



**MORNINGTON
SHIRE COUNCIL**

MORNINGTON SHIRE

Annual Report

2015-2016



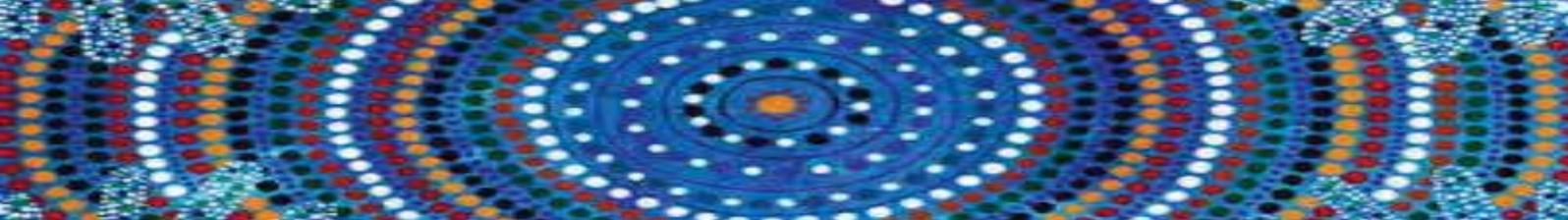


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Disclaimer

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Our Welcome

Welcome to the Mornington Shire Council's Annual Report 2015-2016.

This report describes council's achievements in delivering services to the Mornington Shire region and shows progress in delivering the actions set out from the Corporate Plan 2016-2021 and the Operational Plan 2015-2016.

The annual report is one of the ways council connects with the community and is the culmination of regular reporting.

It shows

- Council's commitment to achieve its vision for the region
- The result of actioning the Corporate and Operational plans
- Details of Council's achievements
- Details of the services that have been provided to the region
- Transparency and accountability of council.

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 2015-2016 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

I would like to take this opportunity to thank the staff of the Mornington Shire Council; everyone has worked very hard and shown commitment towards their respective positions to making this Council a very strong and prosperous one.

This Council thrives to make our community better and stronger and also be the unheard voice that the Government will hear and acknowledge our concerns and issues. This Council also brings to the table a wide range of experience from Health, Local Government, Education and Employment. I am pleased to say that we've got a good team (both from the Council and its Staffs) leading the way forward for our community.

Council's focus has been on infrastructure for the period of this report and we will be seeing the starting of our new Wharf and also our new Runway. It has been a long way coming but finally its here, our staff have worked endlessly to secure those funds and I would like to thank them for their hard work and dedication. CEO Frank Mills and his dedicated staff have shown that they can achieve the goals of the Council, even if it means going all the way to the top.

Our Housing project is working very well and has been doing a great job around the community. They too are a dedicated team and I would like to acknowledge their hard work. They've recently just completed our new Construction Camp which will be an addition to our accommodation for contractors and fly in fly out staffs.

I've received comments from people who are visiting the Island and how they see the Community now, they complement the way we have moved forward and the way the Council has taken the initiative to take control of everything that's going on around the place. We have a long way to go and every step is a challenge for us to achieve.

The Mornington Shire Council is working towards building a good relationship with all tiers of the Government to achieve outcomes that are best for our Community, we strive to make this community a healthier and successful one by having ongoing meetings with other Government agencies and Service providers in our Community to fulfil our vision and move this community forward.

Mornington Shire Council Mayor Brad Wilson

mayor@mornington.qld.gov.au



Message from the Chief Executive Officer

Mornington Shire Council is one of Queensland's most remote and unique Local Government organisations. The complexities we face on a daily basis in terms of locality, climate, environment, culture and history are both challenging and inspiring.

As unique as we are, we have the same strong reliance on grant funding as other local governments to support our goal of long term sustainability. With no rateable land or properties and limited capacity for commercial and economic development, our ability to generate own source revenue is restricted and requires innovative solutions.

Adapting to the natural, social and economic environment of the Wellesley Islands is quintessential if we are to move forward and deliver services to best practice standards?

Council's vision is:

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

Commensurate to our vision, council and community recognise:

There is a need to balance the demands of growth and change with the needs of our environment and community.

Our highly skilled and educated community live here for a special reason:

The opportunity to live and work close to the pristine waterways and native bushland that are central to our quality of traditional life.

Protecting our precious environment is one of our main priorities and is an integral part of our vision.

Setting the path for the future for Council and community to build on the momentum of change and continue the journey to achieving their vision and organisational goals, Council is investing time and resources in the review and formulation of their annual operational plan associated budget and their long term corporate and financial plans.

As the Chief Executive Officer of Council, I am responsible for the production of an Annual Report in accordance with Division 3 of the Queensland Local Government Regulations 2012 and Section 104 (7) of the Queensland Local Government Act 2009. This report must give my assessment of Council's progress towards implementing our annual operational plan and 5 year corporate plan.

As Council continues to move through an unparalleled period of change management, the achievements during 2015 – 2016 are now building on the foundations that started in 2014 when Council set a new path and direction. With a focus on strengthening Council's financial position and its ability support the delivery of infrastructure projects whilst building community capacity, our achievements during the reporting period include:

Improving Community Lifestyle

Funding approved for the redevelopment of the football oval, including installation of a lighting system, with works to be carried out during the 2016 wet season.

Council implemented a program for delegations from the service provider group to attend monthly meetings with Council.

Negotiations conducted with Commonwealth and State Government departments to secure long term funding for sport and recreation and projects engaging youth.

Local Laws have been approved and introduced for the control and licensing for domestic animals. An Animal Management Worker has been appointed and development of a community education program commenced.

Council and Community Housing

Negotiated through the Council, Department of Aboriginal and Torres Strait Islander Partnerships, Housing and Public Works and Building and Asset Services combined Technical Working Group for a local person to be employed as a community housing officer.

Negotiated through the Council, Department of Aboriginal and Torres Strait Islander Partnerships, Housing and Public Works and Building and Asset Services combined Technical Working Group for greater Council input and advice to be taken into account during the evaluation of community housing needs assessments.

Negotiated with the Department of Housing and Public Works and Building and Asset Services for commencement of a Council Housing Program with staff to be offered first right of refusal for all community housing maintenance and repair works.

Commenced formal negotiations with Gulf Region Aboriginal Corporation for an indigenous land use agreement to provide additional land for community housing on Mornington Island.

Keeping our Culture Alive

Negotiated support from all State and Commonwealth Government Funding agencies to develop a strategic plan for service delivery within Mornington Shire Council.

Council grants and communications coordinator continued the process of building relationships with government departments and philanthropic organisations to identify funding opportunities that support cultural services and programs.

Council in partnership with Job Find (Rise) has continued the development of a plan and commenced works to develop the "Old Village" foreshore area into a community park and BBQ area.

Creating Opportunities for Prosperity

Council negotiated funding to support the purchase of a mobile concrete batching plant and to support the introduction of a housing program to provide employment to local indigenous people in the housing construction and repairs and maintenance fields.

Negotiated processes through the Council, Department of Aboriginal and Torres Strait Islander Partnerships, Housing and Public Works and Building and Asset Services combined Technical Working Group to implement a whole of government approach to new constructions and housing repairs and maintenance to support employment of local indigenous people.

Continued the process of building regional relationships with stakeholder network to identify and develop opportunities that support economic development planning and activities.

Protecting Our Country

Council in conjunction with AECOM and GRAC completed a geotechnical survey to locate unidentified and unmarked graves for inclusion in the cemetery plans and records. A plan has been developed in conjunction with GRAC in regards to identifying and obtaining documentation of graves in the Shire cemeteries.

Council has developed and implemented an Environmental Management Plan to address civil pride, litter and waste management.

In partnership with Department of Aboriginal and Torres Strait Islander Partnerships and Brazier Motti completed a whole of community survey that included identification and correct spelling of all street names.

Negotiated and secured funding from a combine of Commonwealth and State Government agencies and private enterprise for stages 1 and 2 of Jetty and Barge Landing redevelopment and carried out stage 1 – the demolition of the old jetty.

Negotiated and secured funding from Commonwealth and State Government departments for replacement of airport fencing, lighting upgrade at the airport and a major works remediation project for the runway to be carried out before the 2016 wet season.

Council has developed a systematic road maintenance system which identifies priorities in the communities including the R2R works and maintenance programs to meet community expectations.

Enhance and Support Local Business

Negotiated and secured funding from the Commonwealth Government for replacement of bulk fuel storage on Mornington Island and development of community fuel retail outlet to support local business.

Purchased and transported to Mornington Island, 42 bedrooms of transportable accommodation for development of a visitor accommodation centre on Mornington Island to support local business.

Council reviewed, amended and adopted both their five year corporate and long term financial plan to meet community needs and expectations and improve financial sustainability of Council.

Transparent and Open Communication across Three Tiers of Government

Council continued to review, amend and implement new and existing registers, policies and delegations to meet legislative and organisational requirements.

Council's Financial Statements for 2015 – 2016 financial year received Unqualified Financial Statements status by the Queensland Audit Office.

Council adopted their Sundry Debt Collection Policy in May 2016 which the formalisation of has allowed Council to improve internal procedures, which has resulted in the improved payments for outstanding debts in a timely manner and significantly reducing outstanding debts.

Council adopted new and improved internal procedures that have resulted in improved cash flow processes within Council. This has allowed Council to invest surplus funds into its investment account to generate additional revenue.

Council undertook a review of all procedures relative to BAS, PAYG and FTB lodgements and introduced processes that ensure all lodgements are correct and made prior to the required lodgement dates.

Council reviewed and amended its Disaster Management Plan, carried out both desk top and outdoor emergency exercises and participated in community resilience and risk assessment planning in line with the disaster management plan.

Council continued to improve its website, social media and community networks to disseminate information to the community and all stakeholders. Weekly radio interviews and a Council/community newsletter have been introduced to support the information flow to all residents and stakeholders.

Mornington Shire CEO Frank Mills

ceo@mornington.qld.gov.au



Mornington Shire Council Region

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.

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 Regional Airlines 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.

Aspirations

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

According to our corporate Plan, Mornington Shire 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
- We have quality infrastructure
- We have a sustainable local economy
- Governance and ownership of community direction is by Council
- We have a 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.



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.

In March of 2016, the Local Government election saw the Mayor Bradley Wilson and Councillor Robert (Bobby) Thompson elected into Council for a second term, along with Councillor Jane Ah Kit, Councillor Claire Farrell and Deputy Mayor Sarah Isaacs elected for their first term in Local Government.

Council have confidence in the spirit and determination of the organisation and its commitment to delivering our vision. Our workforce is highly skilled, dynamic and adaptable in its approaches to tackling the range of challenges facing us ahead. Above all, our staff are committed to delivering high quality services. This is an important time for the Mornington Shire and for the organisation-far reaching decisions and actions will be set in train over the next five years which will significantly shape the future of the region. Mornington Shire Council are gearing up for the exciting times ahead.

Cr Thompson; economic development, transport and region projects

Cr Farrell; infrastructure and housing

Cr Ah Kit; health and wellbeing

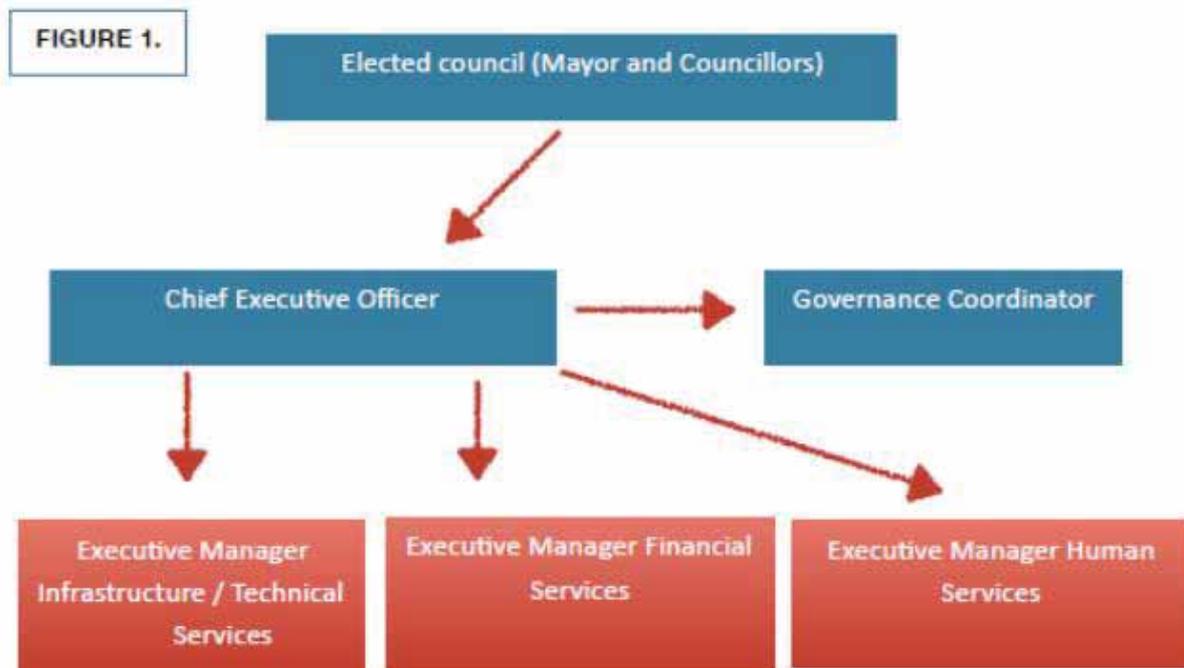
Cr Isaacs; community engagement, culture and events

Cr Wilson; overseeing entire runnings

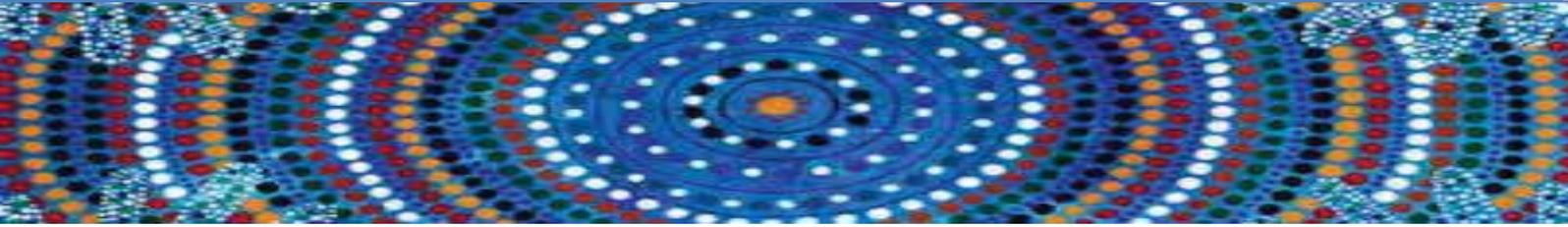


Our Executive Team

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



Community Financial Report



Community Financial Report

30 June 2016

- Financial summary
- Revenue
- Expenses
- Assets
- Liabilities
- Community Equity
- Measures of Financial Sustainability

Financial Summary

Operational Revenue

\$13.7 million

Capital Revenue

\$595 thousand

Expenditure

\$18.7 million

Assets

\$126 million

Liabilities

\$1.1 million

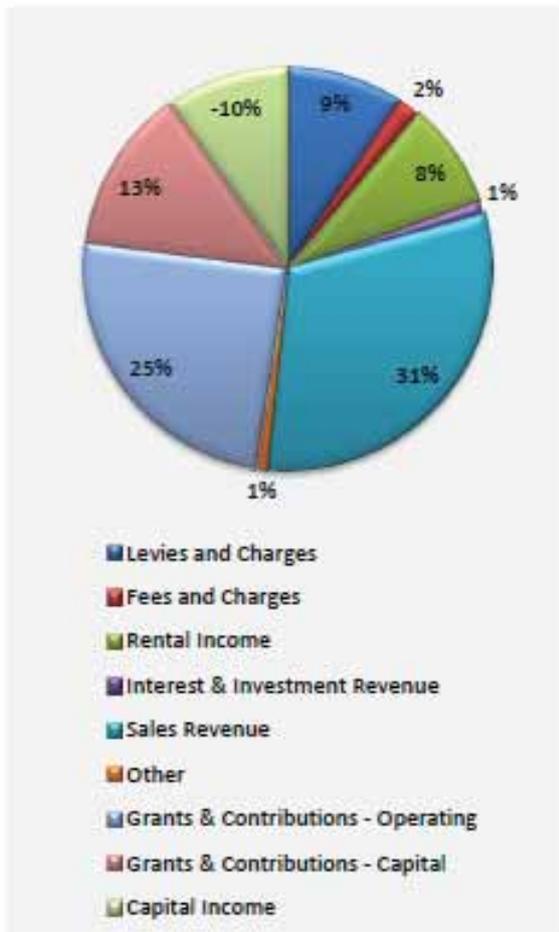
Community Equity

\$125 million

This report summarises Council's financial position at 30 June 2016 in plain English.

Revenue

Council received \$14.3 million in revenue and other income for the year ended 30 June 2016.



Total revenue decreased by \$12 million (-46%) on the previous year. Principal movements included:

- **Capital Grants \$9.8 million** ↓ The significant decrease in capital grants was due to completion of one-off flood damage restoration of Birri and Ballaleah Roads
- **Sales Revenue \$1.9 million** ↑ During the Council sales revenue has continued to increase in 2016 due predominantly due to the establishment and rapid expansion of the Housing services department.

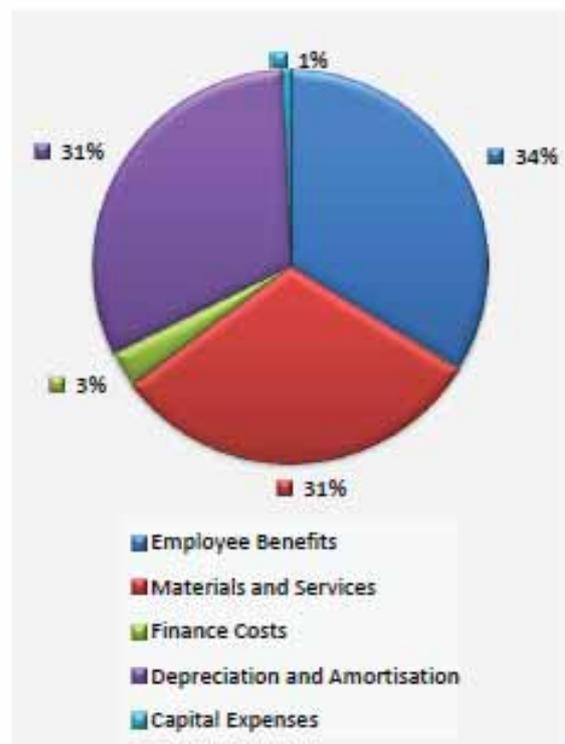
- **Capital Income \$1.7 million** ↓ The decrease is due to the reduction in fair value of the 40 year leases. The value is required to be re-assessed each year for accounting purposes.

Expenses

Council spent more than \$19 million during the year between operations (\$18.7 million) and capital projects (\$1 million).

The main operational expenses for Council include:

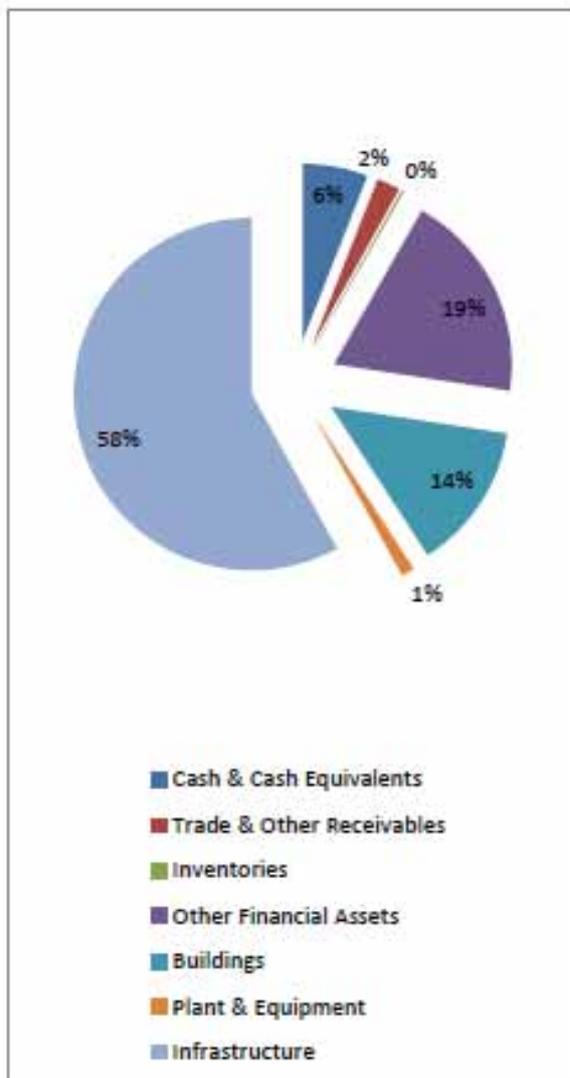
- Employee Benefits
- Materials and Services
- Finance Costs
- Depreciation and Amortisation



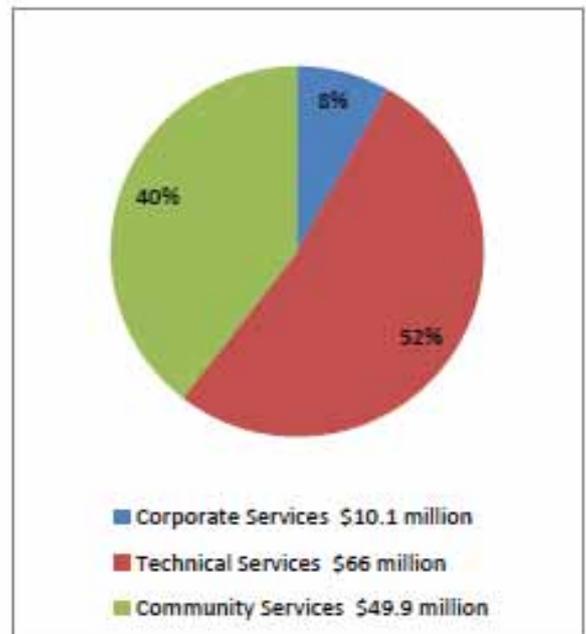
Assets

As at 30 June 2016, Council's assets were valued at \$125 million.

What Council Owns



How the money is invested



Liabilities

At 30 June 2016, Council's liabilities totalled \$1.1 million. This was made up of the following:

- Amounts owing to suppliers, and
- Employee leave entitlements

Community Equity

Council's community equity is defined as its net worth – what we own, less what we owe. At 30 June 2016, Council's community equity was \$125 million.

Measures of financial sustainability

The Local Government Regulation 2012 requires that Council report its results for the financial year against selected financial sustainability ratios. These ratios, their definitions and Council's results at 30 June 2016 are stated below.

Ratio	How the measure is calculated	Target	Actual
Operating Surplus Ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	0-10%	-37%
Net Financial Liabilities Ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	<60%	-73%
Asset Sustainability Ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	>90%	13%

Council's current year financial sustainability statement, the Auditor-General's report on it and Council's long term financial sustainability statement are located following Council's Annual Financial Statements in this report.

Indicators

Target	Actual 2016	Long Term Financial Plan Projections								
		Yr 1 2017	Yr 2 2018	Yr 3 2019	Yr 4 2020	Yr 5 2021	Yr 6 2022	Yr 7 2023	Yr 8 2024	Yr 9 2025
0-10%	-37.0%	-22%	-17%	-15%	-12%	-11%	-9%	-8%	-6%	-5%
<60%	-73%	-42%	-48%	-60%	-69%	-79%	-90%	-102%	-114%	-127%
>90%	13%	84%	49%	22%	63%	63%	65%	66%	67%	68%

Councillor Remuneration

2016

Councillor	Salary & Allowances	Superannuation	Other
Bradley Wilson	101,444.33	11,522.22	813.60
Sean Linden	46,872.88	4,322.42	-
Robyrta Felton	28,941.03	-	-
Robert Thompson	47,810.27	3,590.80	370.35
Lyle Wilson	30,297.69	-	-
Jane Ah Kit	17,262.58	-	864.15
Sarah Isaacs	19,082.02	-	370.35
Claire Farrell	17,262.58	-	370.35
	<u>308,973.38</u>	<u>19,435.44</u>	<u>2,788.80</u>

NUMBER OF MEETINGS OF MORNINGTON SHIRE COUNCIL ATTENDED DURING 2015/2016 FINANCIAL YEAR

Section 186 (c) of the Local Government Regulation 2012

Councillor	No. of Meetings
Mayor Bradley Wilson	9 of 12
Councillor Sean Linden	5 of 9
Councillor Robyrta Felton	8 of 9
Councillor Robert Thompson	11 of 12
Councillor Claire Farrell	3 of 3
Councillor Jane Ah Kit	3 of 3
Councillor Sarah Isaacs	3 of 3

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 2015/2016 financial year there were no complaints received against any of the Councillors.

Breaches against the Code of Conduct	Nil
Total number of staff code of conduct breaches	1
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

Senior Management 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 2015 – 2016

- 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

FINANCIAL STATEMENTS

Mornington Shire Council Financial Statements For the year ended 30 June 2016

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Mornington Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2016

	Note	Council	
		2016 \$	2015 \$
Income			
Revenue			
Recurrent revenue			
Levies and charges	3(a)	1,665,591	1,017,304
Fees and charges	3(b)	311,078	237,806
Rental income	3(c)	1,514,842	523,013
Interest revenue	3(d)	193,806	225,217
Sales revenue	3(e)	5,495,559	3,533,711
Other income	3(f)	147,974	207,768
Grants, subsidies and contributions	4(a)	4,379,942	4,422,013
		<u>13,708,792</u>	<u>10,166,833</u>
Capital revenue			
Grants, subsidies and contributions	4(b)	2,344,405	12,202,009
Other capital income	5	(1,749,219)	3,994,066
Total capital revenue		<u>595,186</u>	<u>16,196,075</u>
Total income		<u>14,303,978</u>	<u>26,362,909</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(6,365,886)	(4,418,424)
Materials and services	7	(5,844,950)	(5,760,925)
Finance costs	8	(552,193)	(36,435)
Depreciation	14	(5,960,435)	(5,009,041)
		<u>(18,723,464)</u>	<u>(15,224,825)</u>
Capital expenses	9	(138,653)	(259,043)
Total expenses		<u>(18,862,117)</u>	<u>(15,483,869)</u>
Net result		<u>(4,558,139)</u>	<u>10,879,040</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase in revaluation surplus	17	-	-
Total other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>(4,558,139)</u>	<u>10,879,040</u>

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

Mornington Shire Council
Statement of Financial Position
as at 30 June 2016

	Note	Council	
		2016 \$	2015 \$
Current Assets			
Cash and Cash Equivalents	10	7,510,434	6,632,397
Trade and Other Receivables	11	2,669,312	591,005
Inventories		229,976	298,506
Other Financial Assets	12	690,925	679,462
Total Current Assets		11,100,647	8,201,370
Non-Current Assets			
Other Financial Assets	12	23,594,389	26,034,532
Property, Plant and Equipment	14	91,863,385	97,016,016
Total Non-Current Assets		115,457,775	123,050,548
Total Assets		126,558,422	131,251,918
Current Liabilities			
Trade and Other Payables	13	927,019	1,112,682
Provisions	16	135,983	11,548
Total Current Liabilities		1,063,002	1,124,230
Non-Current Liabilities			
Provisions	16	21,197	95,326
Total Non-Current liabilities		21,197	95,326
Total Liabilities		1,084,199	1,219,556
Net Community Assets		125,474,223	130,032,362
Community equity			
Asset Revaluation Surplus	17	102,715,961	102,715,961
Retained Surplus		22,758,262	27,316,401
Total Community Equity		125,474,223	130,032,362

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

Mornington Shire Council
Statement of Cash Flows
For the year ended 30 June 2016

	Note	Council	
		2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		5,617,125	5,741,529
Payments to suppliers and employees		(12,860,857)	(10,157,019)
		<u>(7,243,732)</u>	<u>(4,415,490)</u>
Interest received		193,806	225,217
Rental income		1,514,842	523,013
Operating grants and contributions		4,379,942	4,422,013
Net cash inflow (outflow) from operating activities	18	<u>(1,155,142)</u>	<u>754,753</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(990,688)	(13,809,162)
Finance lease receipts		679,462	669,910
Grants, subsidies, contributions and donations		2,344,405	12,202,009
Net cash inflow (outflow) from investing activities		<u>2,033,179</u>	<u>(937,243)</u>
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Net cash inflow (outflow) from financing activities		<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalent held		<u>878,037</u>	<u>(182,488)</u>
Cash and equivalents at the beginning of the financial year		6,632,397	6,814,885
Cash and equivalents at end of the financial year	10	<u>7,510,434</u>	<u>6,632,397</u>

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

Mornington Shire Council
Statement of Changes in Equity
For the year ended 30 June 2016

	Asset Revaluation Surplus	Retained Surplus	Total
Note	17 \$	\$	\$
Balance as at 1 July 2015	102,715,961	27,316,401	130,032,362
Net operating surplus	-	(4,558,139)	(4,558,139)
Other comprehensive income for the year			
Increase / (decrease) in asset revaluation surplus	17 -	-	-
Balance as at 30 June 2016	<u>102,715,961</u>	<u>22,758,262</u>	<u>125,474,223</u>
Balance as at 1 July 2014	102,715,961	16,437,361	119,153,321
Net operating surplus	-	10,879,040	10,879,040
Other comprehensive income for the year			
Increase / (decrease) in asset revaluation surplus	-	-	-
Balance as at 30 June 2015	<u>102,715,961</u>	<u>27,316,401</u>	<u>130,032,362</u>

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

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

1 Significant Accounting Policies

1.A Basis of Preparation

These general purpose financial statements are for the period 1 July 2015 to 30 June 2016 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.

Current/ Non-Current classification

Assets and liabilities are presented as "current" or "non-current" in the Statement of Financial Position on the following basis:

Current assets and liabilities include financial and non-financial items which are either held primarily for the purpose of trading or is expected to arise and be realised or settled in the normal course of the operating cycle, or does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Non-current assets and liabilities include financial and non-financial items which are either not expected to be realised or settled in the normal course of the operating cycle, or contain an unconditional right to defer settlement for a period greater than 12 months.

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 and fair value gains on infrastructure assets or housing leases.

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
- revaluations of infrastructure assets
- revaluation of housing leases

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

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

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.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

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.

Mornington Shire Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective with the exception of AASB 2015-7 *Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities*. Generally council applies standards and interpretations in accordance with their respective commencement dates. The retrospective application of AASB 2015-7 has exempted council from the disclosure of quantitative information and sensitivity analysis for some valuations categorised within Level 3 of the fair value hierarchy.

At the date of authorisation of the financial report, AASB 9 *Financial Instruments* and AASB 2015-6 *Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* are the only new accounting standards with a future application date that are expected to have a material impact on council's financial statements.

From 1 July 2016 AASB 124 *Related Party Disclosures* will apply to Council, which means that council will disclose more information about related parties and transactions with those related parties.

Council is still reviewing the way that revenue is measured and recognised to identify whether AASB 15 *Revenue from Contracts with Customers* will have a material impact. To date no impact has been identified.

AASB 15 is effective from 1 January 2018 and will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers.

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.G Critical accounting judgements and key sources of estimation uncertainty

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

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

Valuation and depreciation of property, plant and equipment - Note 14 and Note 15
Impairment of property, plant and equipment - Note 1.K
Provisions - Note 16
Valuation of finance leases - Note 12
Contingent liabilities - Note 21

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

1.H 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, and does so at fair value.

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

1.I Inventories

Stores and raw materials held for resale are valued at the lower of cost and net realisable value. Costs are assigned on the basis of weighted average cost.

1.J Deed of Grant in Trust Land

Council is located on land assigned to it under a Deed of Grant in Trust (DOGIT) under Section 34I of the Land Act 1994.

The land is administered by the Department of Natural Resources and Mines and the Council has restricted use of this land for the benefit of shire inhabitants. The DOGIT land has not been taken up in the Council's assets as it cannot be reliably measured.

1.K Impairment of Non-Current Assets

Each non-current physical 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.

1.L 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.M 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.N 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.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

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
- Provision and maintenance of accommodation services
- Supply of goods, including bakery, fuel and gas
- Repair and maintenance of community housing

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

2 Analysis of Results by Function

(b) Income and expenses defined between recurring and capital are attributed to the following functions:

Year ended 30 June 2016

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net Result	Assets
	Recurrent		Capital			Recurrent	Capital				
	Grants	Other	Grants	Other							
	2016	2016	2016	2016		2016	2016				
\$	\$	\$	\$	\$	\$						
Corporate Services	3,460,888	226,218	-	-	3,687,106	(4,056,896)	-	(4,056,896)	(369,790)	(369,790)	10,194,030
Technical Services	421,371	2,947,224	2,334,405	-	5,703,000	(7,264,038)	(138,653)	(7,402,691)	(3,895,443)	(1,699,691)	66,366,700
Community Services	497,663	6,155,408	10,000	(1,749,219)	4,913,872	(7,402,530)	-	(7,402,530)	(749,439)	(2,488,658)	49,950,545
Total Council	4,379,942	9,328,850	2,344,405	(1,749,219)	14,303,978	(18,723,464)	(138,653)	(18,862,117)	(5,014,672)	(4,558,139)	126,511,275

Year ended 30 June 2015

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net Result	Assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
	2015	2015	2015	2015		2015	2015				
\$	\$	\$	\$	\$	\$						
Corporate Services	3,989,270	429,234	-	-	4,418,504	(3,813,206)	-	(3,813,206)	605,298	605,298	7,330,695
Technical Services	142,241	1,381,585	12,202,009	-	13,725,835	(5,596,772)	(259,043)	(5,855,815)	(4,072,946)	7,870,020	69,505,138
Community Services	290,502	3,934,001	-	3,994,066	8,218,569	(5,814,848)	-	(5,814,848)	(1,590,345)	2,403,721	54,416,081
Total Council	4,422,013	5,744,820	12,202,009	3,994,066	26,362,908	(15,224,826)	(259,043)	(15,483,869)	(5,057,993)	10,879,040	131,251,918

**Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016**

	2016 \$	2015 \$
3 Revenue Analysis		
(a) Levies and Charges		
Water	903,134	493,280
Sewerage	390,837	335,270
Garbage charges	372,120	185,754
	<u>1,665,991</u>	<u>1,017,304</u>
(b) Fees and Charges		
Fees and charges	311,078	237,806
	<u>311,078</u>	<u>237,806</u>
(c) Rental Income		
Property rental	1,514,842	523,013
	<u>1,514,842</u>	<u>523,013</u>
(d) Interest Revenue		
Interest received on deposits	193,806	225,217
	<u>193,806</u>	<u>225,217</u>
(e) Sales Revenue		
Sale of Services		
Contract and recoverable works	4,766,220	448,563
Social housing construction	-	2,391,089
	<u>4,766,220</u>	<u>2,637,652</u>
Sale of goods		
Sale of goods	728,339	696,059
	<u>728,339</u>	<u>696,059</u>
	<u>5,494,559</u>	<u>3,633,711</u>
(f) Other Income		
Sundry Income	35,417	66,875
Other Income	112,557	140,793
	<u>147,974</u>	<u>207,668</u>

Recognition and Measurement

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 recognised as revenue upon receipt.

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 revenue 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 goods.

Contract and recoverable works include construction and maintenance works for locals and local businesses. 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.

Social housing construction involves Council as principal contractor in the construction of new social housing for the State Government. Revenue was recognised when agreed milestones were met by Council.

**Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016**

	2016 \$	2015 \$
4 Grants, Subsidies and Contributions		
(a) Recurrent		
Commonwealth government subsidies and grants	700,595	764,089
General purpose grants	3,397,238	3,438,422
State government subsidies and grants	282,108	221,502
	<u>4,379,942</u>	<u>4,422,013</u>
(b) Capital		
Commonwealth government subsidies and grants	871,500	111,626
NDRRA funding*	1,223,529	12,090,383
State government subsidies and grants	249,376	-
	<u>2,344,405</u>	<u>12,202,009</u>

* Capital expenditure for flood restoration was completed prior to 30 June 2015. NDRRA funding received during the financial year represents the final milestone payment per the funding agreement.

Conditions over Contributions

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

Non-reciprocal grants	218,313	105,140
	<u>218,313</u>	<u>105,140</u>

	2016 \$	2015 \$
5 Capital Income		
Gain / loss on disposal of non-current assets		
Gain on revaluation of lease assets	(1,749,219)	3,994,068
Total Capital Income	<u>(1,749,219)</u>	<u>3,994,068</u>

	Note	2016 \$	2015 \$
6 Employee Benefits			
Total staff wages and salaries		4,271,907	3,018,585
Councillors' remuneration		388,675	304,405
Annual, sick and long service leave entitlements		727,298	406,434
Superannuation	22	540,022	337,453
		<u>5,907,902</u>	<u>4,066,877</u>
Other employee related expenses		458,314	427,814
		<u>6,367,216</u>	<u>4,494,691</u>
Less: Capitalised employee expenses		(1,330)	(78,007)
		<u>8,365,886</u>	<u>4,418,424</u>

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

	2016	2015
Total Council employees at the reporting date:		
Elected members	5	5
Administration staff	14	13
Depot and outdoors staff	82	53
Total full time equivalent employees	<u>101</u>	<u>71</u>

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

6 Employee Benefits (Continued)

Recognition and Measurement

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 13 as a payable.

Annual Leave

A liability for annual leave is recognised. All amounts have been recognised as current due to the entitlement of staff to take their leave at any time, subject to operational requirements. This liability represents an accrued expense and is reported in Note 13 as a payable.

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 the contribution the Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 22.

7 Materials and Services	2016	2015
	<u>\$</u>	<u>\$</u>
Administration supplies and consumables	81,116	67,885
Audit of annual financial statements	81,300	89,430
Communications and IT	285,393	217,957
Consultants	252,608	155,602
Travel	74,550	67,241
General expenses	75,002	259,105
Insurance	297,872	261,328
Legal expenses	140,898	97,336
Storeyard operating expenses	486,445	375,351
Workshop operating expenses	178,231	87,706
Housing services operating expenses	2,316,082	117,749
Water operating expenses	70,381	34,686
Airport operating expenses	33,378	42,368
Animal and pest control expenses	138,820	101,462
Sport and recreation expenses	85,254	26,034
Cemetery operating expenses	21,213	10,186
Private works operating expenses	286,320	2,765,875
Other materials and services	982,287	983,623
	<u>5,844,950</u>	<u>5,760,925</u>
	2016	2015
	<u>\$</u>	<u>\$</u>
8 Finance Costs		
Bank charges	19,591	12,858
Impairment of debts	532,602	23,577
	<u>552,193</u>	<u>36,435</u>
	2016	2015
	<u>\$</u>	<u>\$</u>
9 Capital Expenses		
Gain / loss on disposal of non-current assets	-	-
Proceeds from the sale of property, plant and equipment	-	-
Less: Book value of property, plant and equipment disposed off	138,653	259,043
Total capital expenses	<u>138,653</u>	<u>259,043</u>

**Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016**

	<u>2016</u>	<u>2015</u>
	\$	\$
10 Cash and Cash Equivalents		
Cash at bank and on hand	7,235,651	6,361,137
Deposits at call	274,583	271,260
Balance per Statement of Cash Flows	<u>7,510,434</u>	<u>6,632,397</u>

Council 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:

Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:

Unspent government grants and subsidies	218,313	105,140
Total unspent restricted cash	<u>218,313</u>	<u>105,140</u>

Recognition and Measurement

Cash and cash equivalents includes cash on hand, all cash and cheques receipted 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.

Financial Risk Management - Credit risk

The Council may be exposed to credit risk through its investments in the QTC Cash Fund and QTC Working Capital Facility. The QTC Cash Fund is an asset management portfolio that invests with a wide range of high credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed. Working Capital Facility deposits have a duration of one day and all investments are required to have a minimum credit rating of "A-", therefore the likelihood of the counterparty having capacity to meet its financial commitments is strong.

Other investments are held either with financial institutions or the State Government, which are rated AA- based on rating agency ratings, and whilst not capital guaranteed, the likelihood of a credit failure is assessed as remote.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

	2016	2015
	<u>\$</u>	<u>\$</u>
11 Trade and Other Receivables		
Current		
Trade debtors	3,312,217	673,678
Other debtors	-	34,134
Less: Impairment	(663,998)	(245,090)
GST recoverable	41,093	128,383
	<u>2,669,312</u>	<u>591,005</u>

Recognition and Measurement

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.

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.

Financial Risk Management - Credit risk

The Council assesses the credit risk before providing goods or services and applies normal business credit protection procedures to minimise the risk.

By the nature of the Council's operations, there is a geographical concentration of risk in the Council's area. This is due to economic issues e.g. low employment and various cultural issues all of which have a general economic impact.

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

Ageing of past due receivables and the amount of any impairment is disclosed in the following table:

	2016	2015
	<u>\$</u>	<u>\$</u>
Not past due	2,636,226	13,827
Past due 31-60 days	87,666	-
Past due 61-90 days	14,715	180,533
More than 90 days	614,704	641,735
impairment	(663,998)	(245,090)
Total	<u>2,669,312</u>	<u>591,005</u>

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

	2016	2015
	\$	\$
11 Trade and Other Receivables (Continued)		
Movement in accumulated impairment provisions is as follows:		
Opening balance at 1 July	245,090	- 283,199
Impairment debts written off during the year	(227,333)	(23,577)
Additional impairments recognised	673,315	23,577
Impairments reversed	(7,074)	(38,109)
Closing balance at 30 June	<u>683,998</u>	<u>245,090</u>

For impaired financial assets the factors the Council considered when impairing the asset included the ageing of receivables, historical collection rates and and specific knowledge of the debtors financial position.

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

	2016	2015
	\$	\$
12 Other Financial Assets		
Current		
Finance leases	690,925	679,462
	<u>690,925</u>	<u>679,462</u>
Non-Current		
Finance leases	23,594,389	26,034,532
	<u>23,594,389</u>	<u>26,034,532</u>

A reconciliation between the gross investment in the lease and the fair value of lease payments is as follows:

Gross minimum lease payments receivable:		
Not later than one year	690,925	679,462
Later than one year but not later than five years	2,763,700	2,717,847
Later than five years	20,583,113	20,927,543
	<u>24,037,738</u>	<u>24,324,852</u>
Add: Estimated contingent rent	13,582,894	18,292,788
Less: Present value adjustment	(13,335,318)	(15,903,646)
Fair value of lease payments	<u>24,285,314</u>	<u>26,713,994</u>

The fair value of lease payments are receivable as follows:

Not later than one year	690,925	679,462
Later than one year but not later than five years	2,757,644	2,743,214
Later than five years	20,836,745	23,291,318
	<u>24,285,314</u>	<u>26,713,994</u>

Movements in finance leases were as follows:

Opening balance	26,713,994	23,389,837
Add: Initial recognition of new leases	-	-
Less: Lease receipts	(679,462)	(689,910)
Add: Gain on revaluation	(1,749,219)	3,994,066
Closing balance	<u>24,285,314</u>	<u>26,713,994</u>

The calculation of fair value has included an estimate of average annual CPI increases of (3% for 2014/15 and 2.5% for 2015/16) and a discount rate of (2.62% for 2014/15 and 2.59% for 2015/16).

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

12 Other Financial Assets (Continued)

Recognition and Measurement

Finance leases as lessor

Council has leased 222 dwellings as lessor to the Queensland Government for 40 years. The total lease payment per dwelling in the current year was an average of \$2,999.62. 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.

	2016 \$	2015 \$
13 Trade and Other Payables		
Current		
Creditors and accruals	427,845	767,442
Annual leave	382,241	201,594
Other payables	118,933	143,645
	<u>927,019</u>	<u>1,112,682</u>

Recognition and Measurement

Trade Creditors

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 fair value of trade payables is assumed to approximate the value of the original transaction.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

14 Property, Plant and Equipment

Note

Council - 30 June 2016

Basis of Measurement

Asset Values

Opening gross value as at 1 July 2015

Additions

Disposals

Transfers between classes

Closing gross value as at 30 June 2016

Buildings	Plant and Equipment	Road and Drainage Network	Water	Sewerage	Other Infrastructure Assets	Work in Progress	Total
Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	\$
38,193,044	5,050,067	53,043,332	31,654,587	11,240,000	14,043,298	702,917	153,927,245
-	336,189	-	-	15,306	-	639,193	990,688
-	(293,701)	-	-	-	(814,000)	(44,230)	(1,151,931)
-	-	188,829	-	-	446,858	(635,687)	-
<u>38,193,044</u>	<u>5,092,555</u>	<u>53,232,161</u>	<u>31,654,587</u>	<u>11,255,306</u>	<u>13,676,156</u>	<u>662,193</u>	<u>153,766,002</u>

Accumulated depreciation and impairment

Opening balance as at 1 July 2015

Depreciation provided in period

Depreciation on disposals

Accumulated depreciation as at 30 June 2016

19,977,149	3,563,231	13,451,504	8,853,513	5,721,561	5,344,271	-	56,911,229
1,197,190	301,728	2,740,102	706,843	331,098	683,474	-	5,960,435
-	(226,125)	-	-	-	(742,924)	-	(969,049)
<u>21,174,339</u>	<u>3,638,834</u>	<u>16,191,608</u>	<u>9,560,356</u>	<u>6,052,659</u>	<u>5,284,821</u>	<u>-</u>	<u>61,902,617</u>

Total written down value as at 30 June 2016

Residual Value

Range of estimated useful life in years

<u>17,018,705</u>	<u>1,453,721</u>	<u>37,040,554</u>	<u>22,094,231</u>	<u>5,202,647</u>	<u>8,391,335</u>	<u>662,193</u>	<u>91,863,385</u>
-	-	-	-	-	-	-	-
15 - 50	2 - 20	10 - 25	10 - 150	20 - 60	20 - 40	-	-

Additions Comprise:

Renewals

Other additions

Total additions

\$	\$	\$	\$	\$	\$	\$	\$
-	106,189	188,829	-	15,306	446,858	3,506	760,688
-	230,000	-	-	-	-	-	230,000
<u>-</u>	<u>336,189</u>	<u>188,829</u>	<u>-</u>	<u>15,306</u>	<u>446,858</u>	<u>3,506</u>	<u>990,688</u>

**Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016**

14 Property, Plant and Equipment

Note

Council - 30 June 2015

Basis of Measurement

Asset Values

Opening gross value as at 1 July 2014

Additions

Disposals

Transfers between classes

Closing gross value as at 30 June 2015

Buildings	Plant and Equipment	Road and Drainage Network	Water	Sewerage	Other Infrastructure Assets	Work in Progress	Total
Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
\$	\$	\$	\$	\$	\$		\$
38,182,055	8,066,838	39,646,550	31,654,587	11,240,000	14,026,478	826,878	141,643,186
-	193,079	13,396,782	-	-	-	219,301	13,809,162
-	(1,266,060)	-	-	-	-	(259,043)	(1,525,103)
10,989	56,410	-	-	-	16,620	(84,219)	-
38,193,044	5,050,067	53,043,332	31,654,587	11,240,000	14,043,298	702,917	153,927,245

Accumulated depreciation and impairment

Opening balance as at 1 July 2014

Depreciation provided in period

Depreciation on disposals

Accumulated depreciation as at 30 June 2015

18,762,955	4,549,761	11,642,915	8,144,770	5,391,701	4,676,144	-	53,168,246
1,214,194	279,530	1,808,587	708,743	329,860	668,127	-	5,009,041
-	(1,266,060)	-	-	-	-	-	(1,266,060)
19,977,149	3,563,231	13,451,504	8,853,513	5,721,561	5,344,271	-	56,911,229

Total written down value as at 30 June 2015

Residual value

Range of estimated useful life in years

18,215,895	1,486,836	39,591,828	22,801,074	5,518,439	8,699,027	702,917	97,016,016
-	-	-	-	-	-	-	-
15 - 40	2 - 20	5 - 100	10 - 60	20 - 60	20 - 40	-	-

**Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016**

14 Property, Plant and Equipment (Continued)

Recognition and Measurement

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.

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.

Council incurred significant expenditure on the restoration of flood damaged roads under NDRRA arrangements. These costs on the roads, although capital in nature, were expensed as they were to restore the road infrastructure back to the pre-flood standard and the value recognised in the asset register.

Valuation

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. Desktop valuations are conducted each year by qualified external valuers and, where material, are applied to the asset values.

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.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

14 Property, Plant and Equipment (Continued)

Recognition and Measurement

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.

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.

15 Fair Value Measurements

(i) Recognised Fair Value Measurements

Council measures and recognises the following assets at fair value on a recurring basis:

- Property, plant and equipment
 - Buildings
 - Road and Drainage
 - Water
 - Sewerage
 - Other Infrastructure Assets

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

- Fair value based on quoted prices (unadjusted) in active markets for identical assets
- Fair value based on inputs that are directly or indirectly observable for the asset or
- Fair value based on unobservable inputs for the asset and liability (Level 3)

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 measured at fair value which meet the criteria for categorisation as level 1 or level 2.

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. There are no level 2 items recognised by Council. 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.

**Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016**

15 Fair Value Measurements (Continued)

The table presents the Council's assets measured and recognised at fair value at 30 June 2016.

	Note	Level 3 - 2016 (Significant unobservable inputs) \$	Level 3 - 2015 (Significant unobservable inputs) \$
Recurring fair value measurements			
Buildings	14	17,018,705	18,215,895
Road and Drainage Network	14	37,040,554	39,591,829
Water	14	22,094,231	22,801,074
Sewerage	14	6,202,647	5,518,439
Other Structures	14	8,391,335	8,699,027
		<u>89,747,472</u>	<u>94,826,264</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.

(ii) Valuation techniques used to derive fair values for level 3 valuations

Buildings (Level 3)

The fair value of buildings were also determined by independent valuer, Propell National Valuers effective 30 June 2014. Due to the nature of Mornington Island, there is neither an active market for the assets or the Council buildings are of a specialist nature. Therefore fair value has been determined on the basis of replacement with a new asset having similar service potential including allowances for preliminaries and professional fees.

The Gross Current Values have been derived from reference to market data for recent projects and costing guides issued by the Australian Institute of Quantity Surveyors, Rawlinson's (Australian Construction Handbook). Due to this limited market, the net current value of a building asset is the fair value using Depreciated Replacement Cost assessed with reference to the Gross Replacement Cost and the Remaining Life or potential service of the asset. The average cost of construction used to calculate the gross current value of Council's buildings was \$2,250/sqm for residential buildings and \$3,800/sqm for commercial buildings.

In determining the level of depreciation for the asset, consideration has been given to the typical life cycle and renewal treatments of each component, and at what point the asset is considered to be no longer available to meets its primary objective. Condition was assessed taking into consideration both physical characteristics as well as functionality, capability, utilisation and obsolescence.

The below table details the condition rate scale utilised when assessing building assets.

	1	2	3	4	5
	Very Good Condition	Good Condition	Moderate Condition	Poor Condition	Very Poor Condition
Estimated proportion of life consumed	Up to 45%	Between 45% to 90%			Up to 90%
Structure	Sound Structure	Functionally Sound Structure	Adequate structure, some evidence of foundation movement, minor cracking.	Structure functioning but with problems due to foundation movement. Some significant cracking.	Structure has serious problems and concern is held for the integrity of the structure.
External	Fabric constructed with sound materials, true to line and level. No evidence of deterioration or discoloration.	Showing minor wear and tear and minor deterioration of surfaces.	Appearance affected by cracking, staining, or minor leakage. Indications of breaches of weatherproofing. Minor damage to coatings.	Fabric damaged, weakened or displaced. Appearance affected by cracking, staining, overflows or breakages. Breaches of waterproofing evident. Coatings in need of heavy maintenance or renewal.	Fabric is badly damaged or weakened. Appearance affected by cracking, staining, overflows, leakage or water damage. Breaches of waterproofing. Coatings badly damaged or non-existent.
Internal			Appearance affected by minor cracks, staining, or minor leakage, some dampness or mildew. Minor damage to wall/ceiling finishes.	Fabric damaged, weakened or displaced. Appearance affected by cracking, staining, dampness, leakage or breakages. Breaches of waterproofing evident. Finishes of poor quality and in need of replacement.	Fabric is badly damaged or weakened. Appearance affected by cracking, staining, overflows, leakage or water damage. Breaches of waterproofing. Finishes badly damaged, marked and in need of replacement.
Fittings	Well secured and operational, sound of function and appearance.	Operational and functional, minor wear and tear.	Generally operational. Minor leakage.	Fittings of poor quality and appearance, often inoperable and damaged.	Most are inoperable or damaged.
Maintenance	Well maintained and cleaned	Increased maintenance inspections required	Regular and programmed maintenance inspections essential	Frequent maintenance inspections essential. Short term element replacement/rehabilitation.	Minimum life expectancy, requiring urgent rehabilitation or replacement.

Infrastructure Assets (Level 3)

There is no market for Council's roads, water, sewerage and drainage assets and other structure assets as these are held to provide essential services to the community. For the purpose of assessing fair value for financial reporting purposes value has been determined by using Depreciated Replacement Cost. This valuation comprises the estimated current cost of replacement of the asset with a similar asset which is not necessarily an exact reproduction but which has similar service potential and function (plus where applicable an amount for installation), less an amount for depreciation in the form of accrued physical wear and tear, economic and functional obsolescence.


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**Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016**

15 Fair Value Measurements (Continued)

Fair value of assets was determined by independent valuer, Propell National Valuers effective 30 June 2014. Condition was assessed by inspection from the valuers with additional reference to the CT Management condition report prepared in November 2013. This report detailed the Road's lengths and width that had been measured by GPS and also to provide an assessment of condition allowing the assessment of the change in condition within a six month span providing greater clarity to the useful life of a Road assets. All above ground assets were physically inspected.

1(a) Road and Drainage Network - Calculation of current replacement cost

Roads and Drainage

Current replacement cost

Council categorises the road infrastructure into urban and rural roads with further sub categories of sealed and unsealed roads. 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.

Current replacement cost was calculated by reference to the assets linear and width characteristics, overhead allocations and service costs. With regard to unsealed roads, it is assumed that base raw materials can be sourced from local quarries where possible, otherwise other material is assumed to be transported to the Island. Where construction is outsourced, current replacement cost was based on the average of similar projects over the last few years. Reference was also made to recent costs for construction works within the similar remote locations and Rawlinson's Construction Cost Guide.

Fair value of assets was determined by independent valuer, Propell National Valuers effective 30 June 2014. Condition was inspected as far as practical for all accessible sites at the time of the valuation (with the access to the eastern end of Ballaleah Road being prevented due to flooding). The condition of previously inaccessible sites were assessed by George Boume & Associates, with the significant decline in serviceability recorded effective 30 June 2014. During the 2015 financial year, all eligible costs to restore the roads to their pre-flood condition were capitalised. Current Replacement Cost was calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs and overhead allocations.

Drainage Infrastructure

Current replacement cost

A full valuation of drainage infrastructure was undertaken by independent valuers, Propell National Valuers, effective 30 June 2014. Similar to roads, drainage assets are managed in segments of 200m; pits, pipes and channels being the major components.

Consistent with roads, Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment and that a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials. Where drainage assets are located underground and physical inspection is not possible, the age, size and type of construction material, together with current and planned maintenance records are used to determine the fair value at reporting date. Construction estimates were determined on a similar basis to roads.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

15 Fair Value Measurements (Continued)

2(a) Water, Sewerage and Other Infrastructure – Calculation of written down current replacement cost

Water and Sewerage

Current replacement cost

Water and sewerage infrastructure fair values were determined by independent valuers, Propell National Valuers effective 30 June 2014. Current Replacement Cost was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

Valuation unit rates (replacement costs) were increased by 25% - 40% to allow for project overheads including survey, environmental and investigation costs, engineering design, planning and project management. The percentages above have been adopted based upon the most recent projects of the airport upgrade and water upgrade contracts.

Consistent with roads, it is assumed that environmental factors such as soil type, climate and topography are consistent across each segment and that a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials. Where assets are located underground and physical inspection is not possible, the age, size and type of construction material, together with current and planned maintenance records are used to determine the fair value at the date of valuation.

Water assets cost of replacement were adopted from recent projects completed which provided unit rates as well as preliminaries, site establishment and other associated costs. Sewerage cost of replacement was determined by scheduled rates for construction of assets of similar assets. These rates have been indexed taking into account the remote locations and reference has also been given to Rawlinson's Construction Cost Guide.

Condition Rating	Condition Definition	Description Explanation	Remaining Useful Life
0	As new condition / Excellent	Asset is as new	95% - 100%
1	Very Good	Asset is close to new	75% - 94%
2	Good	Asset is in good condition	55% - 74%
3	Fair	Asset is in fair condition	30% - 54%
4	Poor	Asset is in poor condition	5% - 29%
5	Unserviceable	Asset is in very poor condition and has failed or is in fear of failing	0% - 4%

Accumulated Depreciation

In determining total useful life, remaining life and accumulated depreciation, assets were generally subject to an inspection or an assessment to determine remaining life. Where site inspections were conducted, (i.e. for active assets, buildings and roads), the assets were allocated a condition assessment, which was used to estimate remaining life.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

	2016 \$	2015 \$
16 Provisions		
Current		
Long service leave	135,983	11,548
	<u>135,983</u>	<u>11,548</u>
Non-current		
Long service leave	21,197	95,326
	<u>21,197</u>	<u>95,326</u>

Details of movements in provisions:

	2016	2015
Long service leave		
Balance at beginning of financial year	106,674	167,690
Long service leave entitlement arising	67,315	20,894
Long Service entitlement extinguished	(1,547)	(10,672)
Long Service entitlement paid	(15,462)	(71,038)
Balance at end of financial year	<u>157,180</u>	<u>106,674</u>

Recognition and Measurement

Long Service Leave

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

	2016 \$	2015 \$
17 Asset Revaluation Surplus		
Council performed an assessment of carrying amounts and ensured that they were materially consistent with fair value as at 30 June 2016. A comprehensive valuation of all buildings and infrastructure is planned to be performed in the 2017 financial year.		
Asset revaluation surplus analysis		
The closing balance of the asset revaluation surplus comprises the following asset categories:		
Buildings	58,368,107	58,368,107
Road and drainage network	19,686,060	19,686,060
Water	18,357,012	18,357,012
Sewerage	2,566,838	2,566,838
Other structures	5,718,944	5,718,944
	<u>102,715,961</u>	<u>102,715,961</u>

Recognition and Measurement

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 revaluation surplus.

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

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

	Note	2016 \$	2015 \$
18 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities			
Net result		(4,558,139)	10,879,040
Non-cash items:			
Depreciation and amortisation	14	5,860,435	5,009,041
Brought forward expensed in current year		44,230	-
(Gain) on revaluation of finance leases		1,749,219	(3,994,066)
		7,753,884	1,014,975
Investing and development activities:			
Net (profit)/loss on disposal of non-current assets		138,853	259,043
Capital grants and contributions		(2,344,405)	(12,262,008)
		(2,205,752)	(11,942,965)
Changes in operating assets and liabilities:			
(Increase)/ decrease in receivables		(2,078,308)	183,454
(Increase)/decrease in inventory		68,530	161,586
Increase/(decrease) in payables		(185,863)	519,480
Increase/(decrease) in other provisions		50,306	(60,816)
		(2,145,135)	803,704
Net cash inflow from operating activities		(1,155,142)	754,753

19 Financial Instruments

Mornington Shire Council has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note provides information (both qualitative and quantitative) to assist statement users evaluate the significance of financial instruments on the Council's financial position and financial performance, including the nature and extent of risks and how the Council manages these exposures.

Financial Risk Management

Mornington Shire Council is responsible for the establishment and oversight of the risk management framework, together with developing and monitoring risk management policies.

Council's risk management approves policies for overall risk management, as well as specifically for managing credit, liquidity and market risk.

The Council's risk management policies are established to identify and analyse the risks faced, to set appropriate limits and controls and to monitor these risks and adherence against limits. The Council aims to manage volatility to minimise potential adverse effects on the financial performance of the Council.

Mornington Shire Council does not enter into derivatives.

Credit Risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. These obligations arise principally from the Council's investments and receivables from customers.

Exposure to credit risk is managed through regular analysis of credit counterparty ability to meet payment obligations. The carrying amount of financial assets represents the maximum credit exposure.

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

**Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016**

19 Financial Instruments (Continued)

The following table represents the maximum exposure to credit risk based on the carrying amounts of financial assets at the end of the reporting period:

	Note	2016 \$	2015 \$
Financial Assets			
Cash and cash equivalents	10	7,510,434	6,632,397
Trade and other receivables	11	2,669,312	591,005
Other financial assets	12	24,285,314	26,713,994
Other Credit Exposures			
Guarantees	21	115,876	101,190
Total Financial Assets		34,580,736	34,038,586

Liquidity Risk

Liquidity risk is the risk that the Council will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Council manages its exposure to liquidity risk by maintaining sufficient cash deposits to cater for volatility in cash flows.

The following table sets out the liquidity risk in relation to financial liabilities held by the Council. It represents the remaining contractual cashflows (principal and interest) of financial liabilities at the end of the reporting period, excluding the impact of netting agreements:

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
2016					
Trade and Other Payables	544,778	-	-	544,778	544,778
	<u>544,778</u>	<u>-</u>	<u>-</u>	<u>544,778</u>	<u>544,778</u>
2015					
Trade and Other Payables	911,088	-	-	911,088	911,088
	<u>911,088</u>	<u>-</u>	<u>-</u>	<u>911,088</u>	<u>911,088</u>

The outflows in the above table are not expected to occur significantly earlier or for significantly different amounts than indicated in the table.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Council's income or the value of its holdings of financial instruments.

Interest rate risk

Mornington Shire Council is exposed to interest rate risk through investments with financial institutions.

The Council has access to a mix of variable and fixed rate funding options through QTC so that interest rate risk exposure can be minimised.

**Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016**

19 Financial Instruments (Continued)

Sensitivity

Sensitivity to interest rate movements is shown for variable financial assets and liabilities based on the carrying amount at reporting date.

The following interest rate sensitivity analysis depicts what effect a reasonably possible change in interest rates (assumed to be 1%) would have on the profit and equity, based on the carrying values at the end of the reporting period. The calculation assumes that the change in interest rates would be held constant over the period.

	Net carrying	Effect on Net Result		Effect on Equity	
	amount	1% increase	1% decrease	1% increase	1% decrease
	\$	\$	\$	\$	\$
2016					
QTC Cash Fund	6,940,040	69,400	(69,400)	69,400	(69,400)
Other Deposits	508,378	5,084	(5,084)	5,084	(5,084)
Net total	7,448,418	74,484	(74,484)	74,484	(74,484)
2015					
QTC Cash Fund	6,230,196	62,302	(62,302)	62,302	(62,302)
Other Deposits	402,201	4,022	(4,022)	4,022	(4,022)
Net total	6,632,397	66,324	(66,324)	66,324	(66,324)

20 Commitments for Expenditure

Council is not party to any non-cancellable operating leases as at 30 June 2016.

Council has not entered into any contractual arrangements at year end which are not recognised in the financial statements.

21 Contingent Liabilities

Local Government Mutual

The Council is a member of the local government mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or it is unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution is to the total pool contributions in respect to any year that a deficit arises.

The latest audited financial statements for Local Government Workcare, being as at 30 June 2015, reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

The Council is a member of the Queensland local government worker's compensation 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. The Council's maximum exposure to the bank guarantee is \$115,676.

Mornington Shire Council
Notes to the Financial Statements
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22 Superannuation

The Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB119 Employee Benefits.

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

The scheme has three elements referred to as:

- The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund
- The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments
- The Accumulation Benefits Fund (ABF)

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

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

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

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

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

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

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in satisfactory financial position as at the valuation date".

In the 2015 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

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

There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Mornington Shire Council made less than 4% of the total contributions to the plan in the 2015/16 financial year.

The next actuarial investigation will be conducted as at 1 July 2018.

	Note	2016 \$	2015 \$
Superannuation contributions paid by Council to the scheme for the benefit of employees was:	6	540,022	337,453

**Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016**

	2016 \$	2015 \$
23 Trust Funds		
Trust funds held for outside parties		
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	5,525	5,525
	<u>5,525</u>	<u>5,525</u>

The Council performs only a custodial role in respect of these monies. As these funds cannot be used by the Council, they are not brought to account in these financial statements.

24 Events after the reporting period

There were no material adjusting events after the balance date.

**Mornington Shire Council
Financial Statements
For the year ended 30 June 2016**

**Management Certificate
For the year ended 30 June 2016**

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

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 1 to 30, 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.



Mayor
Bradley Wilson

Date: 25 / 11 / 16



Chief Executive Officer
Frank Mills

Date: 25 / 11 / 2016

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Mornington Shire Council

Report on the Financial Report

I have audited the accompanying financial report of Mornington Shire Council, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

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

Opinion

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

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of Mornington Shire Council for the financial year 1 July 2015 to 30 June 2016 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

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




C G STRICKLAND CA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

Mornington Shire Council
 Current-year Financial Sustainability Statement
 For the year ended 30 June 2016

Measures of Financial Sustainability	How the measure is calculated	Actual	Target
Council's performance at 30 June 2016 against key financial ratios and targets:			
Operating Surplus Ratio	Net result (excluding capital) divided by total operating revenue (excluding capital)	-36.6%	0% to 10%
Asset Sustainability Ratio	Capital expenditure on replacement of assets (renewals) divided by depreciation expense.	13%	> 90%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-73%	< 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 2016.

Certificate of Accuracy

For the year ended 30 June 2016

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.



 Mayor
 Bradley Wilson
 Date: 25, 11, 16.



 Chief Executive Officer
 Frank Mills
 Date: 25, 11, 2016

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Mornington Shire Council

Report on the Current-Year Financial Sustainability Statement

I have audited the accompanying current-year financial sustainability statement, which is a special purpose financial report of Mornington Shire Council for the year ended 30 June 2016, comprising the statement and explanatory notes, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility 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 Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the statement 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the statement.

My responsibility is to form an opinion as to whether the statement has been accurately calculated based on the Council's general purpose financial report. 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.

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

Independence

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

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

Opinion

In accordance with s.212 of the *Local Government Regulation 2012*, in my opinion, in all material respects, the current-year financial sustainability statement of Mornington Shire Council, for the year ended 30 June 2016, has been accurately calculated.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, attention is drawn 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.

Other Matters - Electronic Presentation of the Audited Statement

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

C G STRICKLAND CA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

Measures of Financial Sustainability	Measure	Target	Actuals 30 June 2016	Projected for the years ended							
				30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Council											
Operating Surplus Ratio	Net result divided by total operating revenue	6% to 10%	-37%	-22%	-17%	-15%	-12%	-11%	-9%	-8%	-6%
Asset Sustainability Ratio	Capital expenditure on renewals divided by depreciation expense.	> 80%	13%	84%	49%	22%	63%	63%	65%	66%	67%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue	< 60%	-73%	-42%	-48%	-60%	-68%	-70%	-90%	-102%	-114%

Mornington Shire Council's Financial Management Strategy

Council measures revenue and expenditure trends over time as a guide to future requirements and to make decisions about the efficient allocation of resources to ensure the most effective provision of services. Council ensures that its financial management strategy is prudent and that its long-term financial forecast shows a sound financial position whilst also being able to meet the community's current and future needs.

**Certificate of Accuracy
 For the long-term financial sustainability**

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

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



 Mayor
 Bradley Wilson
 Date: 25, 11, 16.



 Chief Executive Officer
 Frank Mills
 Date: 25, 11, 2016

