	(2,279)
Discount - Garbage charges		(370)	(357)
Pensioner remissions		(4)	(5)
Total rate and charges discounts and pensioner remissions		(2,725)	(2,641)
		18,505	17,836
(b) Fees and charges			
Animal control/ local law fees		205	170
Building fees		425	410
Cemetery fees		109	126
Change of ownership fees		54	44
Health fees		6	5
Planning and engineering fees		360	290
Property search fees		130	125
Waste fees		115	101
		1,404	1,271
(c) Interest Income			
Queensland Treasury Corporation		273	422
Queensland Urban Utilities		701	687
Interest received from bank term deposits		2,046	1,795
Other bank interest		11	10
Interest from overdue general rates and other charges		146	139
Interest from overdue garbage charges		29	27
		3,205	3,079
(d) Sales revenue			
Derived from - State Government transport entities		6,426	2,734
Derived from - water entities		43	208
Derived from - other parties		55	64
		6,524	3,006
(e) Other operating income			
Gain (loss) on sale of developed land	8	-	294
Centrelink agency fees		54	52
Commissions earned/ administration fees retained		91	74
Ex-Gratia Queensland Treasury payments		1,036	1,006
Sponsorships and contributions		10	9
Other income		513	487
		1,704	1,922

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	Note	2015 ($ 000's)	2014 ($ 000's)
4. Ordinary expense activity analysis			
(a) Materials and services analysis			
Operating component of disaster recovery expenditure		604	-
Contributions to volunteer rural fire brigades		223	230
Donations		156	147
Fringe benefits tax		90	86
Fuel and oil		831	873
Gravel operations		332	261
Indoor sports centre operations		321	313
Information technology goods and services		250	295
Insurance premiums - property and public liability		715	713
Internal audit services		39	36
Legal services		346	133
Library book purchases		126	131
Library operations other than book purchases		121	106
Mechanical parts, tyres and batteries and plant servicing		553	522
Plant and vehicle registrations		76	76
Street lighting		305	250
Subscriptions		86	84
Swimming pool operations		356	344
Valuation of land services - State Government		95	96
Waste collection contract services		997	948
Water and sewerage services - Queensland Urban Utilities		228	221
Other materials and services		7,070	5,911
Total		13,919	11,775

(b) Natural disaster expenditure

Expenses included the following significant costs:		
Expenditure pursuant to Natural Disaster Relief and Recovery Arrangements	23,891	20,135
Capital component of disaster recovery expenditure	23,287	20,135
Operating component of disaster recovery expenditure	604	-

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	Note	2015 ($ 000's)	2014 ($ 000's)
5. Finance cost			
Finance costs charged by the Queensland Treasury Corporation		-	-
		-	-
6. Contributions, grants and subsidies - recurrent			
Government subsidies/ grants used for recurrent expenditure			
CROSS social services program		122	118
Financial Assistance Grant		3,467	1,811
Fuel tax credits		111	90
Graffiti stop program		8	8
Immunisation		13	14
Library book purchases		131	140
Lowood Neighbourhood Centre operations		189	145
Natural disaster preparedness		8	74
Natural disaster relief and recovery arrangements - recurrent		1,655	6,956
Post natural disaster environmental works		30	102
Regional Arts Development Fund		9	15
Sport, recreation and health grants		7	57
State Emergency Service		20	20
Training and development		26	17
Waste management facilities		-	1
Youth program		9	20
Total recurrent grants and subsidies		5,804	9,589
7. Contributions, grants and subsidies - capital			
a. General/ special purpose government subsidies/ grants used for capital purposes			
Flood warning system grants		72	-
Kilcoy futures complex - Regional Development Australia Fund		688	563
Kilcoy showgrounds redevelopment - Regional Development Australia Fund		-	475
Kilcoy streetscape upgrade		-	151
Local government grants and subsidies program		213	27
Lowood community centre		95	-
Lowood pool heating		-	62
Lowood security cameras		24	-
Natural disaster resilience		32	1,563
Natural disaster relief and recovery arrangements - capital		20,009	26,220
Roads to Recovery - Commonwealth road funding		200	322
State Emergency Service		43	26
Toogoolawah Cultural Precinct - Regional Development Australia Fund		450	-
Transport Infrastructure Development		312	276
Walshes Crossing upgrade		-	1,011
Total capital grants and subsidies		22,138	30,696
b. Contributions constrained for capital purposes			
Contribution of monetary assets by developers		117	162
		117	162
c. Contributions of non-monetary assets			
Contribution of non-monetary non-current assets by developers at fair value	16	518	288
		518	288
Total capital grants, subsidies and contributions (a, b and c)		22,772	31,146

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	Note	2015 ($ 000's)	2014 ($ 000's)
8. Gain (loss) on sale of developed land (inventory asset)			
Proceeds from sale of land developed for resale		-	294
Less: Current cost of developed land sold		-	-
Gain (loss) on sale of developed land (inventory asset)		-	294
9. Gain (loss) on the disposal of capital assets			
(i) Proceeds from the disposal of property, plant and equipment:			
Buildings and other structures		-	-
Plant and equipment		333	417
Roads		-	-
Bridges		-	-
Less: Book value of property, plant and equipment disposed			
Buildings and other structures	16	-	(71)
Plant and equipment	16	(356)	(414)
Roads	16	-	-
Bridges	16	(320)	-
		(343)	(67)
(ii) Proceeds from the disposal of land (not held for redevelopment)		16	-
Less : Book value of land disposed	16	(16)	-
Gain (loss) on the disposal of land		-	-
Gain (loss) on the disposal of capital assets		(343)	(67)

Gains on the disposal of capital assets are included with income.
Losses on the disposal of capital assets are included with expenses.
Proceeds from the disposal of land includes compensation for granting easements

	2015	2014
10. Employee benefits		
Total wages and salaries	12,505	12,917
Annual leave, accrued hours and long service leave entitlements	166	(73)
Superannuation	1,403	1,470
	14,074	14,314
Other employee related expenses	125	84
Total employee costs	14,199	14,398
Employed for:		
Capital purposes	1,088	1,708
Operating purposes	13,111	12,690
	14,199	14,398
	2015	2014
Number of employees as at 30 June	198	195

	2015	2014
11. Other expenses		
Included in other expenses are the following :		
Audit services	77	67
Operating lease rentals	378	352
Councillors' remuneration	630	651
Other Councillor costs	58	26
	1,144	1,096

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 not resolved that councillors are employees. Councillor remuneration is therefore not included in employee costs.

	Notes	2015 ($ 000's)	2014 ($ 000's)
12. Cash and cash equivalents			
Cash on hand – petty cash and cash floats		9	4
Cash at bank - operating fund (including unpresented cheques)		381	541
Less cheques drawn on operating fund but not presented at balance date (including cheques not released at balance date)		(1,128)	(810)
Cash at bank – other		1,384	1,325
Term deposits		54,000	56,000
Short term investments at call		7,833	8,258
Balance per statement of cash flows		62,479	65,318

There were no externally imposed expenditure restrictions at reporting date on any cash asset.			
Total unspent restricted funds for capital and recurrent projects		-	-

Short term investments at call are held with the Queensland Treasury Corporation. The short term investments at call bear floating interest rates as detailed in note 27.

	Notes	2015 ($ 000's)	2014 ($ 000's)
13. Trade and other receivables (current)			
Rates and utility charges levied		1,766	1,558
Less: impairment of rates debtors		(10)	(4)
		1,757	1,554
Goods and services tax (GST) refundable		264	-
Other debtors accrued		1,015	886
Other debtors levied		2,010	1,115
Less: impairment of non-rates debtors		(66)	(57)
		3,224	1,944
Prepayments		479	483
		5,459	3,981

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.

Movement in accumulated impairment losses (rates and other debtors) is as follows:		2015 ($ 000's)	2014 ($ 000's)
Opening balance - total impairment of rates and other debtors		(61)	(77)
Impairment		(15)	17
Closing balance - total impairment of rates and other debtors		(75)	(61)

	Notes	2015 ($ 000's)	2014 ($ 000's)
14. Trade and other receivables (non-current)			
Participant loan - Central SEQ Distributor-Retailer Authority trading as Queensland Urban Utilities (QUU)		13,804	13,804

All QUU equity participants and the Queensland Treasurer have renegotiated the loan agreement terminating on 30 June 2023 with a mixture of fixed and variable interest rate components commencing at 4.98%. Please refer to note 1.12 for further information.

	Notes	2015 ($ 000's)	2014 ($ 000's)
15. Investment in associate			
15a Carrying value of investments			
Non-Current			
Right to participate in the profits of Central SEQ Distributor-Retailer Authority trading as Queensland Urban Utilities - opening balance		23,051	22,533
Plus 0.826% share of income of Queensland Urban Utilities less distributions received or receivable		933	519
Plus 0.826% share of other comprehensive income of Queensland Urban Utilities accounted for using the equity method		1,272	-
Closing balance - investment in associate accounted for using the equity method		25,257	23,051

Council held 8,000 shares in SEQ Regional Recreation Facilities Pty Ltd at year end.
This company is not traded on an active market and the investment is valued at nil. Please refer note 1.14.
The holding was initially recorded at cost ($8,000) and subsequently fully impaired to a nil value.

15b Summarised financial information

The following table illustrates summarised financial information of the associate, Queensland Urban Utilities:

Extract from the associate's statement of financial position:

	2015 ($ 000's)	2014 ($ 000's)
Current assets	356,072	277,359
Non-Current assets	5,173,869	5,043,233
	5,529,941	5,320,592
Current liabilities	309,289	229,822
Non-Current liabilities	2,188,993	2,172,346
	2,498,282	2,402,168
Net assets	3,031,659	2,918,424
Share of associate's net assets	25,257	23,051

Extract from the associate's statement of comprehensive income:

	2015 ($ 000's)	2014 ($ 000's)
Revenue	1,193,354	1,069,077
Net profit	187,798	133,451
Share of associate's net profit	1,551	1,103

Council's share in the associate's profits and losses resulting from transactions with Queensland Urban Utilities has been analysed as below and judged to be immaterial to the closing value

	2015	2014
Sales by Somerset Regional Council to Queensland Urban Utilities	43	31
Purchases by Somerset Regional Council from Queensland Urban Utilities	228	221
Sales revenue as a percentage of Queensland Urban Utilities operating expenditure	0.00%	0.00%
Purchase expenditure as a percentage of Queensland Urban Utilities operating revenue	0.02%	0.02%

16 a. PROPERTY, PLANT AND EQUIPMENT

For the year ended 30 June 2015	Land	Buildings and other structures	Roads	Bridges	Underground drainage	Plant and Equipment	Total completed assets	Work in progress (see note 17)	Total
Basis of measurement	Fair value	Fair value	Fair value	Fair value	Fair value	Cost		Cost	
	2015	2015	2015	2015	2015	2015	2015	2015	2015
Asset Values	($ 000's)	($ 000's)	($ 000's)	($ 000's)	($ 000's)	($ 000's)	($ 000's)	($ 000's)	($ 000's)
Opening balance	9,825	55,794	248,732	40,868	5,306	10,995	371,520	4,464	375,984
Additions at cost	-	2,915	18,949	11,353	-	2,093	35,309	(2,351)	32,958
Contribution of non-monetary assets by developers at fair value	-	-	518	-	-	-	518	-	518
Disposals *	(16)	-	(882)	(2,014)	-	(907)	(3,818)	-	(3,818)
Revaluation adjustment to the asset revaluation surplus	-	-	-	1,414	-	-	1,414	-	1,414
Revaluation adjustment to income	-	-	(9,416)	-	-	-	(9,416)	-	(9,416)
Assets classified as held for sale	-	-	-	-	-	-	-	-	-
Transferred between classes	-	(3,085)	-	-	-	3,085	-	-	-
Closing gross value	9,809	55,624	257,901	51,621	5,306	15,265	395,526	2,113	397,639
Accumulated Depreciation and Impairment									
Opening balance	-	18,806	100,184	11,954	322	3,966	135,232	-	135,232
Depreciation provided in period	-	1,007	4,114	504	53	977	6,655	-	6,655
Depreciation on disposals	-	-	(882)	(1,694)	-	(551)	(3,126)	-	(3,126)
Revaluation adjustment to the asset revaluation surplus	-	-	-	1,222	-	-	1,222	-	1,222
Revaluation adjustment to income	-	-	(6,261)	-	-	-	(6,261)	-	(6,261)
Impairment on disposals	-	-	-	-	-	-	-	-	-
Assets classified as held for sale	-	-	-	-	-	-	-	-	-
Internal transfers		(842)	-	-	-	842	-	-	-
Accumulated depreciation at period end	-	18,970	97,156	11,986	375	5,234	133,721	-	133,721
Book value at period end	9,809	36,654	160,745	39,635	4,930	10,031	261,805	2,113	263,918
Revaluation adjustments									
Total revaluation adjustments increment/ (decrement)	-	-	(3,155)	192	-	-	(2,963)	-	(2,963)
Adjustment to asset revaluation surplus (note 21)	-	-	-	192	-	-	192	-	192
Revaluation adjustments to Income	-	-	(3,155)	-	-	-	(3,155)	-	(3,155)
Book value of assets disposed of (refer note 9)	(16)	-	-	(320)	-	(356)	(692)	-	(692)
Additions comprise:									
Renewals	-	1,018	15,834	11,353	-	2,093	30,297	-	30,297
Other additions	-	1,897	3,115	-	-	-	5,012	(2,351)	2,661
Total additions	-	2,915	18,949	11,353	-	2,093	35,309	(2,351)	32,958

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16 a. PROPERTY, PLANT AND EQUIPMENT

For the year ended 30 June 2014	Land	Buildings and other structures	Roads	Bridges	Underground drainage	Plant and Equipment	Total completed assets	Work in progress (see note 19)	Total
Basis of measurement	Fair value	Fair value	Fair value	Fair value	Fair value	Cost		Cost	
	2014	2014	2014	2014	2014	2014	2014	2014	2014
Asset Values	($ 000's)	($ 000's)	($ 000's)	($ 000's)	($ 000's)	($ 000's)	($ 000's)	($ 000's)	($ 000's)
Opening balance	8,675	52,584	240,050	37,054	5,306	10,522	354,191	4,640	358,831
Additions at cost	1,150	3,405	23,105	4,211	-	1,381	33,251	(176)	33,075
Contribution of non-monetary assets by developers at fair value	-	-	288	-	-	-	288	-	288
Disposals	-	(195)	(5,688)	(604)		(908)	(7,395)	-	(7,395)
Revaluation adjustment to the asset revaluation surplus	-	-	-	207	-		207	-	207
Revaluation adjustment to income	-	-	(9,023)	-	-	-	(9,023)	-	(9,023)
Assets classified as held for sale		-	-	-	-	-	-	-	-
Transferred between classes	-	-	-	-	-	-	-	-	-
Closing gross value	9,825	55,794	248,732	40,868	5,306	10,995	371,520	4,464	375,984
Accumulated Depreciation and Impairment									
Opening balance	-	17,777	105,063	11,419	269	3,827	138,355	-	138,355
Depreciation provided in period	-	1,153	4,166	467	53	633	6,472	-	6,472
Depreciation on disposals	-	(125)	(5,688)	(604)	-	(494)	(6,911)	-	(6,911)
Revaluation adjustment to the asset revaluation surplus	-	-	-	672	-	-	672	-	672
Revaluation adjustment to income	-	-	(3,356)	-	-	-	(3,356)	-	(3,356)
Impairment on disposals	-	-	-	-	-	-	-	-	-
Assets classified as held for sale	-	-	-	-	-	-	-	-	-
Internal transfers	-	-	-	-	-	-	-	-	-
Accumulated depreciation at period end	-	18,806	100,184	11,954	322	3,966	135,232	-	135,232
Book value at period end	9,825	36,988	148,548	28,914	4,983	7,029	236,287	4,464	240,752
Revaluation adjustments									
Total revaluation adjustments increment/ (decrement)	-	-	(5,666)	(466)	-	-	(6,132)	-	(6,132)
Adjustment to asset revaluation surplus (note 23)	-	-	-	(466)	-	-	(466)	-	(466)
Revaluation adjustments to Income	-	-	(5,666)	-	-	-	(5,666)	-	(5,666)
Book value of assets disposed of (refer note 9)	-	(71)	-	-	-	(414)	(484)	-	(484)
Additions comprise:									
Renewals	-	502	19,931	4,211	-	1,381	26,025	-	26,025
Other additions	1,150	2,903	3,174	-	-	-	7,226	(176)	7,050
Total additions	1,150	3,405	23,105	4,211	-	1,381	33,251	(176)	33,075

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16 a. PROPERTY, PLANT AND EQUIPMENT

16 b. Fair Value Measurements

(i) Recognised fair value measurements
Council measures and recognises the following assets at fair value on a recurring basis:
- Land
- Buildings and other structures
- Roads
- Bridges
- Underground drainage

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

Where Council has assets and liabilities which are not measured at fair value, fair values will be disclosed in other notes.

For example, should Council take on any borrowings, these will be measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of any borrowings disclosed would be provided by the Queensland Treasury Corporation and represent the contractual undiscounted cash flows at balance date (level 2).

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

In accordance with AASB 13 fair value measurements are categorised on the following basis:
- Level 1 - Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Fair value based on inputs that are directly or indirectly observable for the asset or liability
- Level 3 - Fair value based on unobservable inputs for the asset and liability

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

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

The table presents the Council's assets and liabilities measured and recognised at fair value at balance date.

As at 30 June 2015	Note	Level 2 (Significant other observable inputs) ($ 000's)	Level 3 (Significant unobservable inputs) ($ 000's)	Total ($ 000's)
Land	16 a	9,809	-	9,809
Buildings and other structures	16 a	-	36,654	36,654
Roads	16 a	-	160,745	160,745
Bridges	16 a	-	39,635	39,635
Underground drainage	16 a	-	4,930	4,930
		9,809	241,965	251,774

As at 30 June 2014	Note	Level 2 (Significant other observable inputs) ($ 000's)	Level 3 (Significant unobservable inputs) ($ 000's)	Total ($ 000's)
Land	16 a	9,825	-	9,825
Buildings and other structures	16 a	-	36,988	36,988

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Roads	16 a	-	148,548	148,548
Bridges	16 a	-	28,914	28,914
Underground drainage	16 a	-	4,983	4,983
		9,825	219,433	229,258

There were no transfers between levels 1 and 2 during the year, nor between levels 2 and 3. Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

Council's valuation policies and procedures are set by Council's Manager Operations and Manager Finance acting in consultation. They are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information.

Specific valuation techniques used to value Council assets comprise:

(i) Land (level 2)

Land assets were independently valued as at 30 June 2012 at their fair value by Mr Shaun Henderson AAPI (Registered Valuer No 2952) of AssetVal Pty Ltd. Level 2 valuation inputs were used to value land in freehold title.

Management considers that land valuations did not change materially between 30 June 2012, 2013, 2014 and 2015. The Queensland Valuer-General noted in his "2013 Property Market Movement Report" (page 5) that:
"The ... regional council areas of Scenic Rim, Lockyer Valley and Somerset all (experienced) minor overall reductions in (land) value" (during the 2012/2013 year) and said in his "2014 Property Market Movement Report" (page 5) that "Overall, values in the area have either stabilised or are continuing to decline relative to the distance away from Brisbane."

A Delegate for the Valuer-General confirmed during the 2014/2015 year that following consideration of a market survey report for the local government area, an annual valuation for the Somerset local government area would not be undertaken in 2015 meaning that official government land valuations in the area would remain unchanged. While Somerset land was not mentioned in the Valuer-General's 2015 Property Market Movement Report, the report noted that land values in the neighbouring Ipswich local government area remained "unchanged overall".

Reserve land does not have a value for the purpose of the financial statements of Somerset Regional Council. The valuer indicated that he determined land valuations based on relevant sales of land in the locality and that he had undertaken research of the various submarkets within the regional council area through the analysis of sales evidence and discussions with real estate agents. The valuer indicated that he had also taken into consideration the zoning and current use of council land and any characteristics of land which may adversely affect the usefulness of a lot including narrow width, flooding history or probability of future flooding and drainage problems. The valuer assumed in the absence of an environmental site assessment of each property that the properties valued were free of elevated levels of contaminants and made no allowances for any site remediation works.

The valuer assumed for the purpose of the valuation that Council would not be required to liquidate any asset or undertake any land transactions on adverse terms. Where a property with a land use of park or open space was zoned as such or as something other than Public Open Space, it was treated as open space for the purpose of assigning a value on the basis that Council has no intention of applying to alter such land uses in the foreseeable future. Properties comprising access restriction strips have been assessed with a nominal value. Where there has been some uncertainty as to the likelihood and impact of flooding, the valuer has made adjustments to the value where it was considered appropriate. Part of this consideration included the likely effect that flooding or drainage issues might have on a property and its useability given its current zoning and land use. All significant land assets were inspected by the valuer as part of the 2012 valuation.

(ii) Buildings and other structures (level 3)

Buildings and other structures were independently valued as at 30 June 2012 at their fair value by Mr Shaun Henderson AAPI (Registered Valuer No 2952) of AssetVal Pty Ltd.

Management considers that valuations for buildings and other structures did not change materially between 30 June 2012, 30 June 2013, 30 June 2014 and 30 June 2015.
Australian Bureau of Statistics series 6427.0 (A2333658V) Producer Price Index Number "3020 Non-residential building construction Australia" showed an index of 99.9 at 30 June 2012 and an index of 103.1 as at 31 March 2015 implying an increase of 3.2% over this three year period.

The valuer noted in his report that "valuations have been prepared on an abbreviated bill of quantity methodology. We have relied upon costing references contained within Rawlinsons Australia Construction Handbook 2012 encompassing Civil Works and Building costs. AssetVal also has a database built up from research of building and site improvement costs. Actual costs of improvements identified during valuation exercises and also through research and contact with suppliers and builders have been collated. An assessment of the economic life and remaining economic life of the various assets has been derived by the valuer from experience valuing similar assets and this forms the basis of the depreciated value of the asset."

The valuer indicated that for many of the council's assets, the value has been determined using the depreciated replacement cost method of valuation using a process that "is akin to the market and ... which replicates the market." The

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valuer indicated that assets for which a depreciated replacement cost valuation approach may be suitable include halls, public toilet blocks, showgrounds and other assets where a market value cannot be reliably estimated due to a lack of market evidence. The valuer considered the major components of buildings as separate depreciable components in order to make his assessments. These components included building substructure, superstructure, roof, finishes, fittings, services and external services. All building assets were inspected by the valuer as part of the 2012 valuation. The valuer assigned a residual value to buildings and other structures (generally 10%) and assessed the remaining lives of each asset based on both condition and year of construction.

During the year, Council resolved to reclassify playgrounds, picnic units, lighting, CCTV systems and other modular assets from the buildings and other structures class to plant and equipment. The value of assets reclassified is disclosed at note 16. No material change to depreciation expense or to any asset values was expected to result from this reclassification.

While the "abbreviated bill of quantity methodology" method produces valuations that can be supported by market evidence (level 2), the estimates of residual value, useful life, pattern of consumption and asset condition that are used to calculate accumulated depreciation comprise unobservable inputs (level 3). Where these other inputs are significant to the valuation the overall valuation has been classified as level 3. The valuation's sensitivity to these inputs is summarised below.

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Residual value	0% to 10%	The higher the residual value percentage, the higher the fair value
Estimated life	7 years to 100 years	The longer the estimated life, the higher the fair value
Estimated remaining life	0 years to 62 years	The longer the estimated remaining life, the higher the fair value

(iii) Roads (level 3)

All Council road infrastructure assets were fair valued using written down current replacement cost. This valuation comprises the asset's current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

CRC was measured by reference to the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. Where existing assets were over designed, had excess capacity, or were redundant an adjustment was made so that the resulting valuation reflected the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output within the council's planning horizon.

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on a "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks.

Council categorises its road infrastructure into urban and rural roads and then further sub-categorises these into sealed roads, gravel roads, formed roads and other surfaces. Roads are managed in segments of various length between logical geographic nodes. The segments average 783 metres in length. All road segments are then componentised into subgrade, base course/ pavement, wearing course and intermediate course (where applicable).

Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials for its construction type.

CRC was calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations. Council assumes that pavements are constructed to depths of 300 mm.

Road assets were valued by Council's employed Manager 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). Road assets were valued as at 30 June 2015. Mr Jacobs relied on dimensional, condition, costing and other data collected during the period to assess the values of road assets and their components. Roads were valued at fair value being depreciated replacement cost. Replacement costs were assessed based on unit rates which were supported by the council's experience in carrying out its own road construction activities. During the year, Council obtained significant data in respect of the condition of its road assets. The restoration of assets that were damaged by major flooding during 2011 and 2013 was completed during 2015.

During June 2015, Council collected and inspected imagery and measured pavement roughness for all sealed road segments. A consumption assessment was undertaken based on the International Roughness Index (IRI) and observation and inspection of the assets. The measurements and inspection outcomes were used to provide an estimate of current asset health, the proportion of health remaining and the remaining useful lives of assets.

The condition of unsealed road segments was assessed by observation including detailed condition assessments in respect of roads damaged by flooding in February 2015 carried out by consulting engineers as well as pavement roughness measurements taken in April 2013. The condition of each segment of road asset components in localities that were affected by flooding in February 2015 was based on a weighted average of the assessed conditions of the asset areas (in square metres) that were not damaged by flooding, the damaged areas that were restored as at 30 June 2015 and the damaged areas that were awaiting restoration as at 30 June 2015.

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Remaining lives of assets were assessed based on both condition and year of construction.

A residual of 30% was formerly applied to the lives of bitumen components of roads that were not flood affected. AASB Action Alert number 172 of 29 May 2015 confirmed that this approach was not appropriate for assets without a resale market such as road infrastructure assets. In order to continue alignment between financial reporting and asset management practices, Council has identified an additional long-lived bitumen seal component as below, the depreciation of which (when blended with other road components) reflects the consumption of future economic benefits embodied in the asset through use. This change is not expected to result in any material change to depreciation expense, current replacement cost or accumulated depreciation.

Average current replacement costs ($ per sqm) for each of the key components were:

		2015			2014		Percentage increase
Pavement (sealed and unsealed roads)	$	24.508	per square metre	$	23.980	per square metre	2.20%
Bitumen seal (wearing course - 80%)	$	3.0504	per square metre	$	3.0504	per square metre	0.00%
Bitumen seal (wearing course - 20%)	$	0.7626	per square metre	$	0.7626	per square metre	0.00%
Bitumen seal (intermediate course)	$	3.8130	per square metre	$	3.8130	per square metre	0.00%
Subgrade	$	0.3600	per square metre	$	0.3500	per square metre	2.86%

Unit rates applied for 2015 were higher than rates applied for 2014. The increases shown was considered appropriate based on Council's recent experiences in road construction activities and by reference to Australian Bureau of Statistics producer price index 3101 road and bridge construction Queensland (A2333727L) for the year to June 2015.

There was an active market for bitumen road sealing during the year and unit rates used reflect those achieved by the council.

In determining the level of accumulated depreciation, roads were disaggregated into significant components which exhibited different useful lives.

Conditions were assessed using the following table:

Definition	Rating	Percentage of design life remaining	Comment on any change from FY2014
Over 30% of the road requires reconstruction	5	20%	No change
10% to 30% of the road requires reconstruction	4	30%	No change
Less than 10% of the road requires reconstruction plus patching and surface correction	3	50%	No change
Minor patching and surface correction	2	70%	No change
No attention required	1	90%	No change

Weighted average condition ratings were used extensively for road segments that were affected by flooding and which were either awaiting final repair or which had been repaired.

As detailed above Council's road network has been valued using written down current replacement cost. This method utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon years of experience, different judgements could result in a different valuation. The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Estimated life	10 years to 200 years	The longer the estimated life, the higher the fair value
Estimated remaining life	1 year to 200 years	The longer the estimated remaining life, the higher the fair value
Condition rating	1 to 5 as above	The higher the condition rating, the higher the fair value
Standard construction unit rate per square metre	$0.3600 to $24.508 as above	The higher the standard construction unit rate, the higher the fair value

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(iv) Bridges (level 3)

All Council bridge assets were fair valued using written down current replacement cost. This valuation comprises the asset's current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

CRC was measured by reference to the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. Where existing assets were over designed, had excess capacity, or were redundant an adjustment was made so that the resulting valuation reflected the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output within the council's planning horizon.

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on a "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks.

Council categorises its bridges into concrete, timber and concrete/timber composite hydraulic structures. Council assumes that environmental factors such as soil type, climate and topography are consistent across each bridge. Council also assumes a bridge is designed and constructed to the same standard and uses a consistent amount of labour and materials for its construction type.

CRC was calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations.

Council's bridges and hydraulic structures were valued by Council's employed Manager 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 being depreciated replacement cost as at 30 June 2015. Mr Jacobs relied on dimensional, condition, costing and other data collected during the period to assess the values as at this date. Council's bridges primarily consist of either all timber structures, all concrete structures or "Doolan Deck" structures that include both concrete and timber components. Replacement costs for these assets were assessed based on unit rates which reflected the council's experiences in constructing bridges. Condition data for bridges was obtained through regular inspection activities including taking core samples of major timber components and level two inspection reports prepared for Council by consulting engineers in respect of a number of bridges. Remaining lives of assets were assessed based on both condition and year of construction. No residual value was applied in respect of any bridge.

Average gross replacement costs ($ per sqm of deck area) for major bridge types were:

		2015			2014		Percentage increase
All concrete	$	4,298	per square metre	$	3,820	per square metre	12.51%
Doolan deck (concrete and timber)	$	2,460	per square metre	$	2,460	per square metre	0.00%
All timber	$	1,950	per square metre	$	1,950	per square metre	0.00%

Unit rates assessed for 2015 were based on recent construction results and estimates and were unchanged on the unit rates applied for 2014. This was considered appropriate based on Council's recent experience in an active market for bridge reconstruction.

In addition, Australian Bureau of Statistics series 6427.0 Producer Price Index Number "3101 Road and bridge construction Queensland " decreased by 0.65% during the year to June 2015.

In determining the level of accumulated depreciation, remaining useful lives were calculated based on condition assessments.
Conditions were assessed using the following table:

Definition	Rating	Reduction in design life	Comment on any change from FY2014
Timber bridge with measured girder stress of 60 Mpa or greater	5	90%	No change
Timber bridge with measured girder stress of between 40 Mpa and 60 Mpa	4	50%	No change
Timber bridge with measured girder stress of between 30 Mpa and 40 Mpa	3	30%	No change
Timber bridge with measured girder stress of between 20 Mpa and 30 Mpa	2	15%	No change
Good	1	5%	No change

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All-concrete or part-concrete bridge requiring no maintenance	0	0%	No change

As detailed above Council's bridge network has been valued using written down current replacement cost. This method utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon years of experience, different judgements could result in a different valuation. The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Significant unobservable input	**Range of Inputs**	**Relationship of unobservable inputs to fair value**
Estimated life	30 years to 100 years	The longer the estimated life, the higher the fair value
Estimated remaining life	0 years to 100 years	The longer the estimated remaining life, the higher the fair value
Condition rating	0 to 5 as above	The lower the condition rating, the higher the fair value
Standard construction unit rate per square metre of deck	$1,950 to $4,298 as above	The higher the standard construction unit rate, the higher the fair value

(v) Underground Drainage (level 3)

All Council underground drainage assets were fair valued using written down current replacement cost. This valuation comprises the asset's current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

CRC was measured by reference to the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. Where existing assets were over designed, had excess capacity, or were redundant an adjustment was made so that the resulting valuation reflected the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output within the council's planning horizon.

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on a "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks.

Council categorises its underground drainage assets by material including concrete and polyvinyl chloride (PVC) pipework and by size and depth.

Council assumes that environmental factors such as soil type, climate and topography are consistent across each geographic area where underground drainage is located. Council also assumes that each segment of underground drainage is designed and constructed to the same standard and uses a consistent amount of labour and materials for its construction type.

CRC was calculated by reference to asset linear metres and area specifications, estimated labour and material inputs, services costs, and overhead allocations.

Underground drainage assets were valued by Council's employed Manager 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 was valued at fair value being depreciated replacement cost as at 30 June 2013 at fair value being depreciated replacement cost. Mr Jacobs relied on dimensional, condition, costing and other data collected to assess the values of underground drainage assets. Replacement costs for these assets were assessed based on unit rates which reflected the council's experiences in constructing underground drainage and based on the known achieved costs of a major property developer operating within the Somerset Regional Council area for infrastructure that was contributed to the council. Remaining lives of assets were assessed based on both condition and year of construction. No residual value was applied in respect of any underground drainage asset. Above ground drainage is valued with road assets.

Average gross replacement costs ($ per linear metre) for key pipe types by material, diameter and class were:

	2014 and 2015	
Concrete - 1500mm diameter- class 2	$ 1,167.69	per linear meter
Concrete - 375mm diameter- class 2	$ 127.37	per linear meter
Concrete - 1800mm diameter- class 2	$ 1,273.90	per linear meter
Concrete - 1350mm diameter- class 2	$ 987.30	per linear meter
Concrete - 750mm diameter- class 2	$ 339.70	per linear meter
Concrete - 600mm diameter- class 2	$ 254.80	per linear meter

All of Council's underground drainage network is relatively new and is in excellent condition.

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In determining the level of accumulated depreciation, remaining useful lives were calculated based on condition assessments.
Conditions were assessed using the following table:

Definition	Rating	Reduction in design life	Comment on any change from FY2014
Failed	5	90%	No change
Poor	4	70%	No change
Fair	3	30%	No change
Good	2	20%	No change
Excellent	1	0%	No change

As detailed above Council's bridge network has been valued using written down current replacement cost. This method utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon years of experience, different judgements could result in a different valuation. The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Estimated life	50 to 100 years	The longer the estimated life, the higher the fair value
Estimated remaining life	88 years to 99 years	The longer the estimated remaining life, the higher the fair value
Condition rating	0 to 5 as above	The higher the condition rating, the higher the fair value
Standard construction unit rate per linear metre of pipe	$91.98 to $4,598.62 (most common types detailed above)	The higher the standard construction unit rate, the higher the fair value

(vi) Plant and equipment

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

During the year, Council resolved to reclassify playgrounds, picnic units, lighting, CCTV systems and other modular assets from the buildings and other structures class to plant and equipment. The value of assets reclassified is disclosed at note 16. No material change to depreciation expense or to any asset values was expected to result from this reclassification.

	Note	2015 ($ 000's)	2014 ($ 000's)
17. Capital works in progress component of property, plant and equipment			
Capital works in progress is stated at cost and is represented by the following categories at the reporting date:			
Bridges		389	1,284
Roads		92	724
Buildings and other structures		1,633	2,457
Total capital works in progress		2,113	4,464
18. Trade and other payables			
Current			
Trade creditors		3,032	538
Sundry accruals		1,694	4,170
Other liabilities		27	10
Goods and services tax (GST) payable		-	688
Employee entitlements - annual leave		1,065	993
Employee entitlements - accrued hours		77	81
		5,895	6,478

No part of the employee entitlements for annual leave or accrued hours is considered to be non-current based on recent rates achieved in the taking of annual leave.

	2015	2014
19. Borrowings		
Current		
Loans - Queensland Treasury Corporation	-	-
Non-Current		
Loans - Queensland Treasury Corporation	-	-
Financing facilities		
The Council has an unsecured overdraft facility to a limit of:	50	50
Unused portion:	50	50
The Council has unsecured credit card facilities to a limit of:	166	166
Unused portion:	125	125

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	Note	2015 ($ 000's)	2014 ($ 000's)
20. Provisions			
Current			
Long service leave		1,940	1,781
Land acquisition compensation		310	770
		2,250	2,551
Non-Current			
Long service leave		253	314
Restoration of gravel pits		240	234
		492	549
Details of movements in provisions:			
Long service leave			
Balance at beginning of financial year		2,095	2,126
Long service leave entitlement arising		2,037	1,750
Long service leave entitlement extinguished		-	-
Long service leave entitlement paid		(1,940)	(1,781)
Balance at end of financial year		2,193	2,095
Land acquisition compensation			
Balance at beginning of financial year		770	-
Land acquisition compensation arising		(460)	770
Land acquisition compensation amount paid		-	-
Land acquisition compensation unused amounts reversed		-	-
Balance at end of financial year		310	770
Restoration of gravel pits			
Balance at beginning of financial year		234	155
Increase in provision due to unwinding of discount		-	-
Increase/(decrease) in provision due to change in discount rate		5	80
Balance at end of financial year		240	234
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:		311	353

21. Asset revaluation surplus

	2015 ($ 000's)	2014 ($ 000's)
The asset revaluation surplus consists of the following components:		
Land	-	-
Buildings and other structures	7,436	7,436
Road assets	-	-
Bridge assets	1,291	1,100
Underground drainage assets	283	283
Balance of asset revaluation surplus	9,010	8,818

The balance of the asset revaluation surplus is not available for distribution to any person because it is represented by non-current assets including infrastructure that is required to provided services to the community.

22. Reserves

2015	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)
A. Reserves held for future capital expenditure				
Asset replacement reserve	13,558	-	-	13,558
Plant reserve	300	-	-	300
Constrained works reserve	1,325	58	-	1,384
Building reserve	197	-	-	197
Skew Gully Road Maint Reserve	15	-	-	15
Tennis court major maintenance reserve	127	-	-	127
Light plant fleet reserve	1,728	-	-	1,728
Total reserves held for future capital expenditure	17,251	58	-	17,310
B. Reserves held for future recurrent expenditure				
Environmental reserve	216	-	-	216
Elections reserve	-	-	-	-
Legal expenses reserve	248	-	-	248
Disaster management reserve	416	-	-	416
New financial system reserve	1,600	-	-	1,600
Recurrent revenue reserve	331	-	-	331
Land Sales Reserve	10,831	-	-	10,831
Total reserves held for future recurrent expenditure	13,641	-	-	13,641
Grand total	30,893	58	-	30,951

2014	($ 000's)	($ 000's)	($ 000's)	($ 000's)
A. Reserves held for future capital expenditure				
Asset replacement reserve	13,558	-	-	13,558
Plant reserve	300	-	-	300
Constrained works reserve	1,629	412	(715)	1,325
Building reserve	197	-	-	197
Skew Gully Road Maint Reserve	15	-	-	15
Tennis court major maintenance reserve	127	-	-	127
Light plant fleet reserve	1,728	-	-	1,728
Total reserves held for future capital expenditure	17,555	412	(715)	17,251
B. Reserves held for future recurrent expenditure				
Environmental reserve	216	-	-	216
Elections reserve	25	-	(25)	-
Legal expenses reserve	248	-	-	248
Disaster management reserve	416	-	-	416
New financial system reserve	1,600	-	-	1,600
Recurrent revenue reserve	288	43	-	331
Land Sales Reserve	10,540	290	-	10,831
Total reserves held for future recurrent expenditure	13,333	334	(25)	13,641
Grand total	30,887	746	(740)	30,893

23. 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 minimum obligations under non-cancellable operating leases (these obligations are not recognised as liabilities):

	2015 ($ 000's)	2014 ($ 000's)
Not later than 1 year	288	272
Later than 1 year, but not later than 5 years	112	142
Later than 5 years	-	-
	400	414
Operating lease expenditure incurred during the period:	378	352

(c) Contractual commitments – recurrent expenditure

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

	2015 ($ 000's)	2014 ($ 000's)
Not later than 1 year	1,033	987
Later than 1 year, but not later than 5 years	4,132	3,947
Later than 5 years	1,145	1,759
	6,310	6,693

(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:

	2015 ($ 000's)	2014 ($ 000's)
Buildings	195	637
Plant and equipment	616	9
Infrastructure assets	105	3,326
	916	3,972

These expenditures are payable within the next 12 months.

(e) Operating leases where Council is lessor (revenue)

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

	2015 ($ 000's)	2014 ($ 000's)
Not later than 1 year	116	108
Later than 1 year, but not later than 5 years	382	192
Later than 5 years	27	60
	525	360

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24. 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 balance date 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 an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise.

	2015 ($ 000's)	2014 ($ 000's)
The Council's maximum exposure is:	562	705

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 being unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution is to the total pool contributions in respect to any year that a deficit arises.

As at 30 June 2015 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

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).

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

The scheme has three elements referred to as:
The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments;
The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund; and
The Accumulation Benefits Fund (ABF)

The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the Local Government Act 2009.

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

The Regional DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

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

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

As at the reporting date, the assets of the scheme are sufficient to meet the vested benefits.

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2012. The actuary indicated that "the Regional DBF is currently in a satisfactory but modest financial position and remains vulnerable to adverse short and medium term experience."

Following the previous actuarial assessment in 2009, councils were advised by the trustee of the scheme, following advice from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of Regional DBF members. In the 2012 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

Under the Local Government Act 2009 the trustee of the scheme has the power to levy additional contributions on councils which have employees in the Regional DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

There are currently 72 entities contributing to the Regional DBF Plan and any changes in contribution rates would apply equally to all 72 entities. Somerset Regional Council made less than 4% of the total contributions to the plan during the 2014/2015 year.

The next actuarial investigation will be made as at 1 July 2015.

	2015	2014
	($ 000's)	($ 000's)
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	1,403	1,470

26. Executive remuneration

Disclosures under S 201 of the Local Government Act 2009

Total remuneration packages payable to senior management:	1,201	1,201

The number of relevant employees was:		
Employees with a total remuneration package in the range of $100000–$199999	4	4
Employees with a total remuneration package in the range of $200000–$299999	1	1
Employees with a total remuneration package in the range of $300000–$399999	1	1

27. Financial instruments

Somerset Regional Council's activities expose it to a variety of financial risks including interest rate risk and credit risk.

(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 2015, Council has no fixed rate or variable rate borrowings and interest rate risk on borrowings is managed through the absence of borrowings.

Borrowing by the Council is constrained by the provisions of the Statutory Bodies Financial Arrangements Act 1982.

Council has an investment policy which sets an objective to maximize earnings on cash investments within approved risk guidelines and to ensure the security of funds.

Interest rate risk relating to investments has been managed through the use of both Queensland Treasury Corporation (QTC) Cash Fund investments so that Council achieves Queensland State Government investment returns and through investment in term deposits with fixed interest rates where appropriate. Council does not undertake any hedging of interest rate risk.

In terms of Standard and Poor's ratings, all investments were AA minus-rated products with AA minus-rated institutions or better.

As at 30 June 2015 all cash investments complied with the investment policy.

In assessing whether to invest in AA minus-rated products other than Queensland Government investments, Council officers assess whether the investment product would have a more advantageous rate of interest available at the time, for that investment type, and in a way that is considered most appropriate given the circumstances.

Council also holds an equity participant loan receivable with Queensland Urban Utilities with an interest rate described in note 15.

Actual cash and investment balances as at balance date were as follows:

	2015 ($ 000's)	2014 ($ 000's)
Working cash, trust funds and cash on hand	646	1,060
AA minus-rated products at AA minus-rated financial institutions or better	54,000	56,000
QIC/QTC Pooled Cash Management Fund	7,833	8,258
Equity participant loan - Queensland Urban Utilities	13,804	13,804
Total	76,283	79,122

Interest rate risk has been measured using sensitivity analysis.

The sensitivity analysis used and described below is unchanged on the method reported in the financial statements for the year ended 30 June 2014.

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 as follows:

Interest rate risk sensitivity analysis	2015 ($ 000's)	2014 ($ 000's)
Impact on carrying amount of 1% increase in market interest rates on financial assets	-	-
Impact on net result of 1% increase in market interest rates on financial assets	632	656
Impact on equity of 1% increase in market interest rates on financial assets	632	656

The above interest rate sensitivity analysis depicts the outcome to net result should there be a 1% increase in market interest rates. The calculations assume that the rate would be held constant over the next financial year, with the change occurring at the beginning of that year. It is assumed that interest rates on overdue rates would not change. If the rates decreased by 1% the impact would be equal in amount in the reverse direction. Because Council holds no interest bearing liabilities, there is no interest rate risk in respect of financial liabilities and no sensitivity analysis is required.

The above analysis does not include the equity participant loan with an interest rate setting mechanism described in note 14.

27. Financial instruments

Interest rate and maximum credit risk disclosures

Financial Instrument	Floating Interest Rate ($ 000's)	Fixed Interest Rate ($ 000's)	Non-interest Bearing ($ 000's)	Total ($ 000's)	Weighted average effective interest rate %
As at 30 June 2015					
Financial Assets					
Cash assets and cash equivalents - 1	-	-	(738)	(738)	0.00%
Cash assets and cash equivalents - 2	9,217	-	-	9,217	2.73%
Cash assets and cash equivalents - 3	-	54,000	-	54,000	3.11%
Receivables - 1	-	1,766	-	1,766	11.00%
Receivables - 2	-	-	3,693	3,693	0.00%
Investments	-	13,804	-	13,804	4.82%
Total financial assets	9,217	69,570	2,955	81,742	
Weighted average interest rate	2.73%	3.65%	0.00%	3.41%	
Financial liabilities					
Payables	-	-	5,895	5,895	0.00%
Provisions	-	-	2,742	2,742	0.00%
Total financial liabilities	-	-	8,637	8,637	
	0.00%	0.00%	0.00%	0.00%	
Net financial assets	9,217	69,570	(5,682)	73,105	

Financial Instrument	Floating Interest Rate ($ 000's)	Fixed Interest Rate ($ 000's)	Non-interest Bearing ($ 000's)	Total ($ 000's)	Weighted average effective interest rate %
As at 30 June 2014					
Financial Assets					
Cash assets and cash equivalents - 1	-	-	(265)	(265)	0.00%
Cash assets and cash equivalents - 2	9,583	-	-	9,583	3.37%
Cash assets and cash equivalents - 3	-	56,000	-	56,000	3.76%
Receivables - 1	-	1,558	-	1,558	11.00%
Receivables - 2	-	-	2,423	2,423	0.00%
Investments	-	13,804	-	13,804	4.98%
Total financial assets	9,583	71,362	2,158	83,103	
Weighted average interest rate	3.37%	4.15%	0.00%	3.96%	
Financial liabilities					
Payables	-	-	6,478	6,478	0.00%
Provisions	-	-	3,100	3,100	0.00%
Total financial liabilities	-	-	9,578	9,578	
	0.00%	0.00%	0.00%	0.00%	
Net financial assets	9,583	71,362	(7,420)	73,525	

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27. Financial instruments

(b) Credit risk exposure

Credit risk exposure refers to the situation where the Council may incur a financial loss as a result of another party to a financial instrument failing to discharge its obligations.

The credit risk on financial assets of the Council which have been recognised on the statement of financial position is generally the carrying amount less impairment and the maximum exposure to credit risk is as indicated in the previous table.

As at 30 June 2015, $1.956 million out of a total $2.010 million (note 13) of other debtors levied was owing by Queensland State Government entities. (2014 - $0.996 million out of $1.115 million was owed by Queensland State Government entities)

There is not considered to be any other concentration of credit risk in relation to receivables other than that by the nature of Council's operations, there is a geographical concentration of risk in the Council's geographical area.

Credit risk on receivables is mainly managed through the existence and use of the sale of land for overdue rate powers contained in applicable legislation (which give Council the power to sell properties to recover defaulted amounts in certain circumstances) 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 is managed through the use of Queensland Treasury Corporation (QTC) Cash Fund investments and deposits held with banks for all funds under investment. The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rating counterparties. Deposits in the QTC Cash Fund are capital guaranteed.

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

Credit risk on debtors is measured through regular analysis of aging of debts. Impairment due to doubtful debts are disclosed at note 13.

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:

Aging analysis				
		Receivables	**($ 000's) 2015**	**($ 000's) 2014**
	Fully performing		3,368	2,320
	Past due	Less than 30 days	5	46
	Past due	30-60 days	-	4
	Past due	61-90 days	692	600
	Past due	More than 90 days	1,747	950
	Impaired		75	61
	Total		5,887	3,981

The ageing analysis used is unchanged on the method reported in the financial statements for the year ended 30 June 2014.

27. Financial instruments

(c) Liquidity risk

Liquidity risk refers to the situation where the Council may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Council has no interest bearing financial liabilities and there is considered to be negligible liquidity risk.

The Council had an overdraft facility up to $50,000 that was unused as at both 30 June 2014 and 30 June 2015.
Council's investment policy requires that the investment portfolio will maintain sufficient liquidity to meet all reasonably anticipated operating cash flow requirements of Council, as and when they fall due, without incurring significant transaction costs due to being required to sell an investment.

The following analysis is presented to illustrate why there is considered to be negligible liquidity risk.

Maturity analysis	**($ 000's) 2015**	**($ 000's) 2014**
Cash and cash equivalents	62,479	65,318
Less: investments with maturity dates more than 5 months after balance date	-	-
Liquid cash and cash equivalents	62,479	65,318
Payments to suppliers and employees for the year ended 30 June	(34,069)	(29,703)
Cash balance held at year end less total prior financial year cash outflows	28,410	35,615

It is concluded that Council held sufficent cash reserves at balance date to fund more than 12 months of operations not including any investment in new property, plant and equipment and assuming no significant increase in cash outflows.

(d) Net fair value

Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Council does not recognise any financial assets or financial liabilities at fair value.

	Note	2015 ($ 000's)	2014 ($ 000's)
28. Reconciliation of net result attributable to Council to net cash inflows from operating activities			
Net result for year		23,407	31,398
Non-cash operating items :			
Contribution of non-monetary non-current assets at fair value	7	(518)	(288)
Share of the profit of associated entity accounted for using the equity method not adjusted for distributions received	15	(1,551)	(1,103)
Add back distributions received from the profits of associated entity	15	620	584
Revaluation decrement of road assets in excess of balance held in asset revaluation surplus	16	3,155	5,666
Depreciation	16	6,655	6,472
		8,360	11,332
Investing and development activities			
Net (profit) loss on sale of developed land	8	-	(294)
Proceeds from sale of developed land	8	-	294
Net (profit) loss on disposal of non current assets	9	343	67
		343	67
Changes in operating assets and liabilities :			
(Increase) decrease in receivables		(1,478)	646
(Increase) decrease in inventories held for distribution		82	123
Increase (decrease) in provisions		(358)	819
Increase (decrease) in payables		(586)	(1,202)
		(2,340)	387
Net cash inflow from operating activities		29,770	43,184

29. Trust Funds

	2015	2014
Monies collected or held on behalf of another entity yet to be paid out to or on behalf of that entity	982	1,106

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.

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.

30. Events after balance date

There were no material subsequent events after the balance date.

31. National Competition Policy

Activities to which the code of competitive conduct applies

'A "business activity" of a local government is any activity that involves trading in goods or services.

The code of competitive conduct (CCC) must be applied to the following business activities:

(a) A building certifying activity that:

(i) involves performing building certifying functions within the meaning of the Building Act, section 8; and

(ii) is prescribed under a regulation.

(b) A roads activity, other than a roads activity for which business in conducted only through a sole supplier arrangement, that involves:

(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.

(ii) construction or road maintenance on another local government's roads which the local government has put out to tender.

Council did not have any of these business activities during either 2014/2015 or 2013/2014.

Each local government may elect to apply a Code of Competitive Conduct (CCC) to any other identified business activities. However, for any with current expenditure of $318,000 or more, the local government must decide, by resolution each year, whether to apply the CCC to that activity.

In general, applying the competitive code of conduct means that the competitive neutrality principle is applied to the business activity. Under the competitive neutrality principle, an entity that is conducting a business activity in competition with the private sector should not enjoy a net advantage over competitors only because the entity is in the public sector. The competitive neutrality principle may be applied by commercialisation or full cost pricing. This includes removing any competitive advantage or disadvantage, where possible, and charging for goods and services at full cost. In addition the cost of performing community service obligations, less any revenue received from carrying out those obligations, must be treated as revenue for the business activity. A community service obligation is an obligation the local government imposes on a business activity that is not in it's commercial interest. For example, giving a concession to pensioners. A local government's financial statements must contain an activity statement for each business activity to which the CCC applies.

On 14 May 2008, Council resolved to no longer apply the Code of Competitive Conduct to any activity.

SOMERSET REGIONAL COUNCIL

MANAGEMENT CERTIFICATE
For the year ended 30 June 2015

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

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

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

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

Cr Graeme Lehmann
Mayor

Date: 6/10/15

Robert Bain
Chief Executive Officer

Date: 6/10/15.

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 statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Mayor and the Chief Executive Officer.

The Council's Responsibility for the Financial Report

The Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Local Government Act 2009* and *Local Government Regulation 2012*, including compliance with Australian Accounting Standards. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards,* which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

Independence

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

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

Opinion

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

(a) I have received all the information and explanations which I have required; and

(b) in my opinion -

  (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and

  (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of Somerset Regional Council for the financial year 1 July 2014 to 30 June 2015 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

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

QUEENSLAND
14 OCT 2015
AUDIT OFFICE

D A Stolz

D A STOLZ FCPA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane