



**MORNINGTON
SHIRE COUNCIL**

2017-
2018

ANNUAL REPORT



Disclaimer

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

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OUR WELCOME

Welcome to the Mornington Shire Council's Annual Report 2017-2018. 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 2017-2022 and the Operational Plan 2017-2018. 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

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 2017-2018 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 it's geography, natural resources and, it's 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

Sarah Isaacs

The 2017 – 2018 financial year proved to be another challenging but rewarding one for Council and community. Council continues to strive to make our community more resilient, better and stronger. As advocates for community our voices sometimes seem to go unheard but this year, we are seeing the results of all the behind the scenes lobbying and consultation with Government coming together. Council and community can be proud of the direction we are heading and I would like to thank the Councillor's and all our staff for their dedication in working together and making this another successful year.

Council's focus this year has again been on investing in infrastructure, this renewed effort has seen many new projects commence and community houses being built. This year has signalled the beginning of unprecedented infrastructure investment and Council as principal contractor in charge of programming and carrying out all works on Mornington Island.

It has been a long time coming but we are now having a voice in the way forward, led by our Chief Executive Officer, Frank Mills and our hard-working team we are proving that the goals of the Council can be achieved, despite the many barriers we face daily.

Remoteness and isolation will always be barriers that challenge getting things done for the community, but with strong people leading the way and by working together I know things will continue to be achieved.

Council will continue the examination of service delivery within the community and we will continue to achieve empowerment to help coordinate the provision of services in a manner that is more effective whilst ensuring that the needs of the community are met. We are taking control back to make sure services are being delivered in our community in a culturally appropriate manner, according to our priorities and to ensure the best possible outcome for our people.

With the achievements of this year behind us, I am looking forward to working with Council, its staff to continue improve our community and help make changes that will improve the health and wellbeing for everyone of Gununa.

Cr Sarah Isaacs

Sarah.Isaacs@Mornington.qld.gov.au



MESSAGE FROM THE CEO

Frank Mills

Mornington Shire Council delivers services in one of Queensland's more remote and unique Local Government locations. Made up of the Wellesley Islands archipelago, the complexities we face on a daily basis in terms of locality, climate, environment, culture and history are as challenging and inspiring as they are rewarding.

Despite our remoteness we daily face issues like other remote local governments that include reliance on grant funding to support current operations and sustainability. With no rate base, restrictions on land tenure and properties and limited capacity for commercial and economic development, our ability to generate own source revenue is very challenging and requires innovative solutions.

Adapting to the natural, social and economic environment of the Wellesley Islands is quintessential if we are to continue to move forward and deliver our 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 in harmony with the pristine waterways and native bushland 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.

With clear path set for the future, Council will continue to build on the momentum of change and our journey of achieving our vision and organisational goals. Council continues to invest time and resources in the formulation of our annual operational plan, associated budget and our 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.

Council's wave of unparalleled change management builds upon the achievements during previous financial years that started in 2014 when Council set a new path and direction. The continued focus on strengthening Council and community economic development and indigenous employment opportunities underpins what we do. Of significant importance for this reporting period, the following progress and achievements have been made:

Improving Community Lifestyle

Continuation of Council's strategic review of service delivery was an integral component of the Mornington Shire Council Alcohol Management Plan Strategic Review which was tabled with State and Commonwealth Ministers in Brisbane and Canberra. Service delivery mapping and the development of terms of reference and a framework for service delivery was supported by the State and Commonwealth. In the longer term, service delivery reform will provide unprecedented empowerment for community and the people of Mornington Island to improve community lifestyles.

Council and Community Housing

Collaboration between Council, the Department of Aboriginal and Torres Strait Islander Partnerships and the various arms of the Department of Housing and Public Works, through monthly meetings of the Technical Working Group allows for greater community and Council input and advice to be considered during evaluation of community housing needs.

Ongoing discussions continue between community, Council, Gulf Region Aboriginal Corporation and the Department of Aboriginal and Torres Strait Islander Partnerships involving master planning and an indigenous land use agreement that provides additional land for community housing on Mornington Island.

Keeping our Culture Alive

Council's executive team continue building relationships with State and Commonwealth government departments and philanthropic organisations to identify funding opportunities that support cultural services and programs.

Council's strategic service delivery review strategy will build upon the identified need to include culturally appropriate practice as part of a co-design process involving community organisations such as Mirndiyan Gununa Aboriginal Corporation, Junkuri Laka Wellesley Islands Aboriginal Law, Justice and Governance Association Inc, Mornington Island Health Council and Mornington Island Aboriginal Corporation for Social and Economic Development.

Creating Opportunities for Prosperity

Council continues to collaborate with the Department of Aboriginal and Torres Strait Islander Partnerships, Housing and Public Works and Building and Asset Services to implement a 5 year whole of government approach to new constructions and housing repairs and maintenance on Mornington Island that supports employment of local indigenous people. Unprecedented levels of investment in this process from the Commonwealth and State Governments is creating new economic and employment growth opportunities for community.

Protecting Our Country

Environmental and land management are at the core of Council's drive to protect the land and sea of Mornington island. Waste and Environmental Management Plans are being developed as the blue print for the future and to address appropriate water, sewerage and waste disposal issues in an environmentally sensitive and appropriate way.

Enhance and Support Local Business

Council through the development of Indigenous Employment and Opportunity Plans for all infrastructure works on Mornington Island are supporting significant investment in local businesses.

Efforts to source funding to support development of local businesses and employment of local people are at the forefront of Council planning with review, amendment and adoption of both the five year corporate and long term financial plan aiming to meet community needs and expectations and improve financial sustainability of Council.

Transparent and Open Communication across Three Tiers of Government

Commonwealth, State and Local Government Departments, Senators, Ministers and Members of Parliament and representative departments and staff all continue to develop open and transparent communication and collaboration with Council.

Council continues to invest in the ongoing review, amendment and implementation of new and existing registers, policies and delegations to support financial sustainability and meet legislative and organisational requirements.

Continual development and updating of Council's website, social media and community networks enable dissemination of information to the community and all stakeholders. Weekly radio interviews and Council and community newsletter and information sharing strategies continued to support the information flow to all residents and stakeholders.

Frank Mills

ceo@Mornington.qld.gov.au

MORNINGTON SHIRE COUNCIL REGION

Mornington Shire incorporates twenty-two 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 Express 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.



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 the 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 consecutive second term, along with Councillor Claire Farrell and Deputy Mayor Sarah Isaacs elected for their first term and Councillor Jane Ah Kit elected for her second term in Local Government. Now at the halfway mark of their term, Council is achieving the milestones initially set in 2016, with the determination to make big changes in the Local Government arena.

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.



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 80% 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.

Councillor Remuneration

Councillor	Salary & Allowances	Superannuation	Total	Other
Bradley Wilson	101,592.56	12,275.74	113,868.30	
Robert Thompson	49,390.68	5,927.01	55,317.69	
Jane Ah Kit	50,693.64	929.28	51,622.92	
Sarah Isaacs	57,483.44		57,483.44	
Claire Farrell	50,042.16		50,042.16	
	309,202.48	19,132.03	328,334.51	-

NUMBER OF MEETINGS THAT MORNINGTON SHIRE COUNCIL ELECTED MEMBERS ATTENDED DURING 2017/18 FINANCIAL YEAR

Section 186 (c) of the Local Government Regulation 2012

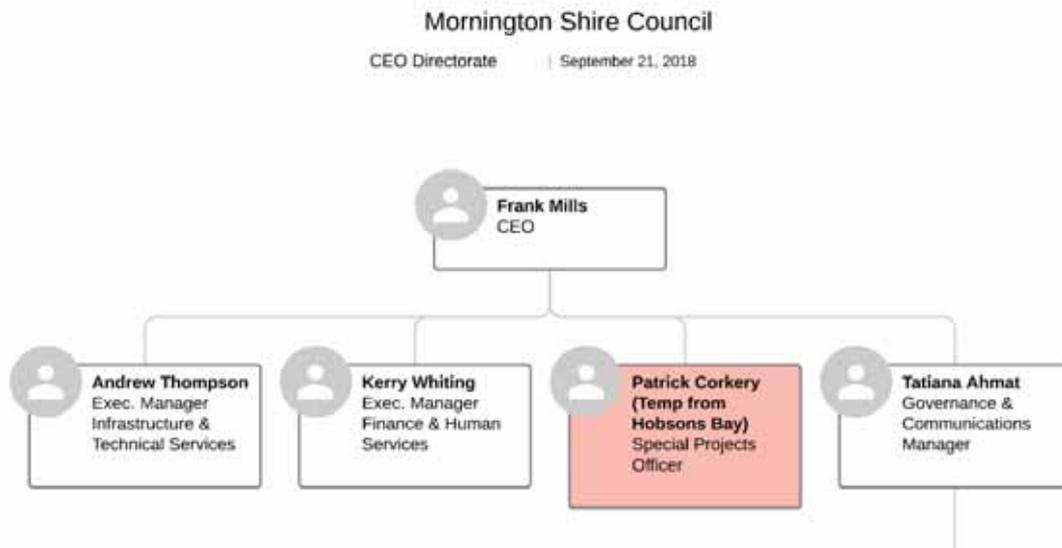
Councillor	No. of Meetings
Mayor Bradley Wilson	5 of 12
Deputy Mayor Sarah Isaacs	9 of 12
Councillor Robert Thompson	10 of 12
Councillor Claire Farrell	9 of 12
Councillor Jane Ah Kit	9 of 12

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 2016/2017 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	Nil
Information on Councillors breaching the code of conduct	Nil
Number of complaints about code of conduct breaches by Councillors	Nil
Number of recommendations from conduct review panel	Nil
Number of complaints resolved	Nil
Number of complaints to Ombudsman	Nil

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

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

Financial Summary

Operational Revenue

\$14.3 million

Capital Revenue

\$10.38 million

Expenditure

\$20 million

Assets

\$128.9 million

Liabilities

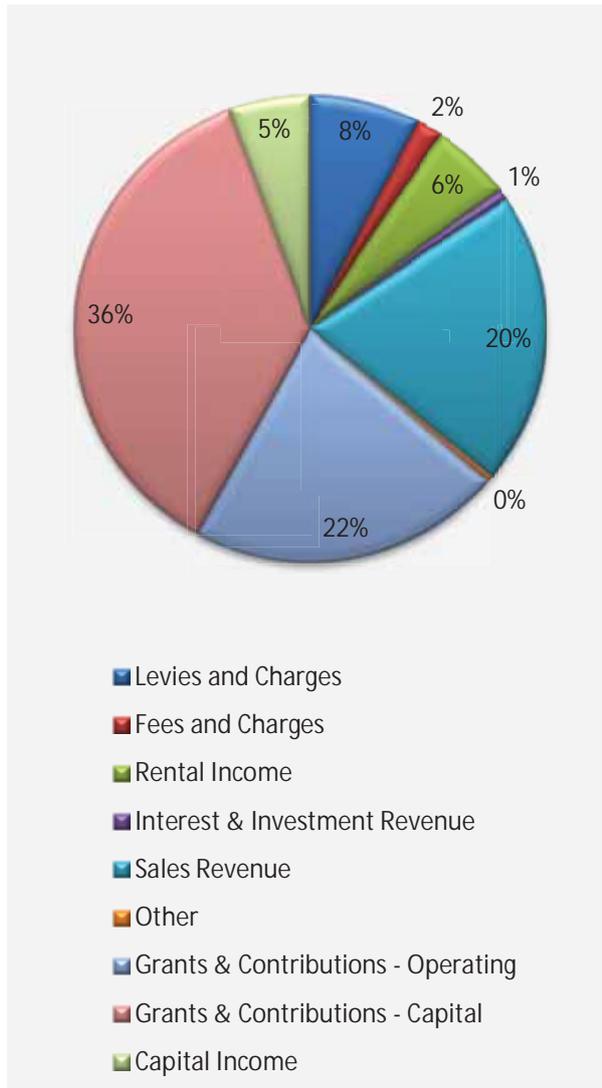
\$6.3 million

Community Equity

\$122.5 million

Revenue

Council received **\$24.7 million** in revenue and other income for the year ended 30 June 2018.



Total revenue decreased by **\$1.5 million** (-6%) on the previous year. Principal movements included:

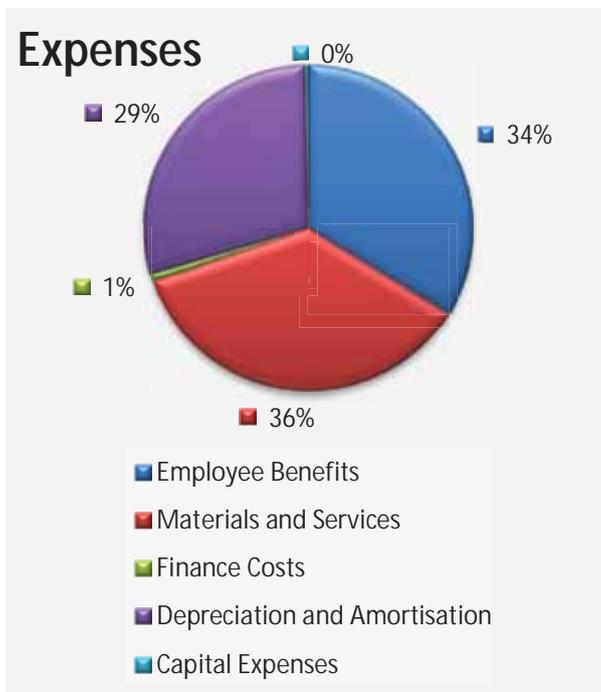
- Capital Grants \$9 million** ↓ (-\$2.991m) Capital grants funding was received for major infrastructure projects including:
 - Airport Terminal and Safety Upgrades
 - Road Reconstruction (NDRRA)
 - Batch Plant
 - Service Station and Fuel Upgrade
- Sales Revenue \$4.9 million** ↑ (+\$882k) Sales Revenue, which consists predominantly of recoverable works, increased due to less trade staff required for Council capital works compared to the prior year.

Expenses

Council spent more than **\$34.6 million** during the year between operations (**\$20.3 million**) and payments for capital projects (**\$14.3 million**).

The main operational expenses for Council include:

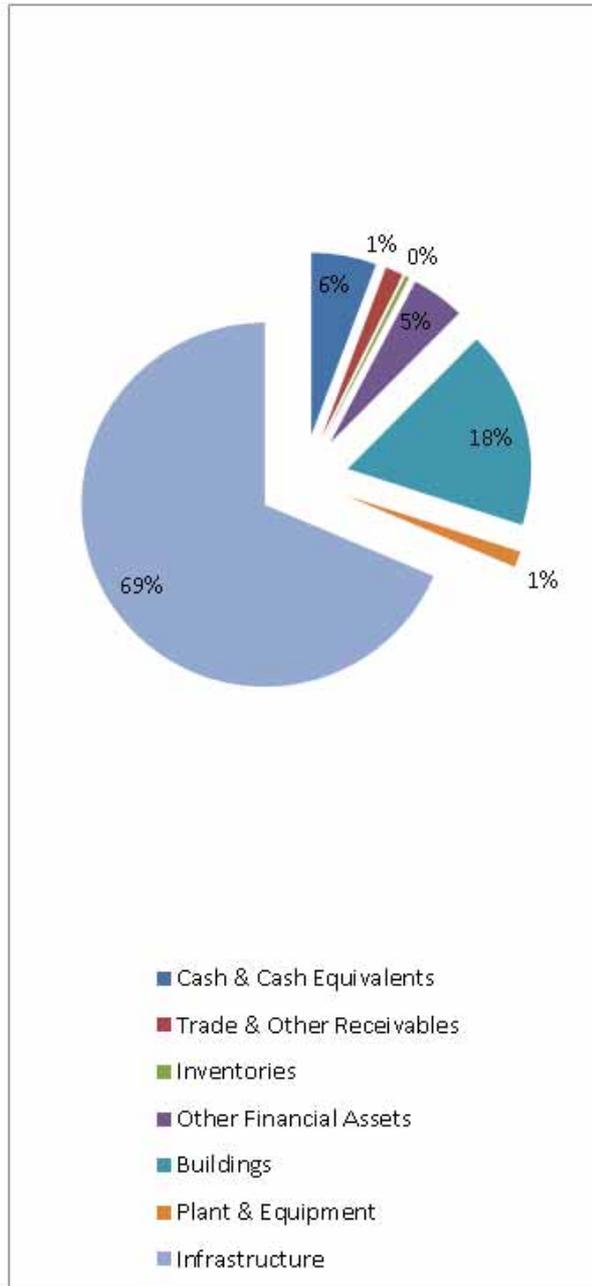
- Employee Benefits
- Materials and Services
- Finance Costs
- Depreciation and Amortisation
- Movement in 40 year lease value



Assets

As at 30 June 2018, Council's assets were valued at **\$128.9 million**.

What Council Owns



How the money is invested



Liabilities

At 30 June 2018, Council's liabilities totalled **\$6.3 million**. This was made up of the following:

- Amounts owing to suppliers, and
- Employee leave entitlements

The significant increase in liabilities resulted from capital works invoiced, but not paid at 30 June 2018. The largest contributor being the road restoration works that continued through to September 2018.

Community Equity

Council's community equity is defined as its net worth – what we own, less what we owe. At 30 June 2018, Council's community equity was **\$122.5 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 2018 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%	-42.2%
Net Financial Liabilities Ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	<60%	-26%
Asset Sustainability Ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	>90%	295%

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.

Mornington Shire Council
Financial Statements
for the year ended 30 June 2018

Mornington Shire Council

Financial Statements

For the year ended 30 June 2018

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**Morrington Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2018**

	Note	Council	
		2018 \$	2017 \$
Income			
Revenue			
Recurrent revenue			
Levies and charges	3(a)	1,877,362	2,519,428
Fees and charges	3(b)	431,272	639,650
Rental income	3(c)	1,368,138	1,290,211
Interest revenue	3(d)	188,400	205,860
Sales revenue	3(e)	4,996,985	4,115,461
Other income	3(f)	101,268	479,941
Grants, subsidies and contributions	4(a)	5,360,441	4,613,467
		<u>14,323,866</u>	<u>13,864,018</u>
Capital revenue			
Grants, subsidies and contributions	4(b)	9,022,685	12,013,999
Other capital income	5	1,362,146	371,331
Total capital revenue		<u>10,384,831</u>	<u>12,385,330</u>
Total income		<u>24,708,697</u>	<u>26,249,348</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(6,906,194)	(6,242,284)
Materials and services	7	(7,329,632)	(4,290,906)
Finance costs	8	(155,628)	(16,387)
Depreciation	13	(5,979,867)	(5,498,947)
		<u>(20,371,321)</u>	<u>(16,048,525)</u>
Capital expenses	9	(62,241)	(4,983,488)
Total expenses		<u>(20,433,562)</u>	<u>(21,032,013)</u>
Net result		<u>4,275,135</u>	<u>5,217,335</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase in revaluation surplus	17	6,670,304	(1,713,375)
Total other comprehensive income for the year		<u>6,670,304</u>	<u>(1,713,375)</u>
Total comprehensive income for the year		<u>10,945,439</u>	<u>3,503,960</u>

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



**Morrington Shire Council
Statement of Financial Position
as at 30 June 2018**

		Council	
	Note	2018	2017
		\$	\$
Current Assets			
Cash and Cash Equivalents	10	7,403,873	8,475,402
Trade and Other Receivables	11	2,024,714	1,098,091
Inventories		499,731	410,367
Other Financial Assets	12	201,046	201,046
Total Current Assets		<u>10,129,364</u>	<u>10,184,906</u>
Non-Current Assets			
Other Financial Assets	12	5,870,554	5,839,433
Property, Plant and Equipment	13	112,981,061	96,858,253
Total Non-Current Assets		<u>118,851,615</u>	<u>102,697,687</u>
Total Assets		<u>128,980,979</u>	<u>112,882,592</u>
Current Liabilities			
Trade and Other Payables	15	6,272,009	1,123,928
Provisions	16	79,336	88,774
Total Current Liabilities		<u>6,351,345</u>	<u>1,212,702</u>
Non-Current Liabilities			
Provisions	16	52,674	38,372
Total Non-Current Liabilities		<u>52,674</u>	<u>38,372</u>
Total Liabilities		<u>6,404,019</u>	<u>1,251,074</u>
Net Community Assets		<u>122,576,960</u>	<u>111,631,520</u>
Community Equity			
Asset Revaluation Surplus	17	107,672,890	101,002,586
Retained Surplus		14,904,070	10,628,935
Total Community Equity		<u>122,576,960</u>	<u>111,631,520</u>

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



**Morrington Shire Council
Statement of Cash Flows
For the year ended 30 June 2018**

	Note	Council	
		2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		6,250,751	9,035,949
Payments to suppliers and employees		(13,627,182)	(10,273,343)
		(7,376,431)	(1,237,394)
Interest received		188,400	205,860
Rental income		1,368,138	1,290,211
Operating grants and contributions		5,360,441	4,613,467
Net cash inflow (outflow) from operating activities	18	(459,452)	4,872,144
Cash flows from investing activities			
Payments for property, plant and equipment		(9,836,272)	(8,985,950)
Proceeds from sale of property plant and equipment	9	464	35,455
Finance lease receipts	12	201,047	197,407
Grants, subsidies, contributions and donations		9,022,685	4,845,913
Net cash inflow (outflow) from investing activities		(612,076)	(3,907,176)
Net increase (decrease) in cash and cash equivalent held		(1,071,528)	964,968
Cash and equivalents at the beginning of the financial year		8,475,402	7,510,434
Cash and equivalents at end of the financial year	10	7,403,873	8,475,402

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



Morrington Shire Council
Statement of Changes in Equity
For the year ended 30 June 2018

	Asset Revaluation Surplus	Retained Surplus	Total
Note	17		
	\$	\$	\$
Balance as at 1 July 2017	101,002,586	10,628,935	111,631,520
Net operating surplus	-	4,275,135	4,275,135
Other comprehensive income for the year			
Increase / (decrease) in asset revaluation surplus	17 6,670,304	-	6,670,304
Balance as at 30 June 2018	107,672,890	14,904,070	122,576,960
Balance as at 1 July 2016	102,715,961	5,411,600	108,127,561
Net operating surplus	-	5,217,335	5,217,335
Other comprehensive income for the year			
Increase / (decrease) in asset revaluation surplus	(1,713,375)	-	(1,713,375)
Balance as at 30 June 2017	101,002,586	10,628,935	111,631,520

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



Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018

1 Significant Accounting Policies

1.A Basis of Preparation

These general purpose financial statements are for the period 1 July 2017 to 30 June 2018 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.



Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018

1.D Date of Authorisation

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

1.E Currency

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

1.F Adoption of New and Revised Accounting Standards

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

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

Standard and Impact	Date Applicable
<u>AASB 9 Financial Instruments</u> This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities. The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses. Based on assessments to date, council does not expect the introduction of the standard to have a material impact overall.	1-Jul-18
<u>AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities</u> AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers. Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards.	1-Jul-19
<u>AASB 16 Leases</u> Council has some leases that are not in the Statement of Financial Position. These will need to be included when this standard comes into effect. A lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised over the lease term. Council is still reviewing this standard, with its impact yet to be quantified.	1-Jul-19

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.



**Morrington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

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 13 and Note 14

Impairment of property, plant and equipment - Note 13

Provisions - Note 16

Valuation of finance leases - Note 12

Contingent liabilities - Note 23

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 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.K Rounding and Comparatives

The financial statements have been rounded to the nearest \$1. Comparative information is restated where necessary to be consistent with disclosures in the current reporting period.

1.L 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.



**Morrington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

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 :

Council and Executive Leadership Team

Council's current structure consists of three departments each headed by an Executive Manager, and a Governance Sector. The Executive Managers, along with the Chief Executive Officer form the Executive Leadership Team.

Financial Services

This comprises the support functions for the management of Council's finances, information technology and financial reporting obligations.

Activities performed by Financial Services were previously the responsibility of the Corporate Services Function.

Infrastructure/ 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.

Human Services

The Human Services function includes:

- Administration
- Human Resources and Payroll
- Property Management (Residential and Commercial)
- Grants
- Council Stores
- Sports and Recreation
- Bakery



**Morrington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

**2 Analysis of Results by Function
(b) Income and expenses defined between recurring and capital are attributed to the following functions:**

Functions	Year ended 30 June 2018						Total income	Gross program income		Total expenses	Net result from recurrent operations	Net Result	Assets	
	Recurrent			Capital				2018	2018					Capital
	Grants	Other	2018	Grants	Other	2018								
Council and Executive Leadership Team	4,270	5,430	-	-	-	9,700	(1,121,721)	-	(1,121,721)	(1,112,020)	15,999,912			
Financial Services	4,994,143	226,520	1,362,146	8,139,685	1,362,146	5,582,809	(1,543,120)	232,167	(1,310,952)	3,677,543	5,271,857			
Infrastructure/ Technical Services	304,129	7,026,686	-	8,139,685	-	15,470,500	(13,620,442)	(294,408)	(13,914,851)	(6,289,628)	1,555,649			
Human Services	57,900	1,704,788	-	883,000	-	2,645,688	(4,086,037)	-	(4,086,037)	(2,323,350)	(1,440,350)			
Total Council	5,360,442	8,963,424	1,362,146	9,022,685	1,362,146	24,708,697	(20,371,320)	(62,241)	(20,433,562)	(6,047,455)	4,275,135			
												128,980,979		

Functions	Year ended 30 June 2017						Total income	Gross program income		Total expenses	Net result from recurrent operations	Net Result	Assets	
	Recurrent			Capital				2017	2017					Capital
	Grants	Other	2017	Grants	Other	2017								
Council and Executive Leadership Team	7,727	824,166	-	-	-	831,893	(1,858,063)	-	(1,858,063)	(1,026,170)	9,983,179			
Financial Services	4,160,326	244,034	-	-	-	4,404,360	(1,067,166)	-	(1,067,166)	3,337,194	-			
Infrastructure/ Technical Services	342,448	6,976,612	4,031,739	7,073,000	7,073,000	18,423,799	(10,043,838)	(4,282,721)	(14,326,559)	(2,724,778)	78,210,498			
Human Services	102,966	1,205,738	846,000	434,591	434,591	2,589,295	(3,079,457)	(700,767)	(3,780,224)	(1,770,753)	24,688,916			
Total Council	4,613,467	9,250,550	4,877,739	7,507,591	7,507,591	26,249,348	(16,048,525)	(4,983,488)	(21,032,012)	(2,184,507)	5,217,335			
												112,882,593		



**Morrington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

	2018 \$	2017 \$
3 Revenue		
(a) Levies and Charges		
Water	813,030	1,334,614
Sewerage	535,869	595,350
Garbage charges	528,463	589,464
	<u>1,877,362</u>	<u>2,519,428</u>
(b) Fees and Charges		
Fees and charges	431,272	639,650
	<u>431,272</u>	<u>639,650</u>
(c) Rental Income		
Property rental	1,368,138	1,290,211
	<u>1,368,138</u>	<u>1,290,211</u>
(d) Interest Revenue		
Interest received on deposits	188,400	205,860
	<u>188,400</u>	<u>205,860</u>
(e) Sales Revenue		
Sale of Services		
Contract and recoverable works	4,134,152	3,267,719
	<u>4,134,152</u>	<u>3,267,719</u>
Sale of goods		
Sale of goods	862,833	847,742
	<u>862,833</u>	<u>847,742</u>
	<u>4,996,985</u>	<u>4,115,461</u>
(f) Other Income		
Sundry Income		
Other Income	101,268	479,941
	<u>101,268</u>	<u>479,941</u>

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.

**Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

3 Revenue (Continued)

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.

	2018 \$	2017 \$
4 Grants, Subsidies and Contributions		
(a) Recurrent		
Commonwealth government subsidies and grants	11,954	-
General purpose grants	4,994,143	4,160,326
State government subsidies and grants	346,445	429,721
Other	7,900	23,420
	<u>5,360,441</u>	<u>4,613,467</u>
(b) Capital		
Commonwealth government subsidies and grants	1,500,000	1,269,600
NDRRA funding	5,719,835	-
State government subsidies and grants	1,802,849	3,067,533
Other capital contributions	-	508,780
Other capital contributions - Non Cash	-	7,168,086
	<u>9,022,685</u>	<u>12,013,999</u>

Non-cash Contributions

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

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	3,294,783	1,980,517
	<u>3,294,783</u>	<u>1,980,517</u>
	2018	2017
	\$	\$
5 Capital Income		
Fair value of newly recognised controlled assets	1,362,146	371,331
Total Capital Income	<u>1,362,146</u>	<u>371,331</u>



**Morrington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

	Note	2018 \$	2017 \$
6 Employee Benefits			
Total staff wages and salaries		5,508,835	4,782,520
Councillors' remuneration		312,585	330,576
Annual, sick and long service leave entitlements		844,970	807,992
Superannuation	20	645,418	625,083
		<u>7,311,808</u>	<u>6,546,171</u>
Other employee related expenses		119,520	130,076
		<u>7,431,328</u>	<u>6,676,247</u>
<i>Less:</i> Capitalised employee expenses		(525,134)	(433,963)
		<u><u>6,906,194</u></u>	<u><u>6,242,284</u></u>

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

	2018	2017
Total Council employees at the reporting date:		
Elected members	5	5
Administration staff	18	19
Depot and outdoors staff	85	84
Total full time equivalent employees	<u>108</u>	<u>108</u>

	2018 \$	2017 \$
7 Materials and Services		
Administration expenses	254,302	159,471
Audit of annual financial statements	92,500	90,000
Building services operating expenses	2,676,793	698,861
Civic, Governance & Executive operating expenses	382,532	304,014
Communications and IT	310,756	256,634
Community & human services operating expenses	318,240	210,085
Council Enterprise operating expenses (Bakery, External Accommodation)	246,083	317,474
Finance operating expenses	440,555	271,939
Insurance	223,089	221,721
Plant maintenance expenses	489,726	358,649
Private works operating expenses	37,703	145,456
Public facilities & conveniences expenses	540,978	393,294
Staff Housing operating expenses	177,755	143,261
Storeyard operating expenses	448,430	240,998
Workshop operating expenses	690,190	479,049
	<u>7,329,632</u>	<u>4,290,906</u>

	2018 \$	2017 \$
8 Finance Costs		
Bank charges	11,315	11,892
Impairment of debts	144,313	4,495
	<u>155,628</u>	<u>16,387</u>



**Morrington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

	2018	2017
	\$	\$
9 Capital Expenses		
Gain / (loss) on revaluation of lease assets		
Initial recognition of new leases	-	-
Gain/ (loss) on revaluation of lease assets	232,167	(700,767)
Total Gain/ (loss) on revaluation of lease assets	<u>232,167</u>	<u>(700,767)</u>
Gain / (loss) on disposal of non-current assets		
Proceeds from the sale of property, plant and equipment	464	35,455
Less: Book value of property, plant and equipment disposed	(294,872)	(4,318,176)
Total Gain/ (loss) on disposal of non-current assets	<u>(294,408)</u>	<u>(4,282,721)</u>
Total Capital Expenses	<u>(62,241)</u>	<u>(4,983,488)</u>

	2018	2017
	\$	\$
10 Cash and Cash Equivalents		
Cash at bank and on hand	7,115,898	8,194,601
Deposits at call	287,975	280,800
Balance per Statement of Cash Flows	<u>7,403,873</u>	<u>8,475,402</u>

Councils 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	3,294,783	1,980,517
Total unspent restricted cash	<u>3,294,783</u>	<u>1,980,517</u>

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.



**Morrington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

	2018	2017
	\$	\$
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	80	5,525
	<u>80</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.

	2018	2017
	\$	\$
11 Trade and Other Receivables		
Current		
Trade debtors	2,169,788	1,138,316
Less: Impairment	(176,394)	(46,302)
GST recoverable	31,319	6,077
	<u>2,024,714</u>	<u>1,098,091</u>

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:

	2018	2017
	\$	\$
Not past due	1,238,197	931,164
Past due 31-60 days	611,136	16,627
Past due 61-90 days	54,378	456
More than 90 days	297,396	196,146
Impaired	(176,394)	(46,302)
Total	<u>2,024,714</u>	<u>1,098,091</u>

**Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

	2018	2017
	\$	\$
Movement in accumulated impairment provisions is as follows:		
Opening balance at 1 July	46,302	683,998
Impairment debts written off during the year		
Additional impairments recognised	143,267	1,083
Impairments reversed	(13,175)	(638,779)
Closing balance at 30 June	<u>176,394</u>	<u>46,302</u>

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

	2018	2017
	\$	\$
12 Other Financial Assets		
Current		
Finance leases	201,046	201,046
	<u>201,046</u>	<u>201,046</u>
Non-Current		
Finance leases	5,870,554	5,839,433
	<u>5,870,554</u>	<u>5,839,433</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	201,046	201,046
Later than one year but not later than five years	804,185	804,185
Later than five years	5,589,125	5,790,171
	<u>6,594,356</u>	<u>6,795,402</u>
Add: Estimated contingent rent	3,441,783	3,692,686
Less: Present value adjustment	(3,964,539)	(4,447,610)
Fair value of lease payments	<u>6,071,600</u>	<u>6,040,478</u>
The fair value of lease payments are receivable as follows:		
Not later than one year	201,046	201,046
Later than one year but not later than five years	789,687	785,363
Later than five years	5,080,867	5,054,070
	<u>6,071,600</u>	<u>6,040,479</u>
Movements in finance leases were as follows:		
Opening balance	6,040,479	6,938,652
Add: Initial recognition of new leases	-	-
Less: Lease receipts	(201,047)	(197,407)
Add: Gain/ (loss) on revaluation	232,168	(700,767)
Closing balance	<u>6,071,600</u>	<u>6,040,479</u>

**Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

12 Other Financial Assets (Continued)

The calculation of fair value has included an estimate of average annual CPI increases of (2.5% for 2016/17 and 2.5% for 2017/18) and a discount rate of (3.48% for 2016/17 and 3.25% for 2017/18).

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 \$906.61. 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 (current 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 are no 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.



**Morrington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

13 Property, Plant and Equipment

Note

Council - 30 June 2018

Basis of Measurement	Buildings	Plant and Equipment	Road and Drainage Network	Water	Sewerage	Other Infrastructure Assets	Work in Progress	Total
Asset Values								
Opening gross value as at 1 July 2017	42,260,491	4,812,126	56,204,373	31,319,647	12,940,166	18,420,339	4,014,064	169,971,206
Additions	-	570,082	-	-	-	-	13,795,015	14,365,097
Reinstatement of previously derecognised asset	684,456	-	677,690	-	-	-	-	1,362,146
Disposals	(1,223,000)	(57,269)	-	-	-	-	-	(1,280,269)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	827,328	-	2,367,708	1,096,188	452,906	644,712	-	5,388,842
Transfers between classes	1,499,722	76,166	-	144,854	80,666	3,073,066	(4,874,475)	-
Closing gross value as at 30 June 2018	44,048,998	5,401,105	59,249,771	32,560,669	13,473,738	22,138,117	12,934,605	189,807,023

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Accumulated depreciation and impairment

Opening balance as at 1 July 2017	24,779,502	3,277,822	24,257,572	11,107,697	7,414,183	2,276,177	-	73,112,963
Depreciation provided in period	1,062,187	349,855	2,847,005	472,727	219,343	1,028,750	-	5,979,867
Depreciation on disposals	(928,128)	(57,268)	-	-	-	-	-	(985,396)
Revaluation adjustment to asset revaluation surplus	(3,545,442)	-	1,478,874	404,979	266,966	113,141	-	(1,281,462)
Transfers between classes	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2018	21,368,119	3,570,409	28,583,451	11,985,403	7,900,512	3,418,068	-	78,825,962

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Total written down value as at 30 June 2018

Residual Value	22,680,879	1,830,696	30,666,320	20,575,266	5,573,226	18,720,049	12,934,605	112,981,061
Range of estimated useful life in years	15-60	5-40	5-50	10-100	15-100	1-50	-	-

Additions Comprise:

Renewals	1,070,327	110,333	-	-	-	2,997,178	12,556,185	16,734,023
Other additions	429,395	535,915	-	144,854	80,666	75,888	1,238,830	2,505,549
Total additions	1,499,722	646,248	-	144,854	80,666	3,073,066	13,795,015	19,239,572



**Morrington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

13 Property, Plant and Equipment

Note

Council - 30 June 2017

	Buildings		Plant and Equipment		Road and Drainage Network		Water		Sewerage		Other Infrastructure Assets		Work in Progress		Total
	Fair Value	Cost	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2016	38,193,044	5,092,555	53,232,161	5,092,555	53,232,161	31,654,567	11,255,306	13,676,156	662,193	153,766,002	15,719,067	662,193	153,766,002	16,154,036	
Additions	-	434,969	-	434,969	-	-	-	-	-	-	-	-	-	371,331	
Recognition of controlled assets	371,331	-	-	-	-	-	-	-	-	-	-	-	-	-	
Disposals	(160,000)	(730,703)	-	(730,703)	-	(4,000)	-	(7,377,698)	-	(8,272,341)	-	-	(8,272,341)	7,952,178	
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	3,783,513	-	2,849,956	-	2,849,956	(204,054)	1,573,279	(50,516)	-	-	-	-	-	-	
Transfers between classes	72,603	15,305	122,256	15,305	122,256	(126,886)	111,581	12,172,337	(12,367,196)	-	-	(12,367,196)	-	-	
Closing gross value as at 30 June 2017	42,260,491	4,812,126	56,204,373	4,812,126	56,204,373	31,319,647	12,940,166	18,420,339	4,014,064	169,971,206	4,014,064	4,014,064	169,971,206	169,971,206	

Accumulated depreciation and impairment

Opening balance as at 1 July 2016	21,174,339	3,638,834	16,191,608	3,638,834	16,191,608	9,560,356	6,052,659	5,284,821	-	61,902,617	-	-	61,902,617	5,498,947	
Depreciation provided in period	1,167,334	281,563	2,741,440	281,563	2,741,440	517,294	332,922	458,395	-	5,498,947	-	-	5,498,947	(3,954,165)	
Depreciation on disposals	(160,000)	(646,874)	-	(646,874)	-	(3,200)	-	(3,144,091)	-	(3,954,165)	-	-	(3,954,165)	9,665,554	
Revaluation adjustment to asset revaluation surplus	2,597,829	-	5,324,525	-	5,324,525	1,049,502	1,016,646	(322,948)	-	9,665,554	-	-	9,665,554	-	
Transfers between classes	-	4,299	-	4,299	-	(16,255)	11,956	-	-	-	-	-	-	-	
Accumulated depreciation as at 30 June 2017	24,779,502	3,277,822	24,257,572	3,277,822	24,257,572	11,107,897	7,414,183	2,276,177	-	73,112,953	-	-	73,112,953	96,858,253	

Total written down value as at 30 June 2017

Residual value	17,480,989	1,534,304	31,946,801	1,534,304	31,946,801	20,211,950	5,525,983	16,144,162	4,014,064	96,858,253	-	-	96,858,253	-	
Range of estimated useful life in years	15-60	5-40	5-50	5-50	5-50	10-100	15-100	1-50	-	-	-	-	-	-	



**Morrington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

13 Property, Plant and Equipment (Continued)

a) Recognition

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.

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. Restoration of roads following the February 2017 event commenced in September 2017. Local roads were subject to an event in March 2018, resulting in subsequent re-damage of roads. Restoration works for the 2017 and 2018 events are on-going and are currently forecasted to be completed in late 2018. At 30 June 2018 \$9,844,287, was recorded in work in progress for the restoration of roads. The recognition and reassessment of condition of these roads will be performed at completion.

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.

b) Measurement

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 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.

c) 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.

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.



**Morrington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

13 Property, Plant and Equipment (Continued)

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.

d) Impairment

The recoverable amount of specialised non-current assets held for continuing use of their service capacity is considered to be materially equivalent to its fair value.

Other non-specialised non-current physical asset and group of assets are 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.

e) Valuation Processes

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.

Council is currently undertaking projects to improve the accuracy and quality of the asset register, with a focus on the alignment of the asset register to the asset management plan.

For the year ended 30 June 2018, a full condition assessment of Council buildings was performed by CT Management in conjunction with the update of the asset management plan. The condition assessment was performed at the component level and was provided to AssetVal to inform the assessment of fair value for financial reporting purposes.

14 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



**Morrington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

14 Fair Value Measurements (Continued)

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

- Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Fair value based on inputs that are directly or indirectly observable for the asset or liability (Level 2)
- Fair value based on unobservable inputs for the asset and liability (Level 3)

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.

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

Buildings (Level 3)

The fair value of buildings at 30 June 2018 was determined by independent valuer, AssetVal Pty Ltd with reference to condition assessments performed by CT Management. Due to the nature of Morrington Island, there is neither an active market for the assets or the Council buildings are of a specialist nature. Therefore the determination of fair value has been performed using the Cost approach valuation technique.

The valuer has determined the fair value of building infrastructure through the following process:

* Where there is no market for an asset (consideration of either a principal market or most advantageous), the net current value of the asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset.

* Published/ available market data for recent projects, and/or published cost guides were utilised to determine the estimated replacement cost (gross value) of the asset, including allowances for preliminaries and professional fees. The replacement cost of the assets was determined by applying unit rates to each component of the asset. The unit rates applied include all materials, labour and overheads. These unit rates are estimated using information collated from similar recent project costs, direct quotations from suppliers, unit rate databases, indices and Rawlinson's' Construction Handbook.

* A condition assessment was applied, based on factors such as the age of the asset, overall condition as noted through physical inspection, economic and/or functional obsolescence. The condition assessment was utilised to calculate and reflect the current serviceability level of the asset.

In determining the level of accumulated depreciation for building assets, the assets were disaggregated into significant components which exhibit different patterns of consumption (useful lives).

The assessment of remaining useful life was made by the valuer taking into consideration the current physical condition of assets, construction date, evidence of recent repairs or capital works and the surrounding environmental factors.



**Morrington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

14 Fair Value Measurements (Continued)

Infrastructure Assets (Level 3)

All Council infrastructure assets were valued using written down current replacement cost. 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. The fair value 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.

Current replacement cost was calculated by reference to the assets linear and width characteristics, overhead allocations and service costs. 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.

The last full valuation of Council's water, sewer and other infrastructure was undertaken by AssetVal Pty Ltd effective 30 June 2017. The current replacement cost of infrastructure at 30 June 2018 was determined by AssetVal Pty Ltd using a composite utilities index developed by combining the Electrical Equipment Manufacturing Index, the Engineering Design and Management Index, the Metal Product Manufacturing Index and the Concrete Product Manufacturing Index from the ABS Producer Price Index. The weighting of each index is based on an estimated project cost breakdown at 10%, 40%, 10% and 40% respectively. This resulted in an increase of 3.5% from 1 July 2017 to 30 June 2018.

The last full valuation of Council road infrastructure was undertaken by AssetVal Pty Ltd effective 30 June 2017. Current replacement cost at 30 June 2018 was determined by AssetVal Pty Ltd using the ABS Producers' Price Index "Roads and Bridges Construction" which was 3.5%. A full valuation of road infrastructure is planned in 2019.

Componentisation

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.

Calculating Remaining Useful Lives

The remaining useful lives used in the depreciation calculations are estimated using the following methods:

- * Condition;
- * Known Age; and
- * Estimated Age

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.

Where water and sewer 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.

Where detailed condition is not available or the age of the asset is known, the remaining life is estimated using the current age of the assets, adjusted for obsolescence after visual inspection.

In determining the level of accumulated depreciation for infrastructure assets, the assets were disaggregated into significant components which exhibit different patterns of consumption (useful lives). Annual depreciation is calculated on a straight line basis over the remaining life of the asset.



**Morrington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

	2018 \$	2017 \$
15 Trade and Other Payables		
Current		
Creditors and accruals	5,615,487	538,187
Annual leave	526,843	482,427
Other payables	129,679	103,314
	<u>6,272,009</u>	<u>1,123,928</u>

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.

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.

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.

	2018 \$	2017 \$
16 Provisions		
Current		
Long service leave	79,336	88,774
	<u>79,336</u>	<u>88,774</u>
Non-current		
Long service leave	52,674	38,372
	<u>52,674</u>	<u>38,372</u>

Details of movements in provisions:

Long service leave

Balance at beginning of financial year	127,146	157,180
Long service leave entitlement arising	42,419	5,550
Long Service entitlement extinguished	(26,428)	(21,633)
Long Service entitlement paid	(11,127)	(13,950)
Balance at end of financial year	<u>132,010</u>	<u>127,146</u>

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.



**Morrington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

17 Asset Revaluation Surplus

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

Movements in the asset revaluation surplus were as follows:	2018	2017
	\$	\$
Balance at beginning of financial year	101,002,586	102,715,961
Net adjustment to non-current assets at end of period to reflect a change in:		
- Buildings	4,372,770	1,185,684
- Road and drainage network	888,834	(2,474,569)
- Water	691,209	(1,253,556)
- Sewerage	185,920	556,633
- Other structures	531,571	272,432
Balance at end of financial year	<u>107,672,890</u>	<u>101,002,586</u>

Asset revaluation surplus analysis

The closing balance of the asset revaluation surplus comprises the following asset categories:

Buildings	63,926,561	59,553,791
Road and drainage network	18,100,325	17,211,492
Water	15,794,665	15,103,456
Sewerage	3,328,391	3,142,471
Other structures	6,522,947	5,991,376
	<u>107,672,890</u>	<u>101,002,586</u>

18 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities	Note	2018	2017
		\$	\$
Net result		4,275,135	5,217,335
Non-cash items:			
Depreciation and amortisation	13	5,979,867	5,498,947
Contributed assets	4b)	-	(7,168,086)
Fair value of newly recognised controlled assets	5	(1,362,146)	(371,331)
(Gain) on revaluation of finance leases	12	(232,167)	700,767
		<u>4,385,554</u>	<u>(1,339,703)</u>
Investing and development activities:			
Net (profit)/loss on disposal of non-current assets	9	294,408	4,282,721
Capital grants and contributions		(9,022,685)	(4,845,913)
		<u>(8,728,277)</u>	<u>(563,191)</u>
Changes in operating assets and liabilities:			
(Increase)/ decrease in receivables		(926,622)	1,571,220
(Increase)/decrease in inventory		(89,362)	(180,391)
Increase/(decrease) in payables		619,256	196,909
Increase/(decrease) in other provisions		4,864	(30,034)
		<u>(391,864)</u>	<u>1,557,704</u>
Net cash inflow from operating activities		<u>(459,452)</u>	<u>4,872,144</u>

**Morrington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

19 Financial Instruments

Morrington 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

Morrington 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.

Morrington 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 Morrington Shire Council.

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	2018	2017
		\$	\$
Financial Assets			
Cash and cash equivalents	10	7,403,673	8,475,402
Trade and other receivables	11	2,024,714	1,098,091
Other financial assets	12	6,071,600	6,040,479
Other Credit Exposures			
Guarantees	23	875,783	109,110
Total Financial Assets		16,375,970	15,723,082



**Morrington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

19 Financial Instruments (Continued)

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.

All of Council's payables will mature within 12 months.

Market Risk

Council is not exposed to foreign exchange and price risk.

Interest rate risk

Morrington 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.

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 amount \$	Effect on Net Result		Effect on Equity	
		1% increase \$	1% decrease \$	1% increase \$	1% decrease \$
2018					
QTC Cash Fund		-	-	-	-
Other Deposits	7,403,873	74,039	(74,039)	74,039	(74,039)
Net total	7,403,873	74,039	(74,039)	74,039	(74,039)
2017					
Other Deposits	8,475,402	84,754	(84,754)	84,754	(84,754)
Net total	8,475,402	84,754	(84,754)	84,754	(84,754)



**Morrington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

20 Superannuation

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

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

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

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

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

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

Another actuarial investigation is being conducted as at 1 July 2018. At the time of signing these financial statements this investigation is still in progress.

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

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

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

There are currently 72 entities contributing to the scheme and any changes in contribution rates would apply equally to all 72 entities. Council made less than 4% of the total contributions to the plan in the 2017-18 financial year.

<u>Note</u>	<u>2018</u> <u>\$</u>	<u>2017</u> <u>\$</u>
Superannuation contributions made to the Regional Defined Benefits Fund	638,744	625,083
Other superannuation contributions for employees	6,674	-
Total superannuation contributions paid by Council for employees:	6	625,083
	<u>2019</u> <u>\$</u>	
Contributions council expects to make to the Regional Defined Benefits Fund for 2018-19	700,000	



**Morrington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

21 Transactions With Related Parties

a) Key Management Personnel Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

KMP include the Mayor, councillors, council's Chief Executive Officer and some executive management. The compensation paid to KMP for 2017/18 comprises:

	2018	2017
	\$	\$
Short-term employee benefits	861,741	985,192
Post-employment benefits	76,326	61,947
Long-term benefits	-	-
Termination benefits	-	-
Total	938,067	1,067,140

Detailed remuneration disclosures are provided in Council's Annual Report.

b) Transactions with other related parties

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

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

	2018	2017
	\$	\$
Employee expenses for close family members of key management	277,578	216,350

All close family members of key management personnel were employed through an arm's length process. They are paid in accordance with the Award for the job they perform.

The council employs 108 staff of which 6 are close family members of key management personnel.

c) Loans and guarantees to/from related parties

Council does not have any loans to/from related parties. No guarantees have been provided.

d) Commitments to/from other related parties

Council has no outstanding commitments to/from other related parties.

e) Transactions with related parties that have not been disclosed

Most of the entities and individuals that are related parties of council live and work within the Morrington Shire Council. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include:

- Purchase of fuel and other workshop services
- Purchase of gas bottles and other general stores items
- Payment of barge handling and other fees

Council has not included these types of transactions in its disclosure, where they are made on the same terms and conditions available to the general public.

Due to the size and location of Morrington Shire, Council is one of the primary employers. Therefore staff members may be identified as close family members of key management personnel.



**Morrington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2018**

22 Commitments for Expenditure

Council is not party to any non-cancellable operating leases as at 30 June 2018.

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

23 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 LGM Queensland are as at 30 June 2017 and show accumulated member funds (equity) of \$70,521,289.

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 \$131,623.02.

The latest audited financial statements for Local Government Workcare are as at 30 June 2017 and show accumulated member funds of \$50,306,803. It is not anticipated that any liability will arise.

24 Events after the reporting period

There were no material adjusting events after the balance date.



**Morrington Shire Council
Financial Statements
For the year ended 30 June 2018**

**Management Certificate
For the year ended 30 June 2018**

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 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.



**Acting Mayor
Sarah Isaacs**

Date: 21 / 09 / 2018



**Chief Executive Officer
Frank Mills**

Date: 21 / 09 / 2018

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Mornington Shire Council

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of Mornington Shire Council.

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2018, and of its financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the *Local Government Regulation 2012* and *Australian Accounting Standards*.

The financial report comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Acting Mayor and Chief Executive Officer.

Basis for opinion

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

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

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

Other information

Other information comprises the information included in Mornington Shire Council's annual report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long-term financial sustainability statement.

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

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

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

Responsibilities of the council for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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



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

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

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2018:

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

Sri Narasimhan
as delegate of the Auditor-General

3 October 2018

Queensland Audit Office
Brisbane



**Morrington Shire Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2018**

Measures of Financial Sustainability

Council's performance at 30 June 2018 against key financial ratios and targets:

Ratio	How the measure is calculated	Actual	Target
Operating Surplus Ratio	Net result (excluding capital) divided by total operating revenue (excluding capital)	-42.2%	0% to 10%
Asset Sustainability Ratio	Capital expenditure on replacement of assets (renewals) divided by depreciation expense.	295%	> 90%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-26%	< 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 2018.



**Morrington Shire Council
Certificate of Accuracy
For the year ended 30 June 2018**

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.



Acting Mayor
Sarah Isaacs
Date: 21, 09, 2018



Chief Executive Officer
Frank Mills
Date: 21, 09, 2018

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Mornington Shire Council

Report on the Current-Year Financial Sustainability Statement

Opinion

I have audited the accompanying current year financial sustainability statement of Mornington Shire Council for the year ended 30 June 2018, comprising the statement, explanatory notes, and the certificate of accuracy given by the Acting Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Mornington Shire Council for the year ended 30 June 2018 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other Information

Other information comprises the information included in Mornington Shire Council's annual report for the year ended 30 June 2018, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and long-term financial sustainability statement.

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

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

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

Responsibilities of the council for the current year financial sustainability statement

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

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

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

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

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

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



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

Sri Narasimhan
as delegate of the Auditor-General

3 October 2018

Queensland Audit Office
Brisbane



**Morrington Shire Council
Long-Term Financial Sustainability
Prepared as at 30 June 2018**

**Measures of Financial Sustainability
Council**

Measure	Target	Projected for the years ended									
		Actuals 30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	
Operating Surplus Ratio	0% to 10%	-42%	-25%	-22%	-22%	-20%	-23%	-21%	-24%		
Asset Sustainability Ratio	> 90%	255%	118%	124%	124%	124%	124%	124%	124%		
Net Financial Liabilities Ratio	< 60%	-28%	-36%	-35%	-33%	-32%	-31%	-28%	-26%		

Morrington 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.



**Morningson Shire Council
For the long-term financial sustainability
Prepared as at 30 June 2018**

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.



Acting Mayor
Sarah Isaacs
Date: 21, 09, 2018



Chief Executive Officer
Frank Mills
Date: 21, 09, 2018