

Somerset

REGIONAL COUNCIL

Financial Statements
For the year ended 30 June 2019

SOMERSET REGIONAL COUNCIL
Statement of Comprehensive Income
For the year ended 30 June 2019

	Note	2019 (\$ 000's)	2018 (\$ 000's)
Continuing operations			
Revenue			
Capital Revenue			
Grants, subsidies, contributions and donations	5	<u>5,685</u>	<u>7,904</u>
Recurrent revenue			
Rates, levies and charges	3a	21,882	21,130
Fees and charges	3b	1,566	1,767
Rental income		367	320
Interest income	3c	3,027	2,780
Sales revenue	3d	8,230	3,628
Other income	3e	2,433	2,393
Grants, subsidies, contributions and donations	4	<u>3,976</u>	<u>5,285</u>
		<u>41,480</u>	<u>37,302</u>
Total revenue		47,164	45,206
Share of the profit of associated entity accounted for using the equity method	13	<u>1,871</u>	<u>2,092</u>
		49,036	47,298
Expenses			
Recurrent expenses			
Employee benefits	8	(13,586)	(13,361)
Depreciation	14	(8,873)	(8,456)
Other expenses	9	(1,180)	(1,141)
Materials and services	6	<u>(16,435)</u>	<u>(15,971)</u>
		<u>(40,073)</u>	<u>(38,929)</u>
Capital expenses			
Loss on the disposal of capital assets	7	-	(946)
Total expenses		<u>(40,073)</u>	<u>(39,875)</u>
Gain on the disposal of capital assets	7	<u>729</u>	<u>-</u>
Net result for year		<u>9,692</u>	<u>7,423</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase/ (decrease) in asset revaluation surplus	14	3,578	9,614
Total other comprehensive income for the year		<u>3,578</u>	<u>9,614</u>
Total comprehensive income for the year		<u>13,270</u>	<u>17,037</u>

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

SOMERSET REGIONAL COUNCIL
Statement of Financial Position
As at 30 June 2019

	Note	2019 (\$ 000's)	2018 (\$ 000's)
ASSETS			
Current Assets			
Cash and cash equivalents	10	79,449	74,519
Trade and other receivables	11	5,964	4,458
Inventories		658	655
		86,071	79,632
Non-Current Assets			
Trade and other receivables	12	13,804	13,804
Investment in associate	13	28,507	27,899
Property, plant and equipment	14	346,217	338,286
		388,528	379,989
TOTAL ASSETS		474,599	459,621
LIABILITIES			
Current Liabilities			
Trade and other payables	16	6,063	3,932
Provisions	17	1,729	2,069
		7,792	6,001
Non-Current Liabilities			
Provisions	17	7,511	7,595
		7,511	7,595
TOTAL LIABILITIES		15,303	13,596
NET COMMUNITY ASSETS		459,296	446,026
Community Equity			
Retained surplus		363,298	353,854
Asset revaluation surplus	18	64,282	60,704
Reserves	19	31,716	31,468
TOTAL COMMUNITY EQUITY		459,296	446,026

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 2019

	Note	2019 (\$ 000's)	2018 (\$ 000's)
Cash flows from operating activities			
Receipts from customers		45,171	44,693
Payments to suppliers and employees		<u>(32,190)</u>	<u>(32,423)</u>
		<u>12,981</u>	<u>12,270</u>
Interest received		2,780	2,552
Dividend received		1,264	1,370
Net cash inflow (outflow) from operating activities	25	<u>17,024</u>	<u>16,191</u>
Cash flow from investing activities			
Payments for property, plant and equipment		(14,131)	(10,604)
Proceeds from sale of property, plant and equipment		<u>2,038</u>	<u>549</u>
Net cash inflow (outflow) from investing activities		<u>(12,094)</u>	<u>(10,055)</u>
Net increase (decrease) in cash held		4,931	6,136
Cash at beginning of reporting period		<u>74,519</u>	<u>68,383</u>
Cash at end of reporting period	10	<u>79,449</u>	<u>74,519</u>

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

SOMERSET REGIONAL COUNCIL
Statement of Changes in Equity
For the year ended 30 June 2019

	Total		Retained surplus		Asset revaluation surplus Note 18		Reserves Note 19	
	2019 (\$ 000's)	2018 (\$ 000's)	2019 (\$ 000's)	2018 (\$ 000's)	2019 (\$ 000's)	2018 (\$ 000's)	2019 (\$ 000's)	2018 (\$ 000's)
Balance at beginning of year	446,026	428,989	353,855	346,765	60,703	51,090	31,468	31,134
Net result for the year	9,692	7,423	9,692	7,423	-	-	-	-
Transfers to reserves	-	-	(248)	(334)	-	-	248	334
Transfers from reserves	-	-	-	-	-	-	-	-
Other comprehensive income for the year - net increase/(decrease) in asset revaluation surplus	3,578	9,614	-	-	3,578	9,614	-	-
Balance at end of year	459,296	446,026	363,298	353,855	64,282	60,703	31,716	31,468

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

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

1.01 Basis of preparation

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

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 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.

1.03 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 Changes to accounting policies

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

1.06 Adoption of new and revised Accounting Standards

This year Council has applied AASB 9 Financial Instruments for the first time. AASB 9 replaces AASB 139 and relates to the recognition, classification and measurement of financial assets and financial liabilities. Implementing AASB 9 has resulted in a change to the way council calculates impairment provisions, which are now based on expected credit losses instead of incurred credit losses.

Council has not restated comparative figures. This means the new impairment rules are reflected in the receivables balance at 30 June 2019, but not 30 June 2018.

On 1 July 2018 (the date of initial application), council re-assessed the classification, measurement category and carrying amount of each financial instrument (listed below) in accordance with AASB 9. There were some changes to classification, but this did not result in changes to measurement categories (listed below). Carrying amounts were also unchanged.

Financial asset/liability	Measurement category (unchanged)
Cash and cash equivalents	Amortised cost
Receivables	Amortised cost
Other financial assets	Amortised cost
Borrowings	Amortised cost

Some Australian Accounting Standards and Interpretations have been issued but are not yet effective. Those standards have not been applied in these financial statements. Council will implement them when they are effective. The standards that are expected to have a material impact upon council's future financial statements are:

Standard and impact

Date council will apply the standard

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

1 July 2019

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-to-profit (NFP) entities, in conjunction with AASB 15, and AASB 2016-8. These Standards supersede the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 Contributions.

Identifiable impacts at the date of this report are:

Some grants received by the Council will be recognised as a liability, and subsequently recognised progressively as revenue as the Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.

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

Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of the Council's goods and services such that some revenue may need to be deferred to a later reporting period to the extent that the Council has received payment but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime).

Prepaid rates will not be recognised as revenue until the relevant rating period starts. Until that time these receipts will be recognised as a liability (unearned revenue). There will be no impact upon the recognition of other fees and charges.

Based on Council's assessment, if Council had adopted the new standards in the current financial year it would have had the following impacts:

- > Revenue decrease of \$609,293 due to deferral of grant funding, pre-paid rates, and other sales related revenue (based on the facts available to Council at the date of assessment).
- > There would be an equal reduction in the reported equity as the reduced revenue will require an increase in recognition of contract liabilities, and statutory receivables.
- > Net result would be lower on initial application as a result of decreased revenue.

A range of new disclosures will also be required by the new standards in respect of the Council's revenue.

Transition method

The Council intends to apply AASB 15, AASB 1058 and AASB 2016-8 initially on 1 July 2019, using the modified retrospective approach. The recognition and measurement principles of the standards will be retrospectively applied for the current year and prior year comparatives as though the standards had always applied, consistent with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

The Council intends to apply the practical expedients available for the full retrospective method. Where revenue has been recognised in full under AASB 1004, prior to 1 July 2019, but where AASB 1058 would have required income to be recognised beyond that date, no adjustment is required. Further, Council is not required to restate income for completed contracts that start and complete within a financial year. This means where income under AASB 1004 was recognised in the comparative financial year (i.e. 2018/19), these also do not require restatement.

AASB 16 Leases

1 July 2019

The Council has assessed the impacts of the new standard that initial application of AASB 16 will have on its consolidated financial statements, however, the actual impacts may differ as the new accounting policies are subject to change until the Council presents its first financial statements that include the date of initial application.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2019
Note 1

Based on Council's assessment, it is expected that the first-time adoption of AASB 16 for the year ending 30 June 2020 will have the following impacts:

- > lease assets and financial liabilities on the balance sheet will increase by \$718,000 and \$718,000 respectively (based on the facts available to Council at the date of assessment).
- > there will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities.
- > net result will be lower on initial application as depreciation and the lease liability interest will be initially higher than operating lease expenses previously recorded.

Leases in which the Group is a lessor

No significant impact is expected for other leases in which the Council is a lessor (see Note 20).

Transition method

The Council intends to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information. The Council intends to apply the practical expedient for the definition of a lease on transition. This means that it will apply AASB 16 on transition only to contracts that were previously identified as leases applying AASB 117 Leases and Interpretation 4 Determining whether an Arrangement contains a Lease.

Other

Other 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.

1.07 Estimates and judgements

Where necessary judgements, estimates and assumptions have been used in preparing these financial statements.

Those that have a significant effect, or risk causing an adjustment to council's assets or liabilities relate to:

Valuation and depreciation of property, plant and equipment - Note 14

Impairment of property, plant and equipment - Note 14

Investments - Note 13

Provisions - Note 17

Contingent liabilities - Note 21

1.08 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.

1.09 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.

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2019

Note 2 (a) - Analysis of Results by Function

	Subsidy and Grant Income		Other Income		Total Income		Expenses		Net Result		Total Assets	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)
Community and Corporate Services	778	856	1,055	900	1,833	1,756	6,721	5,997	(4,888)	(4,241)	-	-
Executive	-	-	-	-	-	-	1,429	1,377	(1,429)	(1,377)	-	-
Finance	3,338	3,376	24,773	24,277	28,111	27,653	1,135	2,365	26,976	25,287	128,381	121,335
Human Resources/ Customer Service	46	14	1	1	47	14	1,602	1,499	(1,555)	(1,485)	-	-
Operations	4,624	7,480	8,591	3,921	13,215	11,401	24,760	24,398	(11,544)	(12,997)	335,604	327,838
Planning/ Development	110	(28)	1,424	1,396	1,534	1,368	2,824	2,747	(1,290)	(1,379)	-	-
Plant	113	113	-	-	113	113	(367)	(399)	480	513	10,613	10,448
Waste management	-	-	3,040	2,901	3,040	2,901	1,970	1,890	1,070	1,011	-	-
Share of profit from associate	-	-	1,871	2,092	1,871	2,092	-	-	1,871	2,092	-	-
Total	9,010	11,810	40,755	35,488	49,764	47,298	40,073	39,875	9,692	7,423	474,598	459,621

Note 2.(b)

Description of Component Programs/ Functions

- Community and Corporate Services includes activities such as information systems, records, insurance, legal matters and community, recreation and cultural activities
- 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, public relations management and tourism promotion.
- Finance includes administration of revenues and expenditures, financial and asset reporting, planning, taxation and internal control functions.
- Human Resources and Customer Services includes personnel matters as well as customer service functions.
- Operations includes management of Council's infrastructure, disaster risk management, maintenance of public space and contract works.
- Planning and Development includes land use planning and building issues, economic development and regulatory services including animal control.
- Plant includes 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 waste facilities.
- Share of profit from associate relates to Central SEQ Distributor-Retailer Authority trading as Queensland Urban Utilities.

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2019

	2019	2018
Note	(\$ 000's)	(\$ 000's)

3. Revenue analysis

(a) Rates, levies and charges

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.

General rates	20,967	20,356
Food Act inspection special charge	30	31
Extractive industries inspection program special charge	28	28
Kennels inspection program special charge	10	9
Intensive poultry farm inspection program special charge	28	27
Rural fire levy special charge	204	137
Environmental separate charge	118	128
State Emergency Service separate charge	306	292
Garbage charges	3,393	3,240
Total gross rates and charges	<u>25,084</u>	<u>24,248</u>
Less: Discounts and pensioner remissions		
Discount - General rates	(2,757)	(2,694)
Discount - Garbage charges	(441)	(422)
Pensioner remissions	(3)	(3)
Total rate and charges discounts and pensioner remissions	<u>(3,202)</u>	<u>(3,119)</u>
	<u><u>21,882</u></u>	<u><u>21,130</u></u>

(b) 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

Animal control/ local law fees	259	257
Building fees	419	435
Cemetery fees	110	128
Change of ownership fees	65	60
Health and other fees	8	11
Planning and engineering fees	421	578
Property search fees	196	214
Waste fees	88	83
	<u>1,566</u>	<u>1,767</u>

(c) Interest income

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

Queensland Treasury Corporation	440	351
Queensland Urban Utilities	649	668
Interest from bank term deposits	1,685	1,526
Other bank interest	6	7
Interest from overdue general rates and other charges	208	193
Interest from overdue garbage charges	39	36
	<u>3,027</u>	<u>2,780</u>

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2019

	2019 Note (\$ 000's)	2018 (\$ 000's)
(d) Sales revenue		
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.		
Derived from - State Government transport entities	8,153	3,508
Derived from - water entities	41	33
Derived from - other parties	35	88
	<u>8,230</u>	<u>3,628</u>
(e) Other operating income		
Commissions earned/ administration fees retained	122	121
Ex-Gratia Queensland Treasury payments	1,137	1,109
Sponsorships and contributions	13	13
Other income	1,161	1,150
	<u>2,433</u>	<u>2,393</u>

4. Contributions, grants and subsidies - recurrent

Government subsidies/ grants used for recurrent expenditure

All grants and subsidies that are non-reciprocal in nature 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. 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.

Brisbane Valley Rail Trail - Commonwealth funding	-	520
Brisbane Valley Rail Trail - State funding	-	900
CROSS social services program	136	132
Environmental initiatives	100	-
Financial Assistance Grant	3,338	3,376
Fuel tax credits	113	113
Immunisation	10	13
Library book purchases	110	126
Natural disaster preparedness	15	13
Natural disaster resilience (flood studies)	41	-
Other recurrent grants	23	36
Regional Arts Development Fund	20	20
Sport, recreation and health grants	2	1
State Emergency Service	22	19
Training and development	46	14
Youth program	-	3
Total recurrent grants and subsidies	<u>3,976</u>	<u>5,285</u>

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2019

	Note	2019 (\$ 000's)	2018 (\$ 000's)
5. Contributions, grants and subsidies - capital			
a. General/ special purpose government subsidies/			
Bridges Renewal Program		715	2,047
Building Better Regions Fund		930	-
Building our Regions - Kilcoy Racecourse Development		185	-
Drought Communities Program extension - rural road upgrade		900	-
Fernvale Sports Park		-	273
Heavy Vehicle Safety and Productivity Program		-	400
Local government grants and subsidies/ waste programs		303	302
National Stronger Regions Fund - bridge replacement		-	304
Roads to Recovery - Commonwealth road and bridge funding		455	1,743
Transport Infrastructure Development		247	599
Transport other programs		1,301	858
Total capital grants and subsidies		5,034	6,526

b. Contributions constrained for capital purposes

Developers 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.

Contribution of monetary assets by developers	248	165
	<u>248</u>	<u>165</u>

c. Contributions of non-monetary assets

Non-cash contributions in excess of the recognition thresholds set out in Note 14 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.

Contribution of non-monetary non-current assets by developers at fair value	14	403	1,214
		<u>403</u>	<u>1,214</u>
Total capital grants, subsidies and contributions (a, b and c)		<u>5,685</u>	<u>7,904</u>

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2019

	Note	2019 (\$ 000's)	2018 (\$ 000's)
6. Ordinary expense activity analysis			
Materials and services analysis			
Brisbane Valley Rail Trail development/ trail maintenance		112	3,550
Contract upgrade works - State controlled roads		4,443	-
Contributions to volunteer rural fire brigades		204	137
Donations		180	119
Fringe benefits tax		123	110
Fuel and oil		825	751
Gravel operations		87	314
Indoor sports centre operations		373	366
Information technology goods and services		360	298
Insurance premiums - property and public liability		578	601
Internal audit services		24	42
Legal services		206	250
Library book purchases		97	148
Library operations other than book purchases		138	156
Mechanical parts, tyres and batteries and plant servicing		517	526
Office and communications		486	480
Plant and vehicle registrations		79	79
Street lighting		273	243
Somerset civic centre operations		219	217
Subscriptions		115	100
Swimming pool operations		487	406
Tourism operations		296	300
Valuation of land and assets		143	142
Waste collection contract services		1,212	1,067
Water and sewerage services - Queensland Urban Utilities		282	293
Other materials and services		4,576	5,277
Total		16,435	15,971

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2019

	Note	2019 (\$ 000's)	2018 (\$ 000's)
7. 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		423	450
Less: Book value of property, plant and equipment disposed			
Buildings and other structures	14	(120)	-
Plant and equipment	14	(503)	(551)
		<u>(201)</u>	<u>(101)</u>
(ii) Proceeds from the disposal of land (not held for redevelopment)		1,615	99
Less : Book value of land disposed	14	(686)	(944)
Gain (loss) on the disposal of land		929	(845)
Gain (loss) on the disposal of capital assets		<u>729</u>	<u>(946)</u>

Gains on the disposal of capital assets are included with income.
Losses on the disposal of capital assets are included with expenses.

8. Employee benefits

Total wages and salaries		13,994	13,284
Leave entitlements and other employee related expenses		(2)	179
Superannuation		1,580	1,565
Total employee costs		<u>15,572</u>	<u>15,028</u>
Employed for:			
Capital purposes		1,986	1,667
Operating purposes		13,586	13,361
		<u>15,572</u>	<u>15,028</u>
Number of employees as at 30 June		<u>200</u>	<u>201</u>

9. Other expenses

Included in other expenses are the following :

Audit services		70	74
Operating lease rentals		373	361
Councillors' remuneration		681	657
Other Councillor costs		56	50
		<u>1,180</u>	<u>1,141</u>

Payments made under 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.

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.

2019
(\$ 000's) **2018**
(\$ 000's)

10. 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 with original maturities of less than six months to be cash equivalents.

Cash on hand – petty cash and cash floats	5	6
Cash at bank - operating fund (including unpresented cheques)	357	555
Less cheques drawn on operating fund but not presented at balance date	(1,589)	(398)
Cash at bank – other	2,164	1,916
Term deposits	41,000	61,000
Short term investments at call	37,512	11,440
Balance per statement of cash flows	<u>79,449</u>	<u>74,519</u>

Cash at bank and on hand at 30 June 2019 includes \$964,725 received from the State government to mitigate the direct impacts on households of the State Waste Levy, which comes into effect from 1 July 2019. This money has been set aside to help fund the Council's 2019-20 Levy expense.

There were no other externally imposed expenditure restrictions at reporting date on any cash asset.

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 28.

11. Trade and other receivables (current)

Receivables are amounts owed to council at year end. They are recognised at the amount due at the time of sale or service delivery. Settlement of trade debtors is required within 30 days after the invoice is issued. Rate debts fall due 42 days after issue of a rate assessment notice.

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

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

Rates and utility charges levied	2,545	2,256
Less: impairment of rates debtors	(25)	(22)
	<u>2,521</u>	<u>2,234</u>
Goods and services tax (GST) refundable	119	129
Other debtors accrued	1,831	1,122
Other debtors levied	1,358	825
Less: impairment of non-rates debtors	(139)	(129)
	<u>3,169</u>	<u>1,947</u>
Prepayments	275	277
	<u>5,964</u>	<u>4,458</u>

Interest was charged on outstanding rates at a rate of 11% per annum (The rate after 30 June 2019 is 9.83%). No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges and fees.

12. Trade and other receivables (non-current)

Participant loan - Central SEQ Distributor-Retailer Authority trading as
Queensland Urban Utilities (QUU)

13,804 13,804

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 13 The loan receivable is subject to an agreement that provides for interest rate with monthly interest-only payments until 30 June 2023. The loan agreement provides 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 4.56% (2018 - 4.70%).

Accordingly the equity participant debt is treated as a non-current receivable. This debt was not secured.

	2019 (\$ 000's)	2018 (\$ 000's)
13. Investment in associate		
13a 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	27,899	27,177
Plus 0.826% share of income of Queensland Urban Utilities less distributions received or receivable	608	722
Closing balance - investment in associate accounted for using the equity method	<u>28,507</u>	<u>27,899</u>

13b 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:

	2019 (\$ 000's)	2018 (\$ 000's)
Current assets	240,263	332,971
Non-Current assets	<u>5,787,505</u>	<u>5,569,303</u>
	<u>6,027,768</u>	<u>5,902,274</u>
Current liabilities	323,086	301,705
Non-Current liabilities	<u>2,264,994</u>	<u>2,248,337</u>
	<u>2,588,080</u>	<u>2,550,042</u>
Net assets	<u>3,439,688</u>	<u>3,352,232</u>
Share of associate's net assets	<u>28,507</u>	<u>27,899</u>

Extract from the associate's statement of comprehensive income:

	2019 (\$ 000's)	2018 (\$ 000's)
Revenue	1,377,659	1,348,322
Net profit	<u>226,554</u>	<u>253,281</u>
Share of associate's net profit	<u>1,871</u>	<u>2,092</u>

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

Sales by Somerset Regional Council to Queensland Urban Utilities	41	33
Purchases by Somerset Regional Council from Queensland Urban Utilities	282	293
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%

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 within the local government areas of Brisbane City, Ipswich City, Scenic Rim region, Lockyer Valley region and Somerset region.

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

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 Act 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.

The participation rights represent equity of the entity 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 Investments in Associates and Joint Ventures. Although Council holds less than 1% of the participation rights of QUU, the operation of the participation agreement allows Council to exert significant influence over QUU because any three of the minority participants 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 QUU.

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.

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 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. The holding was initially recorded at cost (\$8,000) and subsequently fully impaired to a nil value.

14 PROPERTY, PLANT AND EQUIPMENT

For the year ended 30 June 2019

Basis of measurement

Asset Values

Opening balance
Additions at cost
Contribution of non-monetary assets by developers at fair value
Disposals *
Revaluation adjustment to the asset revaluation surplus
Revaluation adjustment to income
Assets classified as held for sale
Transferred between classes
Closing gross value

Land	Buildings and other structures	Roads	Plant and Equipment	Total completed assets	Work in progress (see note 15)	Total
Fair value	Fair value	Fair value	Cost		Cost	
2019	2019	2019	2019	2019	2019	2019
(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)
17,087	63,619	394,806	16,765	492,277	1,215	493,491
311	105	11,074	1,802	13,291	840	14,131
-	-	403	-	403	-	403
(686)	(506)	(579)	(1,123)	(2,895)	-	(2,895)
-	-	6,869	-	6,869	-	6,869
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
16,711	63,217	412,572	17,444	509,945	2,054	511,999

Accumulated Depreciation and Impairment

Opening balance
Depreciation provided in period
Depreciation on disposals
Revaluation adjustment to the asset revaluation surplus
Revaluation adjustment to income
Impairment on disposals
Assets classified as held for sale
Internal transfers
Accumulated depreciation at period end

-	16,092	132,796	6,317	155,205	-	155,205
-	1,151	6,587	1,134	8,872	-	8,872
-	(386)	(579)	(620)	(1,586)	-	(1,586)
-	-	3,290	-	3,290	-	3,290
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	16,856	142,095	6,831	165,782	-	165,782
16,711	46,361	270,477	10,613	344,163	2,054	346,217

Book value at period end

Revaluation adjustments

Total revaluation adjustments increment/ (decrement)
Adjustment to asset revaluation surplus (note 18)
Revaluation adjustments to Income

-	-	3,578	-	3,578	-	3,578
-	-	3,578	-	3,578	-	3,578
-	-	-	-	-	-	-
(686)	(120)	-	(503)	(1,309)	-	(1,309)

Additions comprise:

Renewals
Other additions
Total additions

-	-	8,865	-	8,865	-	8,865
311	105	2,209	1,802	4,426	840	5,266
311	105	11,074	1,802	13,291	840	14,131

14 PROPERTY, PLANT AND EQUIPMENT

For the year ended 30 June 2018

Basis of measurement

Asset Values

Opening balance
Additions at cost
Contribution of non-monetary assets by developers at fair value
Disposals
Revaluation adjustment to the asset revaluation surplus
Revaluation adjustment to income
Assets classified as held for sale
Transferred between classes
Closing gross value

Land	Buildings and other structures	Roads	Plant and Equipment	Total completed assets	Work in progress (see note 15)	Total
Fair value	Fair value	Fair value	Cost		Cost	
2018	2018	2018	2018	2018	2018	2018
(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)
17,890	61,293	361,183	16,459	456,826	1,051	457,877
-	718	8,246	1,476	10,440	164	10,603
-	-	1,214	-	1,214	-	1,214
(944)	-	(421)	(1,170)	(2,535)	-	(2,535)
141	1,608	24,585	-	26,333	-	26,333
	-		-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
17,087	63,619	394,806	16,765	492,277	1,215	493,491

Accumulated Depreciation and Impairment

Opening balance
Depreciation provided in period
Depreciation on disposals
Revaluation adjustment to the asset revaluation surplus
Revaluation adjustment to income
Impairment on disposals
Assets classified as held for sale
Internal transfers
Accumulated depreciation at period end

-	14,989	110,271	5,809	131,070	-	131,070
-	1,158	6,171	1,127	8,457	-	8,457
-	-	(421)	(620)	(1,041)	-	(1,041)
-	(56)	16,776	-	16,720	-	16,720
-	-		-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	16,092	132,796	6,317	155,205	-	155,205
17,087	47,527	262,010	10,448	337,072	1,215	338,286

Book value at period end

Revaluation adjustments

Total revaluation adjustments increment/ (decrement)
Adjustment to asset revaluation surplus (note 18)
Revaluation adjustments to Income

141	1,664	7,809	-	9,613	-	9,613
141	1,664	7,809	-	9,613	-	9,613
-	-	-	-	-	-	-
(944)	-	-	(551)	(1,495)	-	(1,495)

Additions comprise:

Renewals
Other additions
Total additions

-	628	5,019	-	5,647	-	5,647
-	90	3,227	1,476	4,793	164	4,957
-	718	8,246	1,476	10,440	164	10,603

14 PROPERTY, PLANT AND EQUIPMENT

14 Property, plant and equipment

Accounting policy matters

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.

Asset class	Capitalisation threshold
Land	\$ 1
Plant and equipment	\$ 5,000
Buildings and other structures, roads, bridges and 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.

(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 and 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.

The frequency of valuation and the relationship of valuers 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	Frequency of revaluation
Land	Revaluation	1 July 2017	Independent registered valuer	Every 5 years
Buildings and other structures	Revaluation	1 July 2017	Independent registered valuer	Every 5 years
Roads	Revaluation	30 June 2019	Suitably qualified council employee	Annually
Plant and Equipment	Cost	Not applicable	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.

14 PROPERTY, PLANT AND EQUIPMENT

In the intervening years between valuations, Council monitors relevant indicators for changes in land and building and other structures values each year including reports by the Queensland Valuer-General and relevant producer price indexes issued by the Australian Bureau of Statistics for any indication that land and buildings and other structures may have increased materially in value. Council will obtain roughness index data on its sealed road network every three years in order to better inform the management of its road assets.

Plant and equipment is measured at depreciated cost.

Separately identified significant 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 significant 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 class	Range of Estimated Useful Life in Years	Depreciation method used
Land	Not depreciated	Not depreciated
Buildings and Other Structures	5 to 133	Straight line
Plant and Equipment	3 to 50	Straight line
Roads	10 to 200	Straight line

(v) Impairment

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

(vi) Other 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" classes above. The assets are maintained on 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 Investment Property. Lease amounts receivable are disclosed in Note 20 (a).

14 PROPERTY, PLANT AND EQUIPMENT

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 and roads.

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 2019

	Level 2 (Significant other observable inputs) (\$ 000's)	Level 3 (Significant other observable inputs) (\$ 000's)	Total (\$ 000's)
Land	16,711	-	16,711
Buildings and other structures	-	46,361	46,361
Roads	-	270,477	270,477
	<u>16,711</u>	<u>316,839</u>	<u>333,550</u>

As at 30 June 2018

	Level 2 (Significant other observable inputs) (\$ 000's)	Level 3 (Significant other observable inputs) (\$ 000's)	Total (\$ 000's)
Land	17,087	-	17,087
Buildings and other structures	-	47,527	47,527
Roads	-	262,010	262,010
	<u>17,087</u>	<u>309,537</u>	<u>326,624</u>

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 Director Operations and Director 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:

14 PROPERTY, PLANT AND EQUIPMENT

(i) Land (level 2)

Land was independently valued as at 1 July 2017 at fair value by Mr Daniel Atherton (Registered Valuer No 2962) of APV Valuers and Asset Management. Level 2 valuation inputs were used to value land in freehold title.

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 contamination, flooding history or probability of future flooding and drainage problems.

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. The valuer applied an approach to valuing land that considers the potential purchase costs of similar land in the same area.

(ii) Buildings and other structures (level 3)

Buildings and other structures was independently valued as at 1 July 2017 at fair value by Mr Daniel Atherton (Registered Valuer No 2962) of APV Valuers and Asset Management.

The valuer indicated that values were determined using a current replacement cost method of valuation and included consideration of obsolescence and impairment, actual construction costs by Somerset Regional Council and those of nearby recent projects completed by others, Rawlinsons Construction Guide or similar guides and other valuations.

The valuer considered asset condition and attributes of assets such as dimensions and materials through physical inspection of all assets valued. The valuer considered how these factors might impact on the assets' highest and best use to potential market participants. The valuer has assessed a residual value of nil for all buildings and other structures.

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%	The higher the residual value percentage, the higher the fair value
Estimated life	5 years to 133 years	The longer the estimated life, the higher the fair value
Estimated remaining life	1 year to 114 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. There was 1,490 linear kilometres of constructed roads.

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, other surfaces, underground drainage and paths. Roads are managed in segments of various length between logical geographic nodes. The segments average 866 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.

14 PROPERTY, PLANT AND EQUIPMENT

This class of asset incorporates drainage including 62 kilometres of underground drainage assets in mainly urban areas.

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

This class of asset incorporates paths including 55 kilometres of sealed footpaths and cycleways in mainly urban areas and 21 kilometres of unsealed paths which are mainly within sections of disused rail corridor.

Council categorises its paths by material including concrete, bitumen and gravel and by width.

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

CRC for paths was calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations. Council assumes that concrete pavements are constructed to a depth of 100mm using 25 Mpa reinforced concrete.

Road assets were valued by Council's employed Director Operations, Mr Andrew Johnson (MIEAust, CPEng, RPEQ). Road assets were valued as at 30 June 2019. Mr Johnson 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 current 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 2018/2019, Council obtained data in respect of the condition of its road assets. This data was used as a basis for assessing the condition of road assets at 30 June 2019 unless alternate information was available.

Council has collected and inspected imagery and pavement roughness data for all constructed 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.

Engineering consultants Shepherd Services Pty Ltd (including Mr Darren Shepherd RPEQ) were engaged to collect and report on sealed and unsealed road condition data. Mr Shepherd reported that 39km of the 809km sealed network exceeded an IRI of 6 which he said was reflective of failing pavement. This represents 4.8% of the sealed road network. (2017/2018 - 4.8% of the sealed network was found to have exceeded an IRI of 6)

Shepherd Services reported in 2018 that 7% of the unsealed network exceeded an IRI of 12 which potentially reflects failing unsealed pavement.

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

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

	2019			2018			Percentage increase
Pavement (sealed and unsealed roads)	\$	27.070	per square metre	\$	26.340	per square metre	2.77%
Bitumen seal (wearing course - 80%)	\$	3.3179	per square metre	\$	3.0504	per square metre	8.77%
Bitumen seal (wearing course - 20%)	\$	0.8295	per square metre	\$	0.7626	per square metre	8.77%
Bitumen seal (intermediate course)	\$	4.1474	per square metre	\$	3.8130	per square metre	8.77%
Subgrade	\$	0.3970	per square metre	\$	0.3860	per square metre	2.85%

14 PROPERTY, PLANT AND EQUIPMENT

Average current replacement costs (\$ per linear metre of underground drainage) for key pipe types by material, diameter and class were:

	2019		2018		Percentage increase
Concrete - 1500mm diameter- class 2	\$ 1,757.70	per linear meter	\$ 1,710.50	per linear meter	2.76%
Concrete - 375mm diameter- class 2	\$ 242.00	per linear meter	\$ 235.50	per linear meter	2.76%
Concrete - 1800mm diameter- class 2	\$ 2,379.90	per linear meter	\$ 2,316.00	per linear meter	2.76%
Concrete - 1350mm diameter- class 2	\$ 1,473.70	per linear meter	\$ 1,434.10	per linear meter	2.76%
Concrete - 750mm diameter- class 2	\$ 615.90	per linear meter	\$ 599.40	per linear meter	2.75%
Concrete - 600mm diameter- class 2	\$ 397.50	per linear meter	\$ 386.80	per linear meter	2.77%

Unit rates applied for 2019 were greater than rates that applied for 2018. This 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 30 June 2019 which showed an increase of 2.76% for the year.

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

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

Road conditions were assessed using the following table:

Definition	Rating	Percentage of design life remaining	Comment on any change from FY2018
Over 30% of the road requires reconstruction	1	20%	No change
10% to 30% of the road requires reconstruction	2	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	4	70%	No change
No attention required	5	90%	No change

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

In determining the level of accumulated depreciation, remaining useful lives were calculated based on condition assessments.

Underground drainage conditions were assessed using the following table:

Definition	Rating	Reduction in design life	Comment on any change from FY2018
Failed	1	90%	No change
Poor	2	70%	No change
Fair	3	30%	No change
Good	4	20%	No change
Excellent	5	0%	No change

Council's path network has an average age of 11 years and sealed paths have an average condition rating of 2.1 (good condition).

14 PROPERTY, PLANT AND EQUIPMENT

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

Definition	Rating	Percentage of design life remaining	Comment on any change from FY2018
Very good	1	90%	No change
Good	2	70%	No change
Fair	3	50%	No change
Poor	4	30%	No change
Very poor	5	20%	No change

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 (road)	\$0.3970 to \$27.07 as above	The higher the standard construction unit rate, the higher the fair value
Standard construction unit rate per linear metre (underground drainage)	\$242.00 to \$2,379.90 as above	The higher the standard construction unit rate, the higher the fair value

Council bridges 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 steel, 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 Director Operations, Mr Andrew Johnson (MIEAust, CPEng, RPEQ). Bridges were valued at fair value being current replacement cost as at 30 June 2019. Mr Johnson 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 composite 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:

	2019		2018		Percentage change
All concrete	\$ 5,870	per square metre	\$ 5,710	per square metre	2.80%
Composite concrete and timber	\$ 2,580	per square metre	\$ 2,510	per square metre	2.79%
All timber	\$ 2,040	per square metre	\$ 1,990	per square metre	2.51%

14 PROPERTY, PLANT AND EQUIPMENT

Unit rates applied for 2019 were higher compared to rates applied for 2018. This was considered appropriate based on Council's recent experiences in bridge construction activities and by reference to Australian Bureau of Statistics producer price index 3101 road and bridge construction Queensland (A2333727L) for the year to 30 June 2019 which showed an increase of 2.76%. All bridges constructed during the reporting period were of all-concrete construction.

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 FY2018
Timber or part-timber bridge with measured girder stress of 60 Mpa or greater	5	90%	No change
Timber or part-timber bridge with measured girder stress of between 40 Mpa and 60 Mpa	4	50%	No change
Timber or part-timber bridge with measured girder stress of between 30 Mpa and 40 Mpa	3	30%	No change
Timber or part-timber bridge with measured girder stress of between 20 Mpa and 30 Mpa	2	15%	No change
Good	1	5%	No change
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	\$2,040 to \$5,870 as 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.

	2019	2018
	(\$ 000's)	(\$ 000's)

15. Capital works in progress component of property, plant and equipment

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.

Capital works in progress is stated at cost and is represented by the following categories at the reporting date:

Roads	1,896	1,214
Buildings and other structures	159	-
Total capital works in progress	<u>2,054</u>	<u>1,214</u>

16. Trade and other payables

Current

Trade creditors	383	699
Sundry accruals	3,552	1,997
Other liabilities	10	8
Waste levy refund received in advance	965	-
Employee entitlements - annual leave	1,063	1,151
Employee entitlements - accrued hours	90	77
	<u>6,063</u>	<u>3,932</u>

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.

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

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.

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

17. Provisions

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.

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.

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2019

	2019 (\$ 000's)	2018 (\$ 000's)
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A provision is made for the cost of restoring refuse dumps and quarries where it is probable the Council will be liable, or required, to do this when the use of the facilities is complete.

A provision is made for future costs of restoration of gravel pits 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. Management estimates that the restoration will occur in 2027.

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.

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

This is the present value of the estimated cost of restoring the refuse disposal sites to a useable state at the end of their useful life. Landfills in Kilcoy and Jimna have closed and management estimates that restoration of these sites will occur over the next five years at a cost of \$2,632,435. Council has resolved an intention to replicate the existing regional landfill in Esk at the current site prior to the end of life of proposed cell stage 4. It is intended that the replicated landfill will be located adjacent to the current landfill and will use common leachate facilities, sediment ponds, drainage and other infrastructure to the current landfill. The current landfill is expected to require rehabilitation after 2032 at a cost of \$4,159,920 (in 2019 dollars).

Estimates have been prepared for Council by consulting engineers, ATC Williams Pty Ltd who also supplied recommended forecast cost index factors ranging between 2.4% and 3.0% and discount rates averaging 2.85%.

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

Current

Long service leave	1,729	2,069
	<u>1,729</u>	<u>2,069</u>

Non-Current

Long service leave	372	309
Restoration of refuse sites	6,875	7,029
Restoration of gravel pits	264	257
	<u>7,511</u>	<u>7,595</u>

Details of movements in provisions:

Long service leave		
Balance at beginning of financial year	2,378	2,326
Long service leave entitlement arising	1,453	2,120
Long service leave entitlement extinguished	-	-
Long service leave entitlement paid	<u>(1,729)</u>	<u>(2,069)</u>
Balance at end of financial year	<u>2,101</u>	<u>2,378</u>

Restoration of gravel pits		
Balance at beginning of financial year	257	251

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	2019 (\$ 000's)	2018 (\$ 000's)
Increase in provision due to unwinding of discount	-	-
Increase/(decrease) in provision due to change in discount rate	7	6
Balance at end of financial year	<u>264</u>	<u>257</u>
This is the present value of the estimated cost of restoring the quarry sites to a usable state at the end of their useful lives. The projected cost that is expected to be incurred in 2027 is:		
	<u>330</u>	<u>330</u>

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
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	2019 (\$ 000's)	2018 (\$ 000's)
Restoration of refuse sites		
Balance at beginning of financial year	7,029	7,029
Increase in provision due to unwinding of discount	-	-
Reduction due to unused provision amounts not required	(154)	-
Balance at end of financial year	<u>6,875</u>	<u>7,029</u>

This is the present value of the estimated cost of restoring the refuse sites to a usable state at the end of their useful lives. The projected cost that is expected to be incurred in 2032 is:

<u>9,844</u>	<u>10,346</u>
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18. Asset revaluation surplus

The asset revaluation surplus consists of the following components:

Land	8,303	8,303
Buildings and other structures	17,896	17,896
Road assets	38,084	34,505
Balance of asset revaluation surplus	<u>64,282</u>	<u>60,704</u>

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.

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 provide services to the community.

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2019

19. Reserves

	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)
2019				
A. Reserves held for future capital expenditure				
Asset replacement reserve	18,721	-	-	18,721
Constrained works reserve	1,916	248	-	2,164
Total reserves held for future capital expenditure	20,637	248	-	20,885
B. Reserves held for future recurrent expenditure				
Land Sales Reserve	10,831	-	-	10,831
Total reserves held for future recurrent expenditure	10,831	-	-	10,831
Grand total	31,468	248	-	31,716
2018				
A. Reserves held for future capital expenditure	(\$ 000's)	(\$ 000's)	(\$ 000's)	(\$ 000's)
Asset replacement reserve	18,721	-	-	18,721
Constrained works reserve	1,582	334	-	1,916
Total reserves held for future capital expenditure	20,303	334	-	20,637
B. Reserves held for future recurrent expenditure				
Land Sales Reserve	10,831	-	-	10,831
Total reserves held for future recurrent expenditure	10,831	-	-	10,831
Grand total	31,134	334	-	31,468

The above 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.

- The asset replacement reserve was created for replacement of non current assets.
- The constrained works reserve was created to ensure sufficient funds are available to carry out future capital works which the council is potentially obliged to perform together with non-binding commitments. It represents unspent infrastructure charges, capital grants and similar items.
- The land sales reserve was established to represent the sale proceeds of properties sold by Council.

SOMERSET REGIONAL COUNCIL
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2019
(\$ 000's)

2018
(\$ 000's)

20. Commitments and contracts

(a) Operating leases where Council is lessor (revenue)
Council leases commercial premises under operating leases.
The minimum lease payments are as follows:

Not later than 1 year	157	147
Later than 1 year, but not later than 5 years	220	258
Later than 5 years	99	109
	<u>476</u>	<u>514</u>

The Council has entered into operating leases on certain motor vehicles, with lease terms between one and five years.

During the year an amount of \$373,000 (2018: \$361,000) was recognised as an expense in the Statement of Comprehensive Income in respect of operating 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):

Not later than 1 year	301	285
Later than 1 year, but not later than 5 years	430	287
Later than 5 years	-	-
	<u>731</u>	<u>572</u>
Operating lease expenditure incurred during the period:	<u>373</u>	<u>361</u>

(c) Contractual commitments – recurrent expenditure

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

Not later than 1 year	1,191	1,146
Later than 1 year, but not later than 5 years	881	2,000
Later than 5 years	-	-
	<u>2,072</u>	<u>3,146</u>

(d) Contractual commitments – capital expenditure

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

Buildings	979	348
Plant and equipment	604	188
Infrastructure assets	1,393	281
	<u>2,976</u>	<u>817</u>

These expenditures are payable within the next 12 months.

SOMERSET REGIONAL COUNCIL
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21. 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.

	2019	2018
	(\$ 000's)	(\$ 000's)
The Council's maximum exposure is:	<u>447</u>	<u>414</u>

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 2019 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

22. Executive remuneration

Disclosed remuneration under S 201 of the Local Government Act 2009 represents the total of:

1. Gross salary paid to relevant employees as detailed on the statements of earnings issued by Council for the income year.
2. Reportable superannuation contributions in favour of the relevant employees as detailed on the statements of earnings issued by Council for the 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 income year to those employees.

	2019	2018
	(\$ 000's)	(\$ 000's)
Total senior management remuneration as per statements of earnings:	<u>1,782</u>	<u>1,415</u>

The number of relevant employees was:

Employees with a total remuneration package in the range of \$0–\$99999	2	2
Employees with a total remuneration package in the range of \$100000–\$199999	6	6
Employees with a total remuneration package in the range of \$200000–\$299999	1	-
Employees with a total remuneration package in the range of \$300000–\$399999	1	1

23. Related parties

Transactions with associates - please refer to note 13 (Queensland Urban Utilities)

(a) Transactions with key management personnel (KMP)

KMP include the mayor, councillors, the chief executive officer and directors. The compensation paid to KMP comprises:

	2019 (\$ 000's)	2018 (\$ 000's)
Short term employee benefits	1,427	1,415
Short term non-employee benefits	681	657
Post employment benefits	153	186
Long term benefits	46	(20)
Termination benefits	-	-
Total	2,307	2,238

Detailed remuneration disclosures of councillors are provided in the annual report.

(b) Transactions with other related parties

Other related parties include close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members. These include a spouse, child, dependent, parent or sibling of a KMP.

Details of transactions between council and other related parties are disclosed below:

	2019 (\$ 000's)	2018 (\$ 000's)
Investment with Bendigo and Adelaide Bank Ltd - term deposit held	-	1,000
Investment with Bendigo and Adelaide Bank Ltd - interest received	27	13
Council acquired a term deposit with Bendigo and Adelaide Bank Ltd at arm's length and in the normal course of operations. Cr Michael Ogg was formerly a director of Somerset Region Community Enterprises Limited which owns the Lowood Bendigo Bank branch as a franchise.		

A number of minor Council public park facility projects and events were also sponsored by Somerset Region Community Enterprise Enterprises Limited on an arm's length basis

Purchase of materials and services from entities controlled by key management personnel	39	12
These were purchases of concrete products from an entity that is controlled by close family members of Council's former Director Corporate and Community Services, Mr Chris Payne, at arm's length and in the normal course of council operations		

(c) Outstanding balances

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2019 (\$ 000's)	2018 (\$ 000's)
Cash and cash equivalents	-	1,000
Receivables	-	-
Payables	-	-
Loans and guarantees	-	-
Commitments	-	-

(d) Transactions with related parties that have not been disclosed

Most of the entities and people that are related parties of council live and operate within the Somerset Regional Council area. Therefore on a regular basis ordinary citizen transactions occur between council and related parties including payment of rates and charges, dog registration and use of council facilities and services at the standard rates scheduled by council. Council also performs maintenance and construction work on public assets that are used by related parties as ordinary citizens. Council has not included these types of transactions in its disclosure where they are made on the same terms and conditions available to the general public.

24. Superannuation

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

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

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

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

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

No changes have been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

The actuarial assessment concluded that "the financial position of ... the Scheme as a whole is expected to remain satisfactory up to 1 July 2021."

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

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

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

There are currently 62 entities contributing to the scheme and any changes in contribution rates would apply equally to all 62 entities. Somerset Regional Council made less than 4% of the total contributions to the plan in the 2018-19 financial year.

	2019	2018
	(\$ 000's)	(\$ 000's)
Superannuation contributions made to the Regional Defined Benefits Fund	210	260
Other superannuation contributions for employees	1,370	1,305
Total superannuation contributions paid by Council for employees:	<u>1,580</u>	<u>1,565</u>
		2020
		(\$ 000's)
Contributions council expects to make to the Regional Defined Benefits Fund for 2019-20		<u>188</u>

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2019

	Note	2019 (\$ 000's)	2018 (\$ 000's)
25. Reconciliation of net result attributable to Council to net cash inflows from operating activities			
Net result for year		9,692	7,423
Non-cash operating items :			
Contribution of non-monetary non-current assets at fair value	5	(403)	(1,214)
Share of the profit of associated entity accounted for using the equity method not adjusted for distributions received	13	(1,871)	(2,092)
Add back distributions received from the profits of associated entity	13	1,264	1,370
Depreciation	14	<u>8,873</u>	<u>8,456</u>
		7,862	6,520
Investing and development activities :			
Net (profit) loss on disposal of non current assets	7	<u>(729)</u>	<u>946</u>
		(729)	946
Changes in operating assets and liabilities :			
(Increase) decrease in receivables		(1,506)	686
(Increase) decrease in inventories held for distribution		(3)	(30)
Increase (decrease) in provisions		(423)	58
Increase (decrease) in payables		<u>2,130</u>	<u>588</u>
		199	1,302
Net cash inflow from operating activities		<u><u>17,024</u></u>	<u><u>16,191</u></u>
26. Trust Funds			
Monies collected or held on behalf of another entity yet to be paid out to or on behalf of that entity		<u><u>1,276</u></u>	<u><u>1,315</u></u>

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.

27. Events after balance date

There were no material subsequent events after the balance date.

28. Financial instruments

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

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 below.
- 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.

The council's financial instruments consist mainly of at call deposits with banks, short-term deposit investments, accounts receivable and payables.

Council does not have material credit risk or liquidity risk as a result of its risk management strategies.

(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 2019, 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 A plus-rated products with A plus-rated institutions or better other than \$1 million which was invested in BBB plus-rated products or better through to certain qualifying banks with local branches.

As at 30 June 2019 all cash investments complied with the investment policy.

In assessing whether to invest in A plus-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.

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2019

Council also holds an equity participant loan receivable with Queensland Urban Utilities with an interest rate described in note 12.

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

	2019 (\$ 000's)	2018 (\$ 000's)
Working cash, trust funds and cash on hand	937	2,079
BBB plus-rated products at BBB plus-rated financial institutions or better	-	1,000
A plus-rated products at A plus-rated financial institutions or better	41,000	60,000
QIC/QTC Pooled Cash Management Fund	37,512	11,440
Equity participant loan - Queensland Urban Utilities	13,804	13,804
Total	<u>93,253</u>	<u>88,323</u>

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 2018.

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	2019 (\$ 000's)	2018 (\$ 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	807	744
Impact on equity of 1% increase in market interest rates on financial assets	807	744

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 12.

SOMERSET REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2019

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 2019					
Financial Assets					
Cash assets and cash equivalents - 1	-	-	(1,226)	(1,226)	0.00%
Cash assets and cash equivalents - 2	39,676	-	-	39,676	2.19%
Cash assets and cash equivalents - 3	-	41,000	-	41,000	2.60%
Receivables - 1	-	2,545	-	2,545	11.00%
Receivables - 2	-	-	3,419	3,419	0.00%
Investments	-	13,804	-	13,804	4.56%
Total financial assets	39,676	57,349	2,192	99,217	
Weighted average interest rate	2.19%	3.45%	0.00%	2.87%	
Financial liabilities					
Payables	-	-	6,063	6,063	0.00%
Provisions	-	-	9,241	9,241	0.00%
Total financial liabilities	-	-	15,303	15,303	
	0.00%	0.00%	0.00%	0.00%	
Net financial assets	39,676	57,349	(13,111)	83,914	
As at 30 June 2018					
Financial Assets					
Cash assets and cash equivalents - 1	-	-	163	163	0.00%
Cash assets and cash equivalents - 2	13,356	-	-	13,356	2.25%
Cash assets and cash equivalents - 3	-	61,000	-	61,000	2.77%
Receivables - 1	-	2,256	-	2,256	11.00%
Receivables - 2	-	-	2,202	2,202	0.00%
Investments	-	13,804	-	13,804	4.70%
Total financial assets	13,356	77,060	2,365	92,781	
Weighted average interest rate	2.25%	3.36%	0.00%	3.11%	
Financial liabilities					
Payables	-	-	3,932	3,932	0.00%
Provisions	-	-	9,664	9,664	0.00%
Total financial liabilities	-	-	13,596	13,596	
	0.00%	0.00%	0.00%	0.00%	
Net financial assets	13,356	77,060	(11,231)	79,185	

(b) 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. The fair value of trade and other receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

SOMERSET REGIONAL COUNCIL

MANAGEMENT CERTIFICATE

For the year ended 30 June 2019

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

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

(i) the prescribed requirements of the Local Government Act 2009 and 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:
9 October 2019



Bob Holmes
Acting Chief Executive Officer

Date:
9 October 2019

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Somerset Regional Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Somerset Regional Council (the council).

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2019, and of its financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the management certificate given by the Mayor and the Acting Chief Executive Officer.

Basis for opinion

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

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

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

Other information

Other information comprises the information included in Somerset Regional Council's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long-term financial sustainability statement.

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

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

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

Responsibilities of the council for the financial report

The council is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards, and for such internal control as the council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

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

- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2019:

- a) I received all the information and explanations I required.
- b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.



11 October 2019

Melissa Read
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Somerset Regional Council
Current-year financial sustainability statement
For the year ended 30 June 2019

Measures of financial sustainability

Council's performance at 30 June 2019 against key financial ratios and targets:

	How the measure is calculated	Actual	Target
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	8%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	115%	Greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	(163%)	Not greater than 60%

Note 1 - Basis of Preparation


The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the Local Government Regulation 2012 and the Financial Management (Sustainability) Guideline 2013. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2019.

Certificate of Accuracy


For the year ended 30 June 2019

This current-year financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the regulation).

In accordance with Section 212(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.


 Cr Graeme Lehmann
 Mayor

Date:
 9 October 2019


 Bob Holmes
 Acting Chief Executive Officer

Date:
 9 October 2019

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Somerset Regional Council

Report on the current year financial sustainability statement

Opinion

I have audited the accompanying current year financial sustainability statement of Somerset Regional Council (the council) for the year ended 30 June 2019 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Acting Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Somerset Regional Council for the year ended 30 June 2019 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other Information

Other information comprises the information included in Somerset Regional Council's annual report for the year ended 30 June 2019, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and the long-term financial sustainability statement.

My opinion on the current year financial sustainability statement does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have expressed a separate opinion on the general purpose financial report.

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

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

Responsibilities of the council for the current year financial sustainability statement

The council is responsible for the preparation and fair presentation of the current year financial sustainability statement in accordance with the Local Government Regulation 2012. The council's responsibility also includes such internal control as the council determines is necessary to enable the preparation and fair presentation of the statement that is accurately calculated and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the current year financial sustainability statement

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

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

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

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

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



11 October 2019

Melissa Read
as delegate of the Auditor-General

Queensland Audit Office
Brisbane