



MORNINGTON SHIRE COUNCIL

Annual Report 2013-2014



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Disclaimer

Information contained in this document is based on available information at the time of writing. All figures and diagrams are indicative only and should be referred to as such. While the Mornington Shire Council has exercised reasonable care in preparing this document to represent that it is totally accurate or complete. Council or its officers accept no responsibility for any loss occasioned to any person acting or refraining from acting in reliance upon any material.



About this report

Aimed to foster a vibrant, culturally rich community where local government services and facilities are delivered in a way that is responsive to the needs and the aspirations of the community.

This Annual Report compares our performance against what we said we'd do in the 2013-2014 financial year.

Our quality of life is dependent on a strong economy and in planning for the future we need to be aware of the constraints and opportunities arising from global financial conditions.

The region's economic base has been built upon its geography, natural resources and in particular; a remote lifestyle.

Council, through its economic development strategies, will continue to broaden this base to include creative and knowledge-based industries, eco- tourism, construction and retail – while promoting clean, green businesses that lead to high value jobs and career opportunities.

Message from the Mayor:

The 2013-2014 financial year incorporated the commencement of an exciting new chapter for Mornington Shire Council, with staff appointed on a platform to take our shire where we want it to go – in a new direction that is moving forward, getting the balance right between community, environment and economy.

After a difficult economic environment, the new improved Council has launched new services, cut red tape and opened the door for new business, new opportunity and better support for existing business. This has resulted in Council working towards a more integrated community vital for this region – an area so culturally vibrant and ecologically blessed; we hope to expand our reach to the rest of Australia.

During the year, I had many meetings and trips to various communities to engage with authorities and organisations alike – to aid in the positive development of future opportunities for our youth, families and elderly. Council has worked in partnership with leading businesses to develop a new development strategy for the region.

This strategy focuses on key projects that are essential in providing to community and building on our regions possibilities. Council projects include road upgrades, expansion of workforce opportunities, development of infrastructures (wharf in Gununa) and *removal of the old hospital for our communities improved health*.

Council is taking a lead role to secure funding and delivery for these projects and more, to ensure the region is afforded the same access to opportunities to secure investment as awarded in high growth regions across Australia.

These are important times for council as we move forward into the new financial year, a year in which we hope to secure opportunities and investments for our community.

The keys to our future success will be based on collaborations and partnerships – we may be living on remotely on islands, but we are still a part of mainland Australia and we all need to play our part in building our regions positive outcomes.

Thank you for your time and be well,

Mornington Shire Council

Mayor Brad Wilson

mayor@mornington.qld.gov.au



Message from the Chief Executive Officer:

Welcome to Mornington Shire Council.

As the Chief Executive Officer of this region, I am tasked with the responsibility to provide an assessment of Councils progression during the last financial year towards implementing our annual operational plan and our five year corporate plan.

In line with this assessment, I am responsible for providing particulars of issues that may be relevant to my assessment of our operations and performance.

The **2013 – 2014 Annual Operational Plan** outlined the foundation for areas of desired achievement to meet community expectations, some headway and achievement was made in the following areas of the Plan:

- Roads: R2R Funding utilised for maintenance of Birri and Balaleah Roads. A submission for NDRRA funding to repair damage caused to our roads network in 2013 and 2014 was submitted in conjunction with George Bourne and Associates acting as Project Managers.
- Housing: contracts were finalised and construction commenced for two transition houses and six social houses with **Thinc** acting as Project Managers on behalf of Council.
- Street signs and traffic plan: planning commenced by Technical Services staff.
- Internal Audit: formation of an internal audit committee commenced and regular visits by an internal auditor were carried out.

The **2011 – 2016 Corporate Plan** was implemented to address the priorities of Infrastructure, Business Development, Keeping our Culture Alive and Corporate Governance.

Areas of achievement during 2013 – 2014 to address these priorities included:

- Asset Management: commencement of an asset management plan began with a view to completing the plan by 2015.
- Regional Economic Development: Councillors and staff attended meetings of Gulf Savannah Development and Aboriginal Development Benefits Trust.
- Advocacy: Councillors and staff attended Local Government Association Queensland meetings, State and federal conferences and met with politicians to advocate on behalf of Council.
- Financial sustainability: Council clearly recognised a need to commit to a long term Financial Plan to ensure sustainability.

Having commenced with Mornington Shire Council late in June 2014, I have had the opportunity to assess the achievements of Council and how it progressed to meeting the expectations of the 2013 – 2014 Operational Plan and the five year Corporate Plan.

My assessment has been made from formal and informal discussions with the Mayor and Councillors, meetings and discussions with community members, various stakeholders in the community, Council staff, State and Federal members and staff and by personal observations and analysis of Councils operations and records.

Mornington Shire Council

Chief Executive Officer Frank Mills

ceo@mornington.qld.gov.au



Mornington Shire Council:

This document is designed to capture progress of works under the Mornington Shire Council Annual Report, in accordance with the Queensland Local Government Act 2009 and legislative requirements. Mornington Shire incorporates twenty-two of the twenty-three islands of the Wellesley Group in the Gulf of Carpentaria. The Wellesley Islands are remnants of the mainland now submerged by the syncline that formed the Gulf of Carpentaria and are essentially flat platforms with little relief. There are substantial areas of intertidal flats and fringing reefs associated with most Islands.

Mornington Island is the largest island in the group covering an area of 700 square kilometres, is located 16°30' south and 139°30' east in the Gulf of Carpentaria, about 125kms north-west of Burketown, 200kms west of Karumba and 444kms from Mt Isa. The Shire has an area of 1,248.4 sq. kms.

People regularly return to their traditional homelands in other parts of Mornington and outlying islands, including Bentinck and Forsyth Islands. The climate is dry tropical with a very marked summer rainfall maximum. The median annual rainfall is approximately 800mm while 10 percentile and 90 percentile annual totals are about 600mm and 1600mm respectively.

Gununa (a Lardil people word), which was founded in 1914, is the primary residence of the majority of the Shire's population. Public utilities in Gununa are well developed with reticulated power, water, sewerage and storm water drainage. Town streets are bitumen-sealed. The aerodrome is of an all-weather standard and Skytrans services the Island from Mt Isa and Cairns Monday to Friday. Council operates the barge shed and works with Carpentaria Freight, which operates the barges service from Karumba.



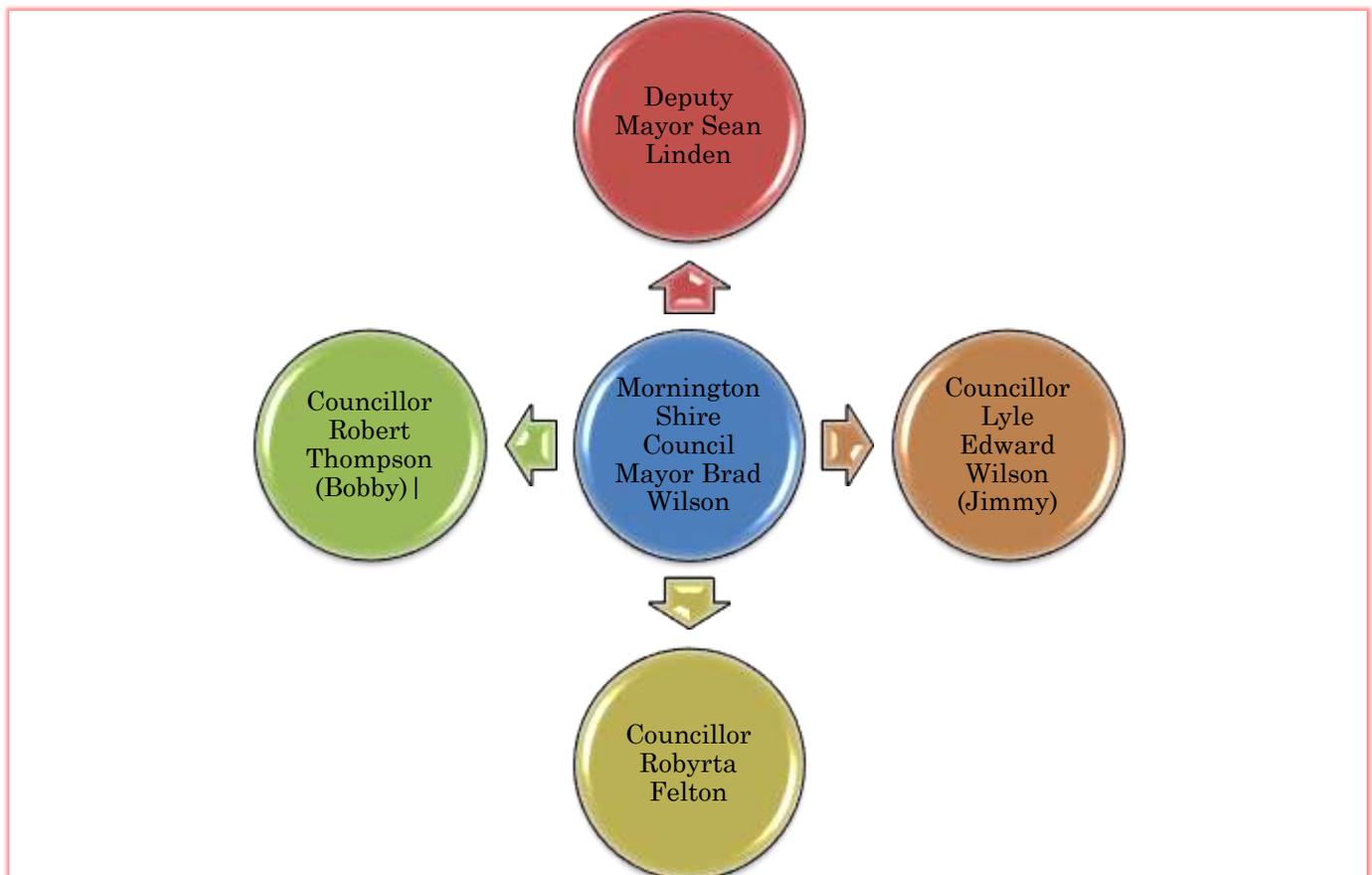
“Mornington Shire, pristine islands in the heart of the Gulf”

Our Councillors:

The role of elected councillors, as part of the governing body of a council, is spelled out in section 12 of the Local Government Act 2009. It is to:

- Represent the current and future interests of these residents of Mornington Shire Council
- Ensuring Mornington Shire discharges its responsibilities under the Act, achieves its corporate plan and complies with all laws that apply to the Shire
- Providing high quality leadership to the Shire and the community
- Participating in Council Meeting, policy development and decision making for the benefit of Mornington Shire
- Being accountable to the Community for the Shire's performance

Councillors play a very important policy-making role, requiring the identification of community needs, setting objectives to meet those needs, establishing priorities between competing demands and allocating resources.



Our Vision:

Mornington Shire Council is committed to community. We aim to move forward, towards opportunity, prosperity and sustainability.

To empower our Community - Our people
To feel solid and strong like the rock in Mundalbe
To taste and hear the breaking waves of change
To establish clean, safe, healthy lifestyles togetherness
Pride and respect for each other in our culture, achievements and successes.
To see and smell the compassion and peacefulness of our community

We aspire to be one Australia's most sustainable regions - culturally diverse, pristine, and viable in every sense.

According to our Corporate Plan, Mornington Shire Council aims to be a Community where:

- Our people are happy, healthy and safe
- Our natural environment is valued and well managed
- Our culture is retained and maintained
- We have quality infrastructure
- We have a sustainable local economy
- Governance and ownership of Community direction is by Council
- We have transparency of government and open communication between the three tiers of Government



Governance:

Mornington Shire Council aims for great governance. To make this achievable, our emerging priorities include:

- Ethical, accountable and transparent decision-making
- Effective business management
- Strong financial management
- Highly skilled, engaged and valued local workforce (currently at 89% indigenous staff)
- Advocacy and partnerships
- An informed and engaged community
- Excellence in customer service.



Council aspires to be recognised as a highly regarded and reputable organisation.

We have an obligation to show leadership and engage with the community, operate according to the law, ensure professional and ethical standards and plan services to meet the needs of current and future generations.

Great governance will allow council to achieve these goals and build community trust and pride in our organisation.

Other highlights

Organisational review – an organisational review was undertaken with the aim of driving greater efficiencies in the organisation. The organisational review identified:

- Upcoming key strategic and operational challenges.
- Initiatives that will ensure council is able to deliver its strategic objectives in the current financial environment.
- A revised organisational structure with recommendations for achieving efficiencies and positioning the organisation to meet future challenges in line with its strategic focus.

Please view the revised executive structures on the following page (p.11).



Our Executive Team:

The Chief Executive Officer and all the executive staff make up Council's Executive Team. This team has the shared responsibility for providing the organisation with leadership and direction to achieve the outcomes determined by council.

Below; Corporate and Community Services Structure



Below; Technical Services Structure



Statutory Information:

Councillor Remuneration

Total remuneration paid to each Councillor including superannuation contributions with S186 (a) Local Government Regulation 2012

Remuneration, for the Mayor, Deputy Mayor and Councillors is set by the independent Local Government Remuneration and Discipline Tribunal established under the Local Government Act. The remuneration is determined each year.

The remuneration for the Mayor, Deputy Mayor and Councillors for 2013/2014 is set out as follows:

Councillor	Allowance/Fees	Superannuation	Total
Cr Bradley Wilson	\$93,133.19	\$11,176.09	\$104,309.28
Cr Sean Linden	\$53,730.87	\$ 6,447.46	\$ 60,178.33
Cr Robyrta Felton	\$46,566.66	\$ 0.00	\$ 46,566.66
Cr Robert Thompson	\$46,566.66	\$ 5,599.80	\$ 52,166.46
Cr Lyle Wilson	\$46,566.66	\$ 0.00	\$ 46,566.66

Expenses incurred and facilities provided to each Councillor under the expense reimbursement policy with S186 (b) Local Government Regulation 2012

Councillor	Expense
Cr Bradley Wilson	\$ 36,616.62
Cr Sean Linden	\$ 10,841.057
Cr Robyrta Felton	\$ 1,394.00
Cr Robert Thompson	\$ 4,254.00
Cr Lyle Wilson	\$ 5,489.97

Remuneration for senior contract employees with S201 (1) Local Government Act 2009

The Annual Report must state;

- The total of all remuneration packages that are payable (in the year to which the Annual Report relates) to the senior management of the local government; and
- The number of employees in senior management who are being paid each band of remuneration

Senior Management of a local government is;

- The Chief Executive Officer; and
- Any other local government employee who is employed:
 1. On a contractual basis; and
 2. In a position that reports directly to the Chief Executive Officer.

Total remuneration packages for senior officers during 2013 – 2014

- 1 senior contract employee with a total remuneration package in the range of \$180,000 - \$200,000
- 2 senior contract employee with a total remuneration package in the range of \$150,000 - \$180,000

Council Meetings

Council Meetings are conducted on the third Wednesday of each month and are chaired by the Mayor. The Meetings are open to the public except if Council decides to discuss particular matter/s in closed council.

Number of meetings Mornington Shire Council attended during 2013 / 2014 financial year with S186 (c) Local Government Regulation 2012

Councillor	No. of Meetings
Cr Bradley Wilson	10
Cr Sean Linden	9
Cr Robyrta Felton	6
Cr Robert Thompson	10
Cr Lyle Wilson	10

Code of Conduct for Councillors

It is important the Community has confidence in its Council and Councillors. The Local Government Act 2009 sets out specific rules Councillors must follow to ensure transparency and accountability, particularly in relation to receiving gifts and conflicts of interest.

Mornington Shire Council utilises the Councillor Code of Conduct in accordance with the procedures set down in the Act and Regulations. The Code provides Councillors with a frame of reference about their roles, obligations and acceptable behavioural standards.

There are a number of requirements contained within Section 186 and 187 of the *Local Government Regulation 2012*, that are required to be reported within the Annual Report regarding complaints made about Councillors. During the 2013/2014 financial year there were no complaints received against any of the Councillors.

Breaches against the Code of Conduct

Total number of staff code of conduct breaches	Nil
Information on Councillors breaching the code of conduct	Nil
Number of complaints about code of conduct breaches by Councillors	Nil
Number of recommendations from conduct review panel	Nil
Number of complaints resolved	Nil
Number of complaints to Ombudsman	Nil

Employee Code of Conduct

The Employee Code of Conduct assists Council in maintaining public trust and confidence in the integrity and professionalism of its employees by ensuring all employees maintain and enhance Council's reputation.

Employees are required to display the personal and professional behaviours that could be reasonably expected from persons holding positions that serve the community.

More specifically, it requires employees to perform professional duties with care, skill, fairness and diligence. Employees are required to engage in ethical conduct, treat all others with courtesy, respect and with due regard to the right of others.

The Code of Conduct is taken into account in the development and preparation of Council's Policies and guidelines. All new employees are provided with training regarding their obligations under the Code of Conduct. Any alleged breaches of the code are investigated in accordance with Council's procedural guidelines.

Expressions of Interest in Accordance with S 228(6) of the Local Government Regulation 2012

Council had no occasion to call for Expressions of Interest in accordance with Section 228(6) of the Regulation during the financial year.

Changes to Tenders in accordance with S228 (7) of the Local Government Regulation 2012

Council had no occasion to invite tenders to change their submissions in accordance with S 228(7) of the Regulation during the financial year.

Overseas Travel with S188 of the Local Government Regulation 2012

No overseas travel was undertaken by Councillors or employees of the Council during 2013/2014.

Registers open to the public with S190 (1) (f) of the Local Government Regulation 2012

- Register of Members Interests
- Register of Fees and Charges
- Register of Delegations by Council to Chief Executive Officer
- Register of Sub-Delegations from CEO to Council Officers
- Register of Policies

Grants to community organisations with S189 of the Local Government Regulation 2012

Description	Amount
Special Events	\$1,500.00

Service, Facility or Activity supplied by another Local Government and for which special rates/charges are levied with S190 (1) (d) of the Local Government Regulation 2012

During the year the Council did not take any action in relation to, or expend funds on, a service, facility or activity:

1. Supplied by another Local Government under an agreement for conducting a joint government activity; and

2. For which the Local Government levied special rates and charges for the financial year.

Threshold for treating non-current assets as an expense with S206 of the Local Government Regulation 2012

There were no resolutions made during the year under section 206(2) of the *Local Government Regulation 2012* (setting an amount for each different type of non-current physical asset below which the value of an asset of the same type must be treated as an expense).

Council has previously determined that the threshold for capitalisation of asset classes other than land and infrastructure is \$5000 with infrastructure being \$10,000. These details form part of Note 1 to the Financial Statements.

Community Financial Report:

What you will find in the Financial Statements:

The Audited Financial Statements of Council set out the financial performance, financial position, cash flows and the net wealth of Council for the financial year ended 30 June 2014.

About the Management Certificate:

The Financial Statements must be certified by both the Mayor and the Chief Executive Officer as "presenting fairly" the Council's financial results for the year, and are required to be adopted by Council - ensuring both responsibility for and ownership of the Financial Statements by management and elected representatives.

About the Primary Financial Statements:

The Financial Statements incorporate four "primary" financial statements & accompanying notes that provide detail on the line numbers within the "primary" financial statements:

1. **A Statement of Comprehensive Income:** A summary of Council's financial performance for the year, listing both (i) regular income and expenses & other comprehensive income which records items such as changes in the fair values of Council's assets & investments.
2. **A Balance Sheet:** A 30 June snapshot of Council's Financial Position including its Assets & Liabilities.
3. **A Statement of Changes in Equity:** The overall change for the year (in dollars) of Council's "net wealth".
4. **A Statement of Cash Flows:** Indicates where Council's cash came from and where it was spent.

About the Auditor's Reports:

Council's Financial Statements are required to be audited by the Queensland Audit Office. The audit of many Queensland Councils is contracted to Audit firms that specialise in Local Government. The Auditor provides an audit report, which gives an opinion on whether the Financial Statements present fairly the Council's financial performance and position.

A complete version of Council's Financial Statements for the 12 months to 30 June 2014 can be found attached at the end of this report alternately, at our website: www.mornington.qld.gov.au or at Council's administrative offices at: Gununa QLD 4892.

An Overview of this year's Financial Result and Financial Position:

Council's Statement of Comprehensive Income (Profit & Loss) for 2013-2014

Council's headline "profit/loss" result for the 2013-2014 year was a \$5,997,000 surplus.

Council's Operating Result	Actual	Budget	Actual
\$ '000	2014	2014	2013
Expenditure	11,110	8,661	13,180
Revenues (excl. income for capital purposes)	10,855	6,618	10,460
Net Result before Capital Grants & Contributions	- 255	- 2,043	- 2,720
Capital Grants & Contributions	6,252	227	2,896
Net Operating Result	5,997	- 1,816	176

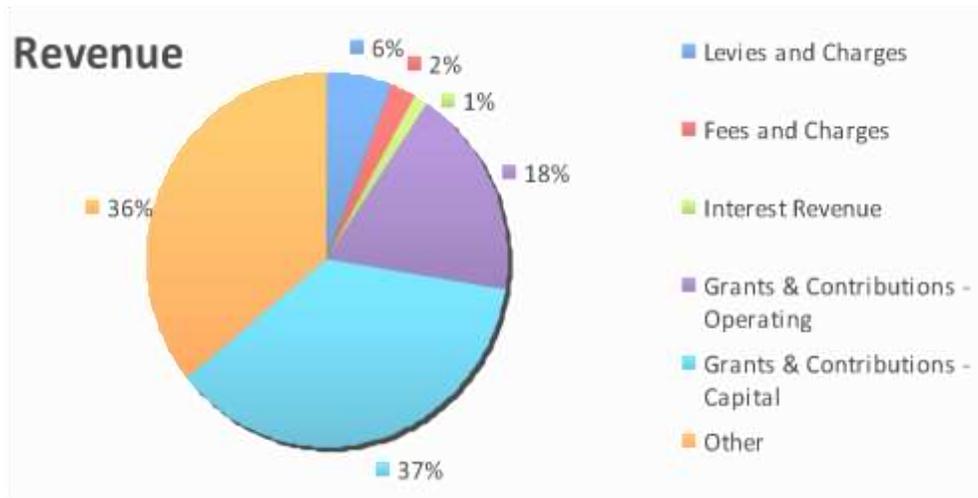
This compares to a budgeted "loss" of \$1,816,000 - meaning Council came in better than was budgeted. The main reasons relating to this difference between the actual result and the budgeted performance was:

- Receipt of In-kind contribution – water infrastructure upgrade: \$5,889,586.86
- Unbudgeted gain on revaluation of leased assets: \$4,722,617.02

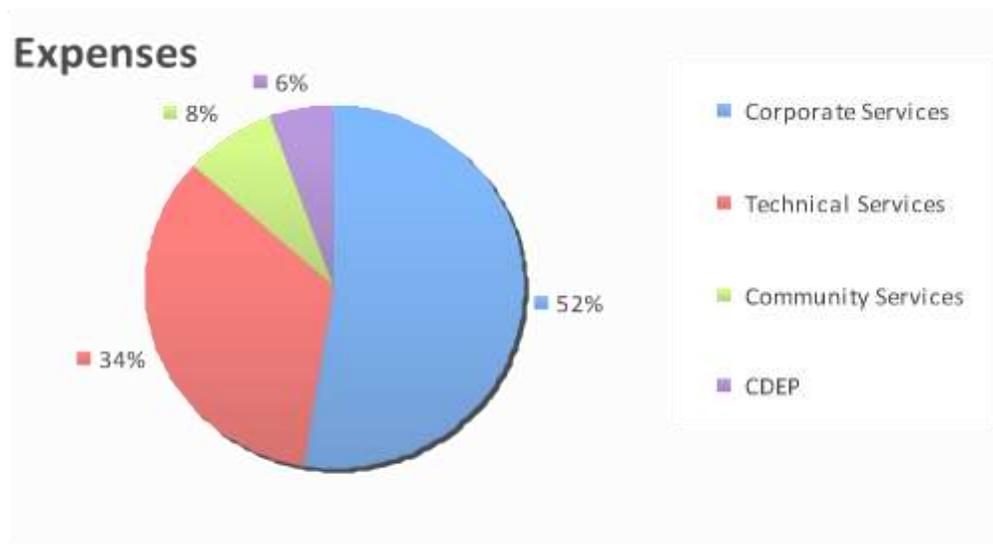
Overall Council and Management believe the financial result for 2013-2014 to be satisfactory.

Council's Revenue Sources Financial Year 2013-2014

Below; Chart summarising where Council's revenue (income) and expense came from:



Below; Council's total expenses (operating and capital) covered the following functions:



Council's Net Wealth:

Councils Statement of Financial Position 2013-2014

The Balance Sheet "bottom line" discloses the Net Community Equity of Council, which represents its wealth as measured by a dollar value of its asset less liabilities.

Council's Wealth	Actual	Actual
\$ '000	2014	2013
Available Cash & Investments	6,815	9,020
Cash & Investments "reserved" for future funding purposes	724	3,242
Debtors	774	378
Infrastructure, Property, Plant & Equipment	97,646	55,914
• Buildings	19,419	17,759
• Other plant and equipment	1,517	1,626
• Road, drainage and bridge network	37,175	19,527
• Water	23,510	5,940
• Sewerage	5,848	4,647
Other infrastructure assets	9,350	5,705
• Work in progress	827	710
Council has funded some of its operations and assets by the following liabilities:		
Loans & Borrowings	-	-
Finance Leasing	-	-

Council's Key Financial Figures - A Snapshot:

A summary of some key financial figures over the past 5 years lets you see some overall trends.

Key Financial Figures over the past five years:

Financial Performance Figures \$'000	2014	2013	2012	2011	2010
Levies & Charges	986	876	688	587	463
Fees & Charges	414	398	327	364	667
Rental Income	391	202	460	1,206	348
Interest Received	230	314	409	366	168
Sales Revenue	868	1,213	1,696	1,413	1,285
Grants, Subsidies, Contributions etc.					
Operating & Capital	9,339	6,834	9,723	10,512	8,121
Total Income from Continuing Operations	12,228	9,837	13,303	14,448	11,052
Sale Proceeds from PP&E	-	-	-	-	-
New Loan Borrowings & Advances	-	-	-	-	-
Outflows:					
Employee Benefits	2,947	3,613	3,701	3,403	4,459
Materials & Services	4,238	4,746	7,114	4,533	4,702
Finance Costs	10	12	12	13	13

Total Expenses from Continuing Operations	7,195	8,371	10,827	7,949	9,174
Total Cash purchases of PP&E	7,423	5,348	5,086	1,171	548
Total Loan Repayments (incl. Finance Leases)	-	-	-	-	-
Operating Surplus/(Deficit) (excl. Capital Income & Exp)	5,033	1,466	2,476	6,499	1,878
Financial Position Figures (\$'000)	2014	2013	2012	2011	2010
Current Assets	8,719	10,477	13,264	12,664	8,146
Current Liabilities	660	936	1,756	1,053	1,290
Net Current Assets	8,059	9,541	11,508	11,611	6,856
Cash & Cash Equivalents	6,815	9,020	11,619	10,837	7,338
Total Borrowings Outstanding (excl. overdraft)	-	-	-	-	-
Total Value of PP&E (excl. Land & Improvements)	155,652	104,133	75,553	73,037	167,432
Total Accumulated Depreciation	58,005	48,219	34,756	34,203	75,535
Indicative Remaining Useful Life (% of GBV)	63%	54%	54%	53%	55%

Source: Published audited financial statements of Council (current year and prior years annual financial statements)

Financial Sustainability Measures:

The Financial Sustainability of Councils is now a cornerstone of the Local Government Act and a core responsibility of individual Councils across Queensland.

Financial Sustainability is defined as when a *"Local Government is able to maintain its financial capital and infrastructure capital over the long term"* (source: Local Government Act 2009 section 102(2)).

The financial sustainability indicators (in accordance with the Local Government Regulation 2012) that Council must publish are as follows:

Operating Surplus Ratio:

Net Result divided by Total Operating Revenue

This indicates revenues raised that cover operational expenses only, or are available for capital funding purposes, or other purposes.

Net Financial Liabilities Ratio:

Total Liabilities less Current Assets divided by Total Operating Revenue

This indicates the net financial liabilities of a local government that can be serviced by its operating revenues.

Asset Sustainability Ratio:

Capital Expenditure on the Replacement of Assets (Renewals) divided by Depreciation Expense

This approximation of infrastructure assets managed by the local government that are being replaced as they reach the end of their useful lives.

Depreciation expense represents an estimate of the extent to which the infrastructure assets have been consumed in a period. Capital expenditure on renewals (replacing assets that the local government already has) is an indicator of the extent to which the infrastructure assets are being replaced.

This ratio indicates whether a local government is renewing or replacing existing non-financial assets at the same rate that its overall stock of assets is wearing out.

Financial Statements:

The Financial Statements and accompanying notes contain an extensive range of information about Council's operating performance and financial position. These are prepared to meet financial reporting and disclosure requirements as prescribed by accounting requirements and legislation.

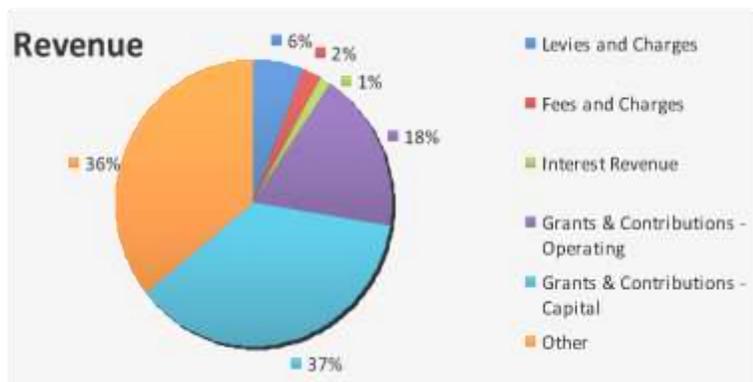
The purpose of the Community Financial Report (CFR) is to reduce the complexity of these documents so as to present the same information in a format that is less technical, more "reader friendly" and able to be better understood by the general community. The summarised information and explanatory comments contained in this CFR are intended to meet this purpose.

Statement of Comprehensive Income: (Income and Expenses)

This Statement shows how much revenue (income) has been earned during the year and how much it cost (expenses) to provide high quality services and facilities to our community.

\$ '000	Actual 2014	% of sub-total
Income (Revenue)		
Levies and Charges	986	6%
Fees and Charges	414	2%
Interest Revenue	230	1%
Grants & Contributions – Operating	3,087	18%
Grants & Contributions – Capital	6,252	37%
Other	6,138	36%
Total Income (Revenue)	17,107	100%

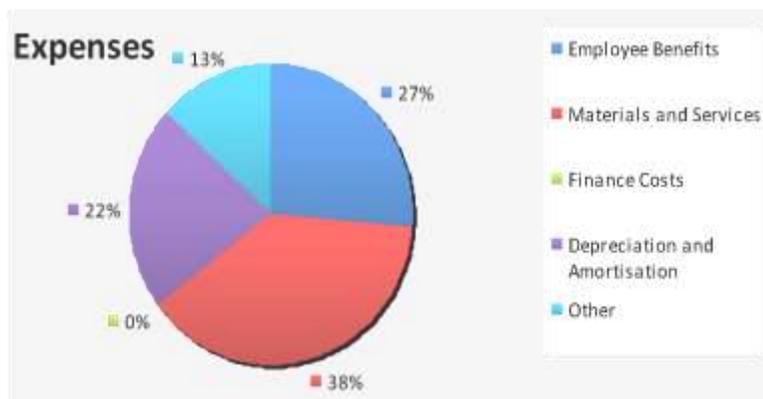
Below; Chart outlining revenue and income earned:



Expenses:

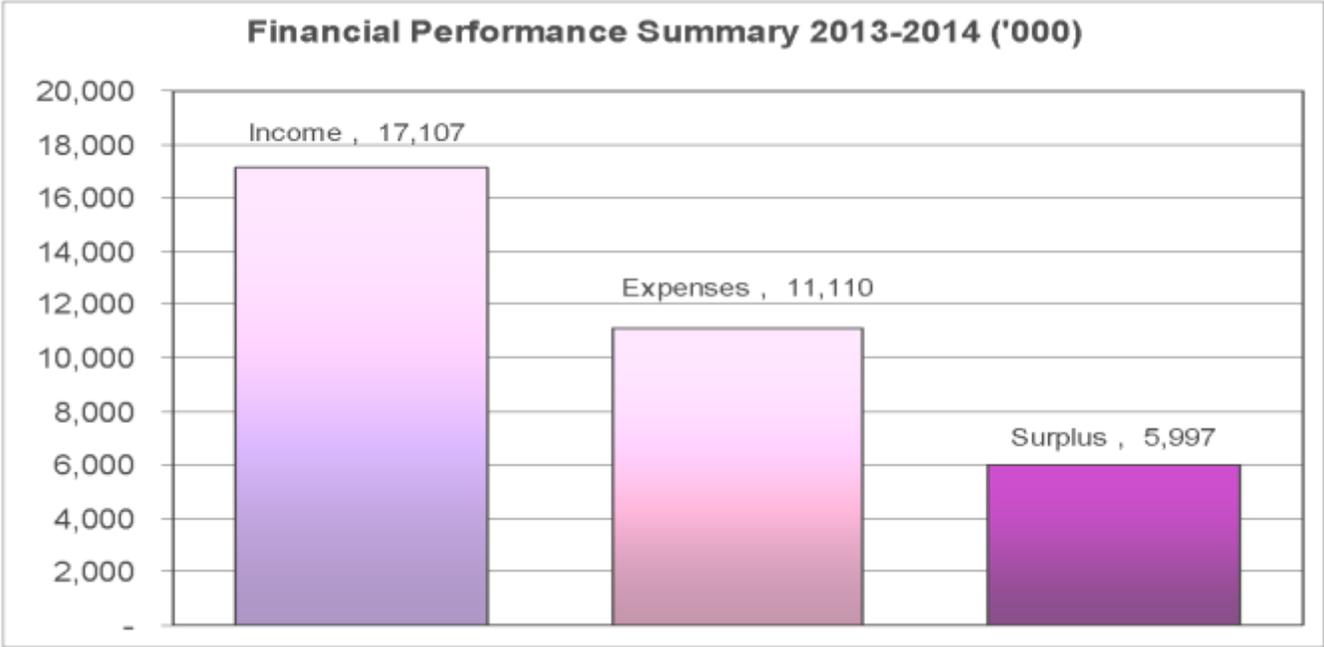
Employee Benefits	2,947	27%
Materials and Services	4,238	38%
Finance Costs	10	0%
Depreciation and Amortisation	2,429	22%
Other	1,486	13%
Total Expenses	11,110	100%

Below; Chart outlining expenses (cost to Council).



The difference of *revenue* (income) and *expenses* represents the surplus (deficit). For 2013-2014, the surplus was \$5,996,786. This is represented in the **Financial Performance Summary** below.

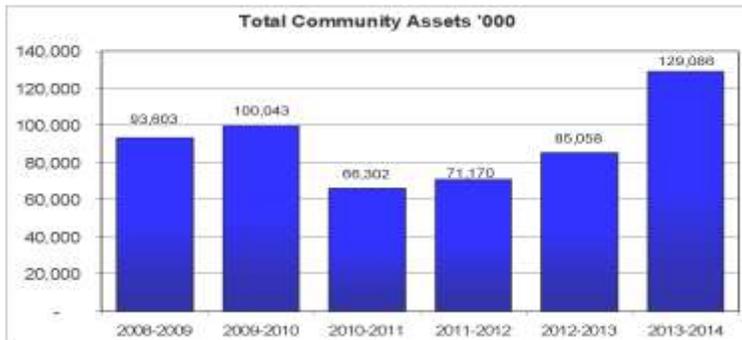
Note: the amounts are shown in \$000



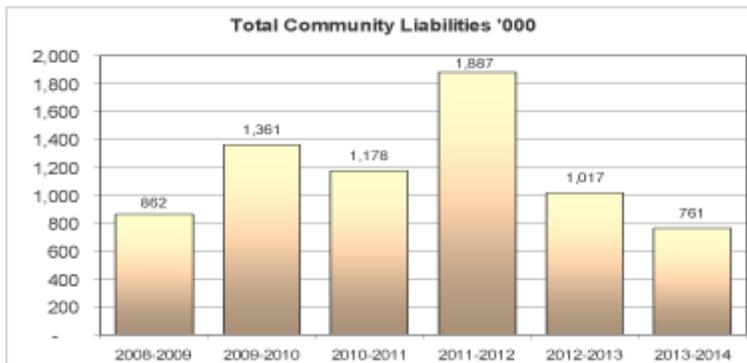
Statement of Financial Position:

This is a snap shot of our financial position as at 30 June 2014. It shows a summary of our assets and liabilities at the end of the financial year. The difference between our assets and liabilities is called Community Equity (Net Assets) and is a measure of the wealth of the Community.

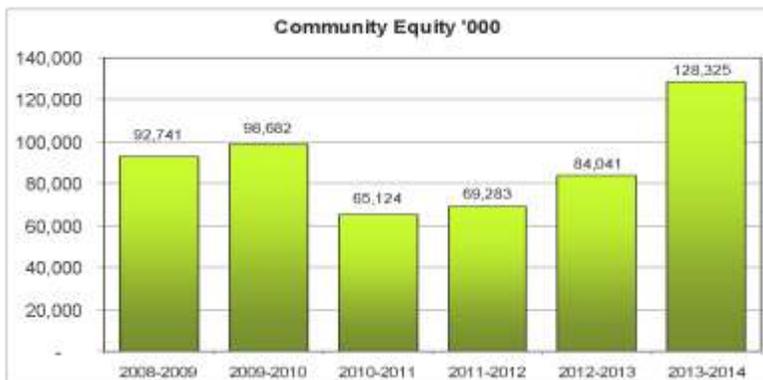
Total Community Assets are shown in \$000. Community Assets are mainly physical assets and include cash, trade and other receivables, inventories, other financial assets, property, plant and equipment.



Total Community Liabilities are shown in \$000. Community Liabilities are mainly monies owed to suppliers and provisions to meet employee entitlements such as long service leave and annual leave.

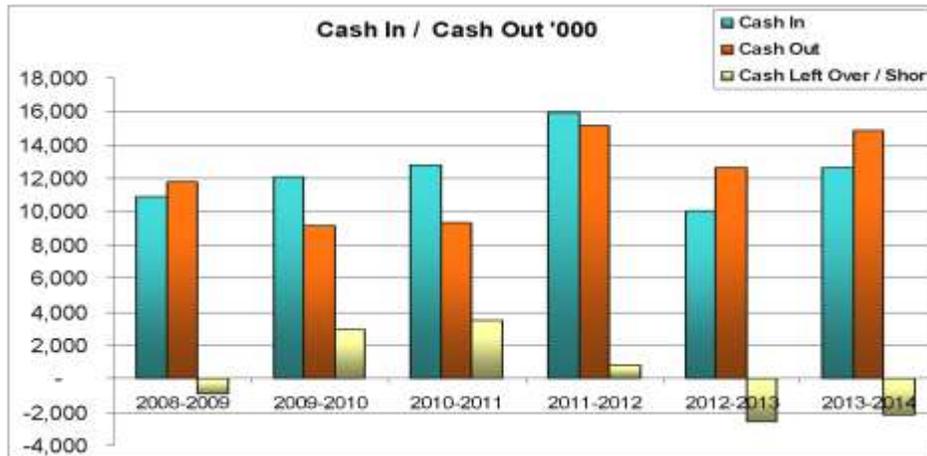


Community Equity (Community Wealth) is the difference between what we own (assets) and what we owe (our liabilities).



Statement of Cash Flows:

This Statement explains where the money comes from (cash in) and how the money has been spent (cash out). It also shows the amount of money we have left over each year.



Relevant Measures of Financial Sustainability:

The detailed measures can be found below.

Financial Sustainability

\$ '000	Indicator	Target	Prior Periods	
			2013	2012
Performance Indicators				
1. Operating Surplus Ratio				
Net Result	(3,492)			
Total Operating Revenue ⁽¹⁾	6,132	-56.95%	0 - 10%	-23.28%
				-8.48%
An indicator of which the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.				
2. Net Financial Liabilities Ratio				
Total Liabilities less Current Assets	(7,958)			
Total Operating Revenue ⁽¹⁾	6,132	-129.78%	less than 60%	-114.81%
				-97.79%

An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.

3. Asset Sustainability Ratio

Asset Renewals ⁽³⁾	121	4.98%	more than 90%	9.45%	38.63%
Depreciation Expense ⁽⁴⁾	2,429				

An approximation of the extent to which the infrastructure assets managed are being replaced as these reach the end of their useful lives.

Financial Sustainability

Performance Indicators - Graphs

<p>1. Operating Surplus Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>-8.48%</td> </tr> <tr> <td>2013</td> <td>-23.28%</td> </tr> <tr> <td>2014</td> <td>-56.95%</td> </tr> </tbody> </table>	Year	Ratio %	2012	-8.48%	2013	-23.28%	2014	-56.95%	<p>Purpose of 1. Operating Surplus Ratio</p> <p>An indicator of which the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.</p>	<p>Commentary on Result</p> <p>2013/14 Ratio -56.95%</p> <p>Council incurred operating loss in FY 2013-2014</p>
Year	Ratio %									
2012	-8.48%									
2013	-23.28%									
2014	-56.95%									
<p>2. Net Financial Liabilities Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>-97.79%</td> </tr> <tr> <td>2013</td> <td>-114.81%</td> </tr> <tr> <td>2014</td> <td>-129.78%</td> </tr> </tbody> </table>	Year	Ratio %	2012	-97.79%	2013	-114.81%	2014	-129.78%	<p>Purpose of 2. Net Financial Liabilities Ratio</p> <p>An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.</p>	<p>Commentary on Result</p> <p>2013/14 Ratio -129.78%</p> <p>Council's current asset is enough cover total liabilities</p>
Year	Ratio %									
2012	-97.79%									
2013	-114.81%									
2014	-129.78%									
<p>3. Asset Sustainability Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>38.63%</td> </tr> <tr> <td>2013</td> <td>9.45%</td> </tr> <tr> <td>2014</td> <td>4.98%</td> </tr> </tbody> </table>	Year	Ratio %	2012	38.63%	2013	9.45%	2014	4.98%	<p>Purpose of 3. Asset Sustainability Ratio</p> <p>An approximation of the extent to which the infrastructure assets managed are being replaced as these reach the end of their useful lives.</p>	<p>Commentary on Result</p> <p>2013/14 Ratio 4.98%</p> <p>Below target as majority of capital expenditure are for new assets</p>
Year	Ratio %									
2012	38.63%									
2013	9.45%									
2014	4.98%									

In Final:

Mornington Shire Council working in partnership with an energetic and enthusiastic Council led by Mayor Bradley Wilson has a supportive staff body (48), predominantly indigenous (89%) with recent changes to the organization structure.

Mornington Shire Council is providing the opportunity for staff to build their capacity and skills to improve standards of service delivery while achieving organizational and personal goals.

These are exciting times with opportunities ahead at the Council and major project currently being undertaken and planned for are:

1. Mornington Shire Council's road rehabilitation project for safer travel – NDRRA
2. Upgrade and redesign of jetty/wharf precinct with barge landing area to provide capacity for commercial fisheries, chandlery and fuel sales
3. Removal of the old hospital site in Lardil Street to abate the risk to health from asbestos
4. Reinvigoration of commercial enterprises to provide services for community through more opportunities (apprenticeships and traineeships)

For now, thank you and Council invites you to stay a while, explore our website or 'Like' **Mornington Shire Council** on Facebook – help us improve our services for you, the Community.



Your ref:
Our ref: 2014-4002
Mr Brendan Macrae 3149 8118

Queensland Audit Office

24 November 2014

Mr F Mills
Chief Executive Officer
Morningson Shire Council
CI-Post Office
GUNUNA QLD 4871

Dear Mr Mills

General Purpose Financial Statements-2013-14
Current-year Financial Sustainability Statement - 2013-14
• Morningson Shire Council

I advise you for information the certified General Purpose Financial Statements as required by s.40(4) of the Auditor-General Act 2009 and the certified Current-year Financial Sustainability Statement. Copies of the certified statements have also been forwarded to the Minister for Local Government, Community Recovery and Resilience and the Mayor.

I have issued unmodified audit opinions. However, consistent with all other councils, I have included an emphasis of matter in the auditor's report on the current-year financial sustainability statement to highlight the use of the special purpose basis of accounting.

Yours sincerely

Brendan Macrae

Brendan Macrae
Director

Enc.

Queensland Audit Office
Level 14, 53 Albert Street, Brisbane Qld 4000
PO Box 15398, City East Qld 4002

Phone 07 3149 8000
Email qao@qao.qld.gov.au
Web www.qao.qld.gov.au

Your ref:
Our ref: 2014-4002
Mr Brendan Macrae 3149 8118

Queensland Audit Office

24 November 2014

Councillor B Wilson
Mayor
Morningson Shire Council
CI-Post Office
GUNUNA QLD 4871

Dear Councillor Wilson

General Purpose Financial Statements-2013-14
Current-year Financial Sustainability Statement - 2013-14
• Morningson Shire Council

I enclose for your information a copy of the certified General Purpose Financial Statements as required by s.40(4) of the *Auditor-General Act 2000* and the certified Current-year Financial Sustainability Statement. The original certified statements were returned to the Chief Executive Officer.

I have issued unmodified audit opinions. However, consistent with all other councils, I have included an emphasis of matter in the auditor's report on the current-year financial sustainability statement to highlight the use of the special purpose basis of accounting.

Yours sincerely

Brendan Macrae
Director

Enc.

Queensland Audit Office
Level 14, 53 Albert Street, Brisbane Qld 4000
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Email: qao@qao.qld.gov.au
Web: www.qao.qld.gov.au

Attachments: Financial Statement (as received)

Mornington Shire Council

Financial statements

For the year ended 30 June 2014

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Mornington S h i r e Council

Statement of Comprehensive Income

For the year ended 30 June 2014

**Council Income
(Revenue)**

		2014	2013
	Note	\$	\$
Recurrent revenue			
Levies and charges			
Fees and charges	3(b)	413,647	397,540
Rental income	3(c)	390,884	201,791
Interest received	3(d)	230,562	313,868
Sales revenue	3(e)	867,662	1,213,081
Other income	3(f)	156,047	311,090
Grants, subsidies, contributions and donations	4(a)	3,087,061	4,926,372
		6,131,904	8,240,161
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	6,251,836	2,896,161
Total revenue		12,383,740	11,136,322
Capital income		4,723,630	2,220,500
Total income		17,107,369	13,356,822
Expenses			
Recurrent expenses			
Employee benefits	6	(2,946,921)	(3,612,855)
Materials and services	7	(4,238,187)	(4,746,128)
Finance costs	8	(10,414)	(11,670)
Depreciation and amortisation	9	(2,429,202)	(1,788,144)
		(9,624,725)	(10,158,797)
Capital expenses		(1,485,857)	(3,021,390)
Total expenses		(11,110,582)	(13,180,187)
Net result		5,996,787	176,635

Other comprehensive income

Items that will not be reclassified to net result

Increase / (decrease) in asset revaluation surplus	38,286,859	14,581,349
Total other comprehensive income for the year	38,286,859	14,581,349
Total comprehensive income for the year	44,283,646	14,757,984

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

QAO

Certified statements

Mornington Shire Council

Statement of Financial Position

As at 30 June 2014

	Note	2014 \$	2013 \$
Current assets			
Cash and cash equivalents	11	6,814,885	9,020,472
Trade and other receivables	12	774,458	378,146
Inventories	13	460,091	425,960
Other financial assets	14	669,910	652,465
		8,719,344	10,477,043
Total current assets		8,719,344	10,477,043
Non-current assets			
Other financial assets	14	22,719,927	18,667,220
Property, plant and equipment	15	97,646,707	55,914,295
Total non-current assets		120,366,634	74,581,515
Total assets		129,085,978	85,058,558
Current liabilities			
Trade and other payables	17	593,202	877,318
Provisions	18	67,188	58,991
Total current liabilities		660,389	936,309
non-current liabilities			
Trade and other payables	17		
Provisions	18	100,502	80,807
Total non-current liabilities		100,502	80,807
Total liabilities		760,891	1,017,116
Net community assets		128,325,087	84,041,442
Community equity			
Retained surplus/(deficiency)	20	16,437,361	10,440,574
Reserves	21		
Total community equity		128,325,089	84,041,443

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

Mornington Shire Council

Statement of Changes in Equity

For the year ended 30 June 2014

Balance as at 1 July 2013	73,600,869	10,440,574	84,041,443	
Net operating surplus	5,996,787			
Other comprehensive income for the year				
Increase / (decrease) in asset revaluation surplus	38,286,859		38,286,859	
Available-for-sale-financial assets				
Current year gains / (losses)				
Reclassification to profit or loss				
Cash flow hedging				
Current year gains / (losses) Reclassification to profit or loss				
Share of comprehensive income of associates				
Total comprehensive income for the year	38,286,859	5,996,787	44,283,646	
Transfers to and from reserves				
Transfers to/from capital Transfers to reserves Transfers from reserves				
Total transfers to and from reserves				
Balance as at 30 June 2014	111,887,728	16,437,361	128,325,089	
Balance as at 1 July 2012	59,019,520	3,941,154	6,322,785	69,283,459
Net operating surplus		176,635		176,635
Other comprehensive income for the year				
Increase / (decrease) in asset revaluations surplus	14,581,349			14,581,349
Available-for-sale-financial assets				
Current year gains / (losses)				
Reclassification to profit or loss				
Cash flow hedging				
Current year gains / (losses) Reclassification to profit or loss				
Share of comprehensive income of associates				
Total comprehensive income for the year	14,581,349	176,635	14,757,984	36
Transfers to and from reserves*				

Transfers to/from capital			
Transfers to reserves			
Transfers from reserves		6,322,785	(6,322,785)
Total transfers to and from reserves		6,322,785	(6,322,785)
Balance as at 30 June 2013	73,600,869	10,440,574	84,041,443

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

	Note	2014	2013
Cash flows from operating activities			
Receipts from customers		7,816,663	3,604,734
Payments to suppliers and employees		(7,384,859)	(7,910,007)
		431,804	(4,305,273)
Dividend received			
Interest received		230,562	313,868
Rental income		390,884	201,791
Non capital grants and contributions		3,087,061	4,926,372
Income from investments			
Borrowing costs			
Net cash inflow (outflow) from operating activities	26	4,140,311	1,136,758
Cash flows from investing activities		(7,427,501)	((5,348,494)
Payments for intangible assets			
Net movement in loans and advances			
Proceeds from sale of property plant and equipment		1,013	3,636
Finance lease receipts		718,342	621,249
Grants, subsidies, contributions and donations		362,249	988,553
Net cash inflow (outflow) from investing activities		(6,345,897)	(3,735,056)
Cash flows from financing activities			
Proceeds from borrowings			
Repayment of borrowings			
Repayments made on finance leases			
Net cash inflow (outflow) from financing activities			
Net increase (decrease) in cash and cash equivalent held		(2,205,587)	(2,598,298)
Cash and cash equivalents at the beginning of the financial year		9,020,472	11,618,770
Cash and cash equivalents at end of the financial year		6,814,885	9,020,472

Financial statements:

1 Significant accounting policies

1.A Basis of preparation

These general purpose financial statements are for the period 1 July 2013 to 30 June 2014 and have been prepared in compliance with the requirements of the Local Government Act 2009 and the Local Government Regulation 2012. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

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

1.B Statement of compliance

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

1.C Constitution

The Mornington Shire Council is constituted under the Queensland *Local Government Act 2009* and is domiciled in Australia.

1.D Date of authorisation

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

1.E Currency

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

1.F Adoption of new and revised Accounting Standards

In the current year, Council adopted all of the new and revised Standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies. However the Application of AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* for the first time this year has resulted in greater disclosures.

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective

AASB 9 *Financial Instruments* (December 2009) AASB 10 *Consolidated Financial Statements* AASB 11 *Joint Arrangements*

AASB 12 *Disclosure of interests in other entities*

AASB 127 *Separate Financial Statements* (replaces the existing standard together with AASB 10)

AASB 128 *Investments in Associates and Joint Ventures* (replaces the existing standard) AASB 1055 *Budgetary Reporting*

2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2009) AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December

2010)

AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and*

Joint Arrangements Standards

AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and*

Financial Liabilities

[AASB 132]

AASB 2013-1 *Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements*

AASB 2013-3 *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*

AASB 2013-4 *Amendments to Australian Accounting Standards - Novation of Derivatives and*

Continuation of Hedge Accounting [AASB 139]

AASB 2013-5 *Amendments to Australian Accounting Standards - Investment Entities* [AASB 1, AASB

3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134

& AASB 139]

AASB 2013-6 *Amendments to AASB 136 arising from Reduced Disclosure Requirements*

AASB 2013-7 *Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders* [AASB 1038]

AASB 2013-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities - Control and Structured Entities* [AASB 10, AASB 12 & AASB 1049]

AASB 2013-9 *Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments*

[Operative dates: Part A Conceptual Framework - 20 Dec 2013; Part B Materiality - 1 Jan 2014; Part

C Financial Instruments - 1 Jan 2015]

Interpretation 21 *Levies*

AASB 9 *Financial Instruments* (effective from 1 January 2015)

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*. Is effective for reporting periods beginning on or after 1 January 2015 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met

1.G Critical accounting judgments and key sources of estimation uncertainty

In the application of Council's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

Actual results may differ from these estimates. The estimates and ongoing assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant. Judgments, estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

Valuation and depreciation of property, plant and equipment- Note 1.O and Note 15

Impairment of property, plant and equipment - Note 1.P Provisions -
Note 1.S and Note 18

Valuation of finance leases - Note 1.Q

Contingent liabilities - Note 23

1.H Revenue

Levies, grants and other revenue are recognised as revenue on receipt of funds or earlier upon unconditional entitlement to the funds.

Levies and charges

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

Fees and Charges

Fees and charges relate to local government levy, levy on staff houses and airport landing fees. Levels of fees and charges are determined by Council at the commencement of each year and are recognised as revenue upon receipt of funds.

Grants and subsidies

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. In the financial year ended 30 June 2013, and previous years, an equivalent amount was transferred from retained earnings to the relevant reserve until the funds were expended. Unspent non-reciprocal capital grants were placed in the Unspent capital grants reserve. On 26 June 2013, Council passed a resolution to close all existing reserves and account for these restrictions using an internal management accounting system. Internal restrictions that have been placed on council's cash and cash equivalents are now disclosed in Note 11.

Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled. Council does not currently have any reciprocal grants.

Non-cash contributions

Non-cash contributions with a value in excess of the recognition thresholds are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.

Rental income

Rental revenue from investment and other property is recognised as income on a periodic straight line basis over the lease term.

Interest Income

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

Sales revenue

Sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, generally when the customer has taken undisputed delivery of the good.

1.1 Financial assets and financial liabilities

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

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

Financial assets

Cash and cash equivalents (Note 1.J)

Receivables - measured at amortised cost (Note 1.K)

Other financial assets (finance leases) - measured at fair value (Note 1.Q) Financial liabilities

Payables - measured at amortised cost (Note 1.R)

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

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

Note 28.

1.J Cash and cash equivalents

Cash and cash equivalents includes cash on hand, all cash and cheques received but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

1.K Receivables

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

The collectability of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment. The loss is recognised in finance costs. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.

All known bad debts were written-off at 30 June. Subsequent recoveries of amounts previously written off in the same period are recognised as finance costs in the Statement of Comprehensive Income. If an amount is recovered in a subsequent period it is recognised as revenue.

Loans and advances are recognised in the same way as other receivables. Terms are usually a maximum of five years with interest charged at commercial rates. Security is not normally obtained.

1.L Inventories

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

Inventories held for distribution are:

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

These goods are valued at cost, adjusted, when applicable, for any loss of service potential

1.M Other financial assets

Refer to Note 1.O for the accounting policy relating to finance lease assets. Other financial assets are recognised at cost.

1.N Investments

Term deposits in excess of three months are reported as investments, with deposits of less than three months being reported as cash equivalents. At 30 June 2014 Council did not have any term deposits in excess of three months.

1.O Property, plant and equipment

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. Items of plant and equipment with a total value of less than \$5,000, and infrastructure assets and buildings with a total value of less than \$10,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

The classes of property, plant and equipment recognised by the Council are:

Buildings

Other plant and equipment

Road and drainage network

Water

Sewerage

Other infrastructure assets

Work in progress

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's 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 is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

Capital and operating expenditure

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

Valuation

Buildings and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116

Property, Plant & Equipment and AASB 13 *Fair Value Measurement*. Other plant, 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 is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 3 years. 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.

Any revaluation increment arising on the revaluation of an asset is credited to the appropriate class of the asset revaluation surplus, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense to the extent it exceeds the balance, if any, in the revaluation surplus of that asset class.

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

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

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

Depreciation

Depreciation on other property, plant and equipment assets is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the Council.

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

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

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

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

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

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. 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 in Note 15.

Land under roads

Land under roads acquired before 30 June 2008 is recognised as a non-current asset where the Council holds title or a financial lease over the asset. The Mornington Shire Council currently does not have any such land holdings.

Land under the road network within the Council area that has been dedicated and opened for public use under the *Land Act 1994* or the *Land Title Act 1994* is not controlled by Council but is controlled by the State pursuant to the relevant legislation. Therefore this land is not recognised in these financial statements.

1.P Impairment of non-current assets

Each non-current physical and intangible asset and group of assets is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

An impairment loss is recognised as an expense in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

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

1.Q Leases

Leases of plant and equipment under which the Council as lessor transfers substantially all the risks and benefits

Incidental to the ownership of the asset. But not the legal ownership, are classified as finance leases. Other leases, where substantially all the risks and benefits remain with the lessor, are classified as operating leases.

Finance leases as lessor

Council has leased 223 dwellings as lessor to the Queensland Government for 40 years. The total lease payment per dwelling in the current year was \$2,932.24. These lease payments are required to be adjusted each year by the change in the Consumer Price Index (All Groups) for Brisbane. As the gross lease payments are insufficient to cover the fair value (depreciated replacement cost) of the leased properties, there is no interest rate implicit in the leases and therefore no finance income will arise from the leases. Consequently, the leases are recognised at the present value of the expected future lease payments receivable (fair value). Gains on revaluation of finance lease assets are recognised as other income.

There is nil unearned finance income, unguaranteed residual values accruing to the benefit of Council, accumulated allowance for uncollectible minimum lease payments receivable or contingent rents recognised as income applicable to the leases.

1.R Payables

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

1.S Liabilities - employee benefits

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

Salaries and wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 17 as a payable.

Annual leave

A liability for annual leave is recognised. Amounts expected to be settled within 12 months (the current portion) are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months (the non-current portion) are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense and is reported in Note 17 as a payable.

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Sick leave

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

Superannuation

The superannuation expense for the reporting period is the amount of contributions the Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 24.

Long service leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in the Council being required meeting the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. This liability is reported in Note 18 as a provision.

1.T Asset revaluation surplus

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

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

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

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

1.U Retained surplus

In reference to the comparative figures for the year ended 30 June 2013, this represents the amount of Council's net funds not set aside in reserves to meet specific future needs.

1.V Reserves

Council's cash and cash equivalents are subject to a number of internal restrictions that limit the amount that is available for discretionary or future use. In prior years Council accounted for these restrictions using a system of reserves.

On 26 June 2013, Council passed a resolution to close all existing reserves and account for these restrictions using an internal management accounting system. Internal restrictions that have been placed on Council's cash and cash equivalents are now disclosed in Note 11.

The former reserves operated as follows:

Constrained works reserve

The amounts previously reported in this reserve corresponded to the amount of cash (reported within cash and cash equivalents) which had been received in respect of capital works where the required capital works had not yet been carried out. Where non-reciprocal grants, subsidies and contributions were received for specific capital projects, amounts equivalent to the capital grants received were transferred from retained surplus to the constrained works reserve. When the grant monies were expended on the respective projects, an equivalent amount was transferred out of the constrained works reserve to retained surplus.

Future recurrent expenditure reserve

The amounts previously reported in this reserve corresponded to the amount of cash (reported within cash and cash equivalents) that had been allocated for future operating expenditure on specific programs such as animal control. An amount equivalent to the cash allocated for this purpose was transferred from retained surplus to the future recurrent expenditure reserve annually. When the maintenance was undertaken, an amount equivalent to the expenditure was transferred out of the future recurrent expenditure reserve to retained surplus. All of the amounts transferred to this reserve related to a perceived future liability which was not currently a liability.

1.W National competition policy

The Council has reviewed its activities and has identified that there are no business activities to which the code of competitive conduct applies.

1.X Rounding and comparatives

The financial statements have been rounded to the nearest \$1.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

1.Y 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 ATO or payable to the ATO is shown as an asset or liability respectively.

1.Z Treatment of Significant Asset Transactions

Public Housing Assets

On 15 March 2011 the Council leased public housing assets and associated leasehold land to the Queensland Government, as part of the Indigenous Housing Arrangement 40 year lease.

On 07 February 2013, there are 11 additional houses added to the lease agreement

The lease is classified as a finance lease. As such, Council has recognised the lease receivable and derecognised the relevant assets in the financial statements

Community Development Employment Programs (CDEP)

On the 12 August 2013 the Council ceased running and managing the CDEP Program and was transferred to Jobfind. The assets that were acquired and managed under the CDEP Program were retained by Council

2. Analysis of Results by Function

2(a) Components of council functions

The activities relating to the Council's components reported on in Note 2(b) are as follows:

Corporate Services

This comprises the support functions for the management of Council's finances, information technology and administration, and support for the Mayor and Councillors, Council and committee meetings and statutory requirements.

Technical Services

To provide and maintain infrastructure such as roads, drainage, footpaths, aerodromes, marine facilities, water supply and services, sewerage, plant and machinery, and the construction and maintenance of community buildings and facilities.

Community Services

Community services and facilities including cultural, health, welfare, environmental and recreational services. This function includes:

- Community recreational facilities
- Environmental and animal management
- Community Development and Employment
- Operation of the funded Community Development and Employment Program and related activities

3 Revenue analysis

(a) Levies and charges

Water	502,975	459,826
Sewerage	311,766	273,534
Garbage charges	171,300	143,059
Total service charge revenue	986,041	876,419
Less: Discounts	~	
Less: Pensioner remissions		
	986,041	876,419

(b) Fees and charges

Fees and charges	413,647	397,540
	413,647	397,540

(c) Rental income

Investment property rental		
Property rental	390,884	201,791
	390,884	201,791

(d) Interest received

Interest received on deposits	230,562	313,868
	230,562	313,868

(e) Sales revenue

Sale of services	867,662	1,213,081
Contract and recoverable works	867,662	1,213,018

The amount recognised as revenue for contract revenue during the financial year is the amount receivable in respect of invoices issued during the period. There are no contracts in progress at the year end. The contract work carried out is not subject to retentions.

(f) Other income

Sundry Income	83,108	68,402
Recouped Administrative Costs - CDEP Plant Hire	15,000	98,625
- Internal Other Income	46,316	49,754
	11,622	94,309
	156,047	311,090

4 Grants, subsidies, contributions and donations

(a) Recurrent

General purpose grants	2,559,801	3,290,338
State government subsidies and grants	101,631	231,617
Commonwealth government subsidies and grants	425,628	1,404,417
	3,087,061	4,926,372

(b) Capital

Commonwealth government subsidies and grants	362,249	988,553
Other Capital Grant	5,889,587	1,907,608
	6,251,836	2,896,161

Conditions over contributions

Contributions recognised as income during the reporting period and were obtained on the condition that they are expended in a manner specified by the contributor but had not been expended at the reporting date:

Non-reciprocal grants for expenditure on infrastructure	1,306,809
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5 **Capital income**

Profit (Loss) on Sale N/C Assets	1,013	
Initial recognition of new leases		910,420
Gain on Revaluation of Lease Assets	4,722,617	1,310,080
Total capital income	4,723,630	2,220,500

6 **Employee benefits**

Total staff wages and salaries	1,998,326	2,783,219
Councillors' remuneration	281,379	266,413
Annual, sick and long service leave entitlements	403,002	266,162
Superannuation	24	325,857
	2,998,989	3,641,651
Other employee related expenses	87,241	182,896
	3,086,230	3,824,547
Less: Capitalised employee expenses	(139,309)	(211,692)
	2,946,921	3,612,855

Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.

Total Council employees at the reporting date:	2014	2013
Elected members	5	5
Administration staff	12	24
Depot and outdoors staff	38	108
Total full time equivalent employees	55	137

7 **Materials and services**

Advertising and marketing	2,515	
Administration supplies and consumables	14,570	19,381
Audit of annual financial statements by the Auditor-General of Queensland	81,056	162,480
Communications and IT	193,452	272,749
Consultants	264,187	702,478
Contractors		
Donations paid		
Investment property expenses (property generating income)		
Investment property expenses (property not generating income)		
Power	28,660	35,869
Repairs and maintenance	353,197	405,855
Rentals - operating leases	28,969	22,461
Subscriptions and registrations	63,505	66,310
Travel	115,137	152,256
Civic Receptions, Entertainment and Council Meetings	7,976	11,688
General Expenses	17,632	35,477

Insurance	283,231	540,671
Legal Expenses	240,012	97,456
Bad Debts Expense	(18,623)	(105,032)
Storeyard Operating Expenses	12,501	4,614
Storeyard Cartage	122,109	86,708
Fuel and Gas Issues	396,435	380,925
Wkshop Operating Costs	54,989	31,200
Plant Maintenance - Materials	301,450	234,672
Construction Camp - Operating Expenses	54,501	3,397
Water Operating Expenses	60,231	29,659
Water Repairs and Maintenance	36,549	10,371
Airport Operating Expenses	4,551	3,380
Animal Control Costs	92,173	49,015
Pest Control Costs	16,250	15,953

	Sport and Recreation Expenses	96,560	29,932
	Purchase of Call Cards	15,869	28,410
	Operating Expenses Cemetery	4,502	3,863
	Library Operating Expenses	638	6,143
	Private Works - Operating Expenses	109,277	92,411
	CD&S Expenses	6,451	273,957
	CDEP Fencing Project Open Expenses		16,766
	CDEP Insurance Assets	2,370	16,711
	CDEP Painting Project Operating Exp		10,606
	CDEP Activity Materials	17,352	73,433
	CDEP Bakery Activity Materials	4,625	11,920
	CDEP Motor Vehicle Expenses	15,569	49,217
	CDEP Training	6,355	88,083
	Child Care Centre Expenses		
	CDEP Titans Project		155,461
	Other materials and services	1,131,405	619,222
		4,238,187	4,746,128
8	Finance costs		
	Bank charges	10,414	11,670
		10,414	11,670
9	Depreciation and amortisation		
	Depreciation of non-current assets		
	Buildings	886,812	844,834
	Plant and equipment	267,888	281,687
	Road and drainage network	674,961	246,216
	Water	206,391	144,871
	Sewerage	101,202	83,887
	Other infrastructure assets	291,948	186,649
	Total depreciation	15 2,429,202	1,788,144
10	Capital expenses		
	Gain/ loss on disposal of non-current assets		
	Proceeds from the sale of property, plant and equipment		(3,636)
	Less: Book value of property, plant and equipment disposed off	1,485,857	3,025,026
	Total capital expenses	1,485,857	3,021,390
11	Cash and cash equivalents		
	Cash at bank and on hand	6,552,116	7,702,180
	Deposits at call	262,769	1,318,292
	Balance per Statement of Cash Flows	6,814,885	9,020,472

Externally imposed expenditure restrictions at the reporting date
relate to the following cash assets: Unspent
government grants and subsidies

724,543 3,242,128

Total unspent restricted cash

724,543 3,242,128

• These restrictions were previously allocated as reserves

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

Cash is held in the Westpac Bank in normal business cash reserve accounts and business cheque accounts. Deposits at call are held with the Queensland Treasury Corporation.

12 Trade and other receivables

Current

Trade debtors	951,796	585,513
Other debtors	104,579	67,502
Less impairment	(283,199)	(377,660)
GST recoverable	1,282	102,791
Prepayments		
	774,458	378,146

No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.

Movement in accumulated impairment losses is as follows: Opening balance at 1 July	377,660	482,692
Impairment Debts written off during the year	65,347	
Additional impairments recognised		
Impairments reversed	29,114	105,032
Closing Balance at 30 June	283,199	377,660

13 Inventories

Inventories held for sale miscellaneous saleable items Supermarket stock

Other trading stocks

Inventories held for distribution

Quarry and road materials	460,091	425,960
Stores Inventory	460,091	425,960
Total inventories	460,091	425,960

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14 Other financial assets

Finance leases	669,910	652,465
	669,910	652,465
Finance leases	22,719,927	18,667,220
	22,719,927	18,667,220
fair value of lease payments is as follows:		
Gross minimum lease payments receivable:		
Not later than one year	669,910	652,465
Later than one year but not later than five years	2,679,640	2,609,861
Later than five years	21,303,262	21,400,712
	24,652,812	24,663,038
Add: Estimated contingent rent	19,296,190	14,789,770
Less: Present value adjustment	(20,559,165)	(20,133,123)
Fair value of lease payments	23,389,837	19,319,685
Not later than one year	669,910	652,465
Later than one year but not later than five years	2,644,883	2,505,394
Later than five years	20,075,044	16,161,826
	23,389,837	19,319,685
Opening balance	19,319,685	17,720,434
Add: Initial recognition of new leases		910,420
Less: Lease receipts	(652,465)	(621,249)
Add: Gain on revaluation	4,722,617	1,310,080
Closing balance	23,389,837	19,319,685

The calculation of fair value has included an estimate of average annual CPI increases of (3% for 2013-2014 and 2.4% for 2012-2013) and a discount rate of (3.54% for 2013-2014 and 4.09% for 2012-2013)

