MORNINGTON SHIRE COUNCIL

Mornington Shire Council

Annual Report 2014 - 2015

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Acknowledgements: Council wishes to thank all contributors and stakeholders involved in the development of this document.

Our welcome

Welcome to the Mornington Shire Council's Annual Report 2014 - 2015.

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 2011 - 2016 and Operational Plan 2014 - 2015.

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 results of actioning the Corporate and Operational plans
- details of council's achievements
- details of the services that have been provided to the region
- transparency and accountability of council

About this report

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

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

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

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

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

Message from the Mayor

Strong leadership, strategic partnerships and effective advocacy for the region in order to reach our full potential, have been the hallmarks of Mornington Shire Council's focus and achievements during 2014 / 15.

Importantly, our council has once again achieved an impressive end of year result and the community can have confidence that its local government is in good shape.

Council has been independently assessed by the Queensland Treasury Corporation as having a strong financial rating. This enables council to provide the services and facilities that our community expects on a daily basis, but also to advance major projects that will shape a prosperous future for our residents and our region.

Building and development activity positioned the Mornington Shire region for a positive future as we move towards 2020, contributing to overall sustainable and a growing economy.

The Mornington Shire Council hosted twelve (12) major events, attracting visitors and participants. The council managed NAIDOC Week attracted close to 1000 people and will become a regionally - recognised event on the festival calendar.

The strength of our community has been a major focus for council in 2014 / 2015. Due to our prudent fiscal management, we are moving into a stronger financial position to support our community through a wide range of facilities, programs and services.

Mornington Shire Council currently distributes more community support than *any* other organisation in the region because we understand the value in improving the wellbeing of our residents.

Council continued to make significant investments in local facilities and infrastructure like roads, the aerodrome and recreational parks. This, coupled with maintaining and improving almost 300 kilometres of roads, is a big part of council's capital program. These assets are an integral part of the social and economic fabric of our region.

On the front line, council's customer contact staff continued to play a vital role in helping our community, responding to more than 1800 enquiries either over the counter, through email, on the phone or via the internet.

Council continues to be recognised for our outstanding achievements in indigenous employment, innovation and excellence. Council has won numerous awards including "Most Innovative Council" at the National Asbestos Awards Australia and staff scholarships that allow our indigenous staff incredible opportunities.

Council will continue to focus on streamlining services, enhancing management, providing exceptional customer service and ensuring Mornington Shire's reputation for economic, community and environmental excellence continues to positively progress towards a bright future.

Thank you for your time and be well,

Mornington Shire Council

Mayor Brad Wilson

mayor@mornington.qld.gov.au

Message from the Chief Executive Officer

Welcome to Mornington Shire Council, arguably one of Queensland's most remote and unique Local Governments in terms of the complexities we face on a daily basis. Our locality, climatic environment, history and reliance on funding other than own source revenue to strive to sustainability, all have an enormous effect on our capacity for service delivery to be carried out 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, we recognise there is a need to balance the demands of growth and change with the needs of our environment and community.

Our highly skilled and educated community live here for a special reason, the opportunity to live and work close to the pristine waterways and native bushland that are central to our quality of traditional life. Protecting our precious environment is one of our main priorities and is an integral part of our vision. The vehicles for Council and community to progress to achieving their vision and organisational goals are the annual operational plan and the 5 year corporate plan.

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 Councils progress towards implementing our annual operational plan and 5 year corporate plan. This is the second Annual Report I have prepared on behalf of Mornington Shire Council and it is pleasing to have been a part of Council's achievements over the past twelve months which include:

Improving Community Lifestyle

Council completed a preliminary audit of all Council owned and managed facilities including community open spaces, sports ovals and playgrounds. This audit will undergo further review in line with the development of a new asset management plan during the 2015 – 2016 financial year.

Council finalised a plan for the redevelopment of the football oval and subject to funding approval these works will be carried out in the 2015 – 2016 financial year.

Council engaged a sports and recreation coordinator to promote youth activities and engage youth in projects to support their well-being. This position was also responsible for development of relationships amongst service providers on Mornington Island to advocate issues on behalf of young people from the Island.

Council and community housing

Council commenced negotiations with the Department of Aboriginal and Torres Strait Islander Partnerships, Housing and Public Works and Building and Asset Services to conduct a thorough evaluation of housing needs and ways of addressing these needs. The convening of Technical Working Groups and Joint Operational meetings supports this process. Council commenced a comprehensive audit of all Council owned housing to develop an appropriate maintenance and upgrade program in line with future budgets.

Television facilities

With the advent of free to air television streaming into the Wellesley islands via the VAST network, development of a local television facility is not feasible now or in the foreseeable future.

Keeping our Culture Alive

Council continued to build on its relationship with Mirndiyan Gununa Aboriginal Corporation and the department of Prime Minister and Cabinet to identify funding opportunities that support cultural services and programs.

Creating Opportunities for Prosperity

Council engaged with MIACSED and the department of Prime Minister and Cabinet to explore opportunities for economic development for Mornington Island. Ongoing collaboration with ADBT and IBA saw an increased presence from these organisations on Mornington Island to explore economic and small business development. Council continued to build on its relationship with Gulf Savannah Development Board to strengthen regional economic ties.

Shire Promotion

Whilst difficult to achieve, where possible the Mayor, Councillors and Chief Executive Officer attended regional forums to promote Council and the Wellesley Islands.

Ongoing dialogue with community members and stakeholders will see the introduction of Local Laws, community education programs and the development of management plans in 2016 for environment, waste, open space, vegetation and weeds.

Environmental Health

Council engaged a qualified environmental health officer to ensure the progression of licencing of all environmental activities during 2015.

Cemeteries

Council continued with the process of grave identification within and outside of the cemetery boundary. This process is expected to be complete in 2016.

A regular maintenance schedule has been introduced to ensure the cemetery is kept clean and tidy. The chapel and toilet area underwent remediation works to bring them back to standard.

Pest Control

Pest control continued to be delivered on an as needs basis by off-island contractors during this period.

Parks, gardens and Reserves

An open spaces management and development plan commenced in line with community consultation and is expected to be complete in 2016.

Town Appearances

A traffic management plan was introduced and new signage erected throughout the township of Gununa during this period. A routine maintenance plan for streets and open spaces was introduced and will be ongoing. Council continues to promote community pride through the introduction of a Clean Up Australia campaign and the Get Ready initiative.

Donation and Charities

Council continued to support community groups and regional charities in line with the introduction of a gifts and charities policy.

Preparation End of Financial Year Accounts and Statements

Council in conjunction with Crowe Horwath (QAO approved auditors) adopted the relevant submitted and audited financial statements as required for this period.

Roads – Maintenance

Council has introduced an inspection process that will be carried out on a regular basis, complimented by a maintenance program to keep all roads in a properly maintained state. In line with this, Council is compiling a comprehensive video library of our road network in preparation for future weather events and storm damage.

NDRRA funded works during this period were put out to tender because of the extent of the works required.

Council has continued to lobby State and Commonwealth Departments for further funding for our road network upgrade.

Jetty and Airport

The jetty suffered significant damage after being struck by a barge and insurance claims and a funding application were submitted to upgrade the precinct.

A funding application was submitted for a significant upgrade of the Airport.

A management plan for the jetty and aerodrome is being developed to ensure ongoing maintenance and serviceability of this infrastructure.

The foreshore program has been placed with JobFind for completion through a community development project supported by the Department of Prime Minister and Cabinet.

Plant and Equipment

The development of an asset management plan for all types of plant and vehicles is an ongoing process that is being developed in line with a replacement program subject to corporate plan finance forecasting. It is expected that this process will be complete in 2016.

Aerodromes – Gununa

An annual maintenance program that meets CASA standards has been implemented and all staff have been licenced as required. A funding application has been submitted to upgrade the emergency lighting at the airport.

Refuse Management

Waste continues to be collected on a regular basis by the technical services team. Ongoing issues with dumping of waste materials is a source of concern and the environmental health officer is providing Council staff with advice and guidance to remedy this. A waste management strategy has commenced development to ensure efficient collection and storage of all waste materials.

Refuse Tip Maintenance

Recruitment of a suitable waste management supervisor and the implementation of a series of new practices at the waste management site is a work in progress. In the interim advice and guidance is being received from the environmental health officer.

Sewerage Utility Operations and Maintenance

A total management plan, including an asset management plan commenced development and implementation during this period. Future capital improvements could not be considered due to budgetary constraints and any capital improvements are to be included in the corporate plan for consideration in the 2016 and beyond financial years.

Water Utility Capital improvements

A total management plan, including an asset management plan commenced development and implementation during this period. Once complete the plan will be approved by Council and included in the corporate plan.

Enhance and Support Local Business

Council through regular attendance at Local Government Association of Queensland, State and Commonwealth Government conferences and seminars, regular meetings with State and Commonwealth Ministers and Departments advocated for agreements to deliver services on Mornington Island and make current service providers more accountable for what they deliver.

Transparent and Open Communication across Three Tiers of Government

Council continued to improve its website, social media and community networks to disseminate information to the community and all stakeholders. Through the introduction and amendment of policies and procedures and delegations Council has continued its journey to achieve 100% legislative compliance.

Council implemented service providers meeting to work towards accountable service delivery on Mornington Island and took the challenge to both State and Commonwealth Governments to work collaboratively with this process.

Council meetings were advertised as open to the community and stakeholders and a time set aside for community and stakeholder delegations at each meeting.

Despite lengthy delays with the Queensland Audit Office the annual report for this period is adopted by Council in accordance with legislative requirements.

Regular and timely reviews of the operational plan and corporate plan have commenced and will continue to be built upon in 2016.

An internal audit committee has been established by Council with quarterly meetings proposed.

Financial Services Area Organisational Tasks

Council has invested heavily in a complete review and overhaul of its financial management policies, processes and staff. The review when complete will see a greater emphasis on process that will improve data collection and storage, the issue of annual charges, maximise charge collection, maximise debt recovery, identify and support systems for asset management and provide for monthly, quarterly and annual reviews of genuine data.

Investments

Council regularly reviewed its investments with QTC to ensure maximum return on investment and returns are meeting industry benchmarks.

External Reporting

All necessary external reporting requirements such as 10 year forecast, annual FBT, monthly BAS and financial administration policies and procedures as required by the Queensland Local Government Act and Regulations were submitted as required.

Emergency Services

Regular Local Disaster Management Operations meetings were held during this period. The Local Disaster Management Plan was updated and approved by Council and regular briefings and meetings were held with community and stakeholders as required. Council continues to work closely with the District Disaster Management Group to give rise to greater community resilience.

Mornington Shire Council

Chief Executive Officer Frank Mills

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The Mornington Shire has:

- 1500 kilometres of pristine coastlines
- Incorporates 22 islands in the Wellesley Island Group
- 125,000 hectares of native / environmental reserves
- 300 kilometres of sealed roads (600 km of roads total)
- 1.5 kilometres of pathways
- 250 households, all ***zero*** rateable properties
- 26,000 garbage collections per year
- 1500 residents
- 26 % work in professional health care / social assistance
- Average yearly income $26,613.00 (rated 5% **most** disadvantaged Australian citizens).
- One of Australia's most remote, yet pristine regions
- Only accessible by air via REX (fares not subsidised for residents).
- State and Commonwealth investment is key to building this region for future sustainability.

Source: # ABS 2011

Our Vision:

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

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

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

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

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



Governance:

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

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

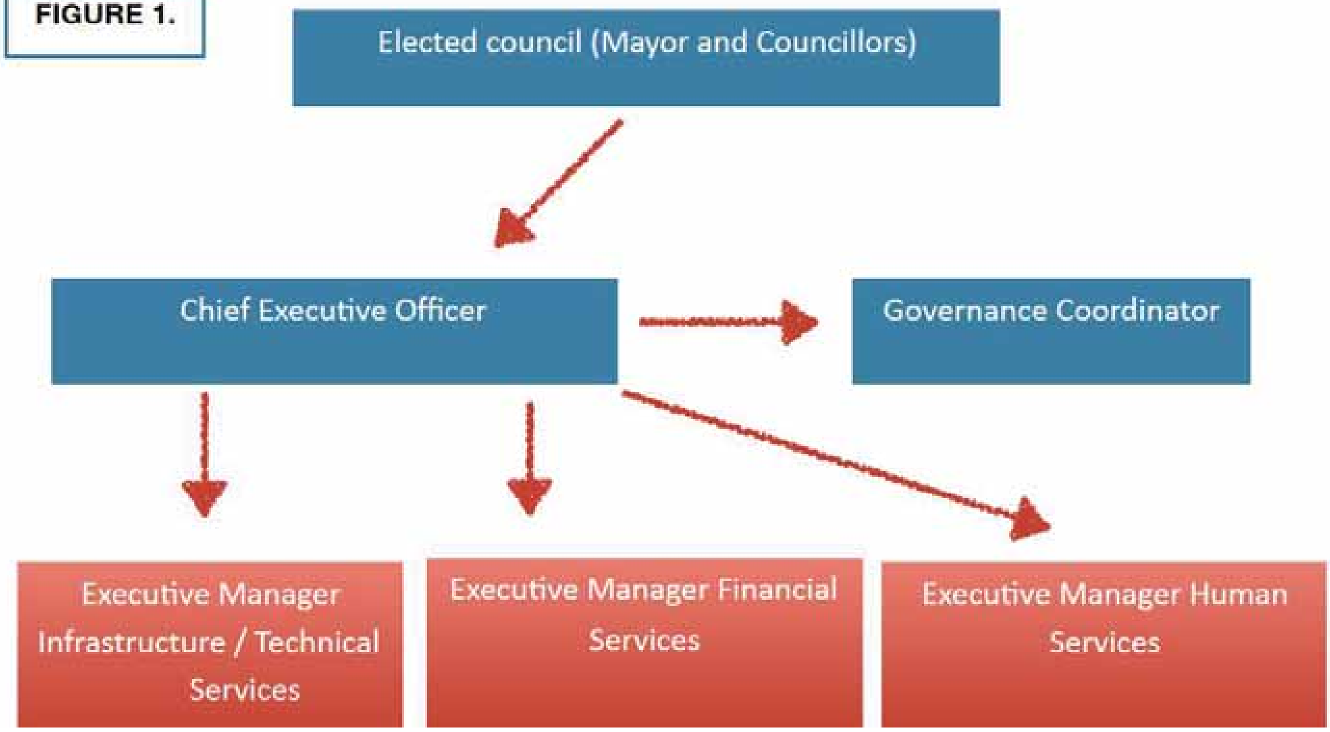
Council aspires to be recognised as a highly regarded and reputable organisation.

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

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

Refined organisational structure

FIGURE 1.



Council's 2016 structure consists of three departments each headed by an Executive Manager, and a Governance Sector. These Executive Managers, along with the Chief Executive Officer, make up the Executive Leadership Team (*see figure 1. above and following page*).

Mornington Shire moving forward

Having a good organisational structure and design helps Council to improve communication, increase productivity, and inspire innovation. It creates an environment where people can work effectively.

Most productivity and performance issues can be attributed to poor organisational design. Poor organisational design often results in, among other things, confusion within roles, a lack of coordination among functions, and failure to share ideas.

Our organisation has a clear mission - and our talented people and great leaders are fundamentally behind this - **moving the region forward, together.**

Author Mornington Shire Council Grants and Communications Coordinator Layla Kirchhoff 2016

FIGURE 2.

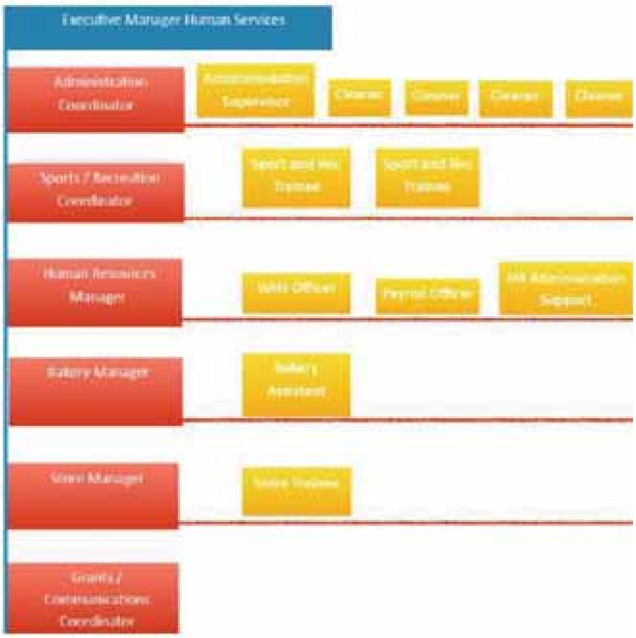


FIGURE 3.

FIGURE 4.

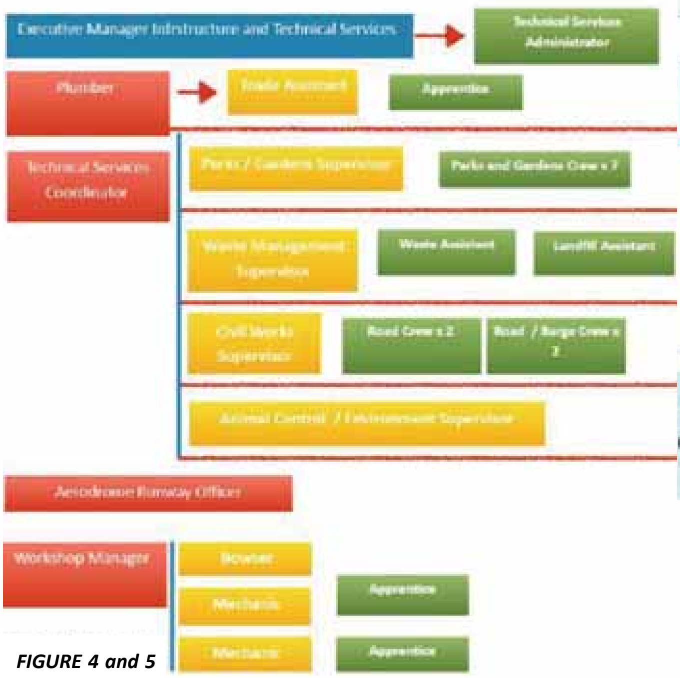


FIGURE 5.

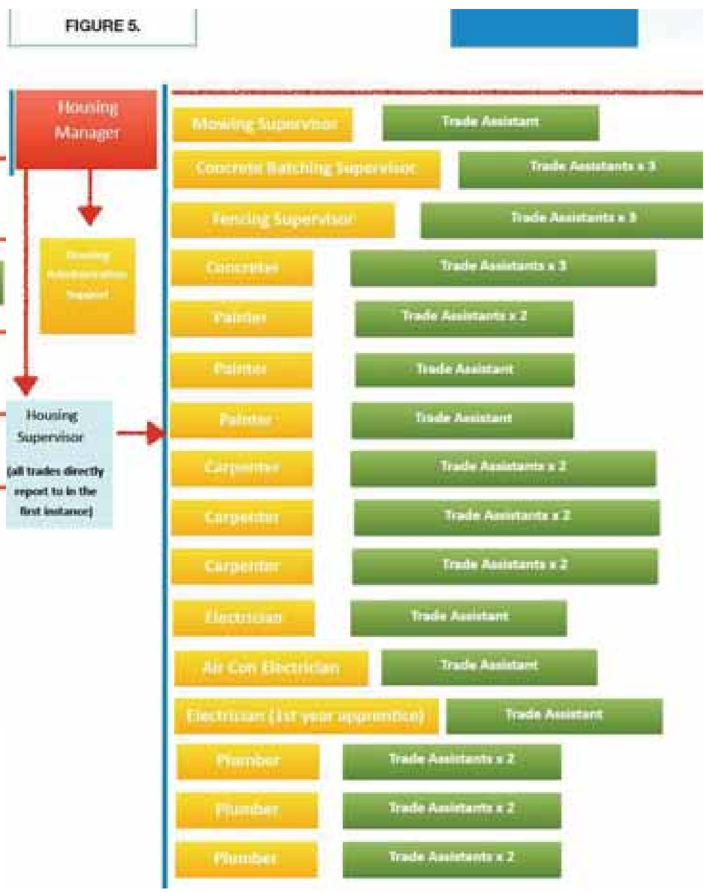


FIGURE 4 and 5 *fall under the Infrastructure Department.*

In the heart of the Gulf

Mornington Island is one of the 23 islands that make up the Wellesley Islands archipelago (*LG. Mornington Shire*) located in the Lower Gulf of Carpentaria, 125 km north of Burketown, 200 km west of Karumba and 444 km north of Mount Isa. Mornington Island is the largest island and located in the northern part of the archipelago.

Historically home to the Lardil people, they had little or no contact with the outside world before the early 1900s. The township now known as Gununa began in 1914 when the Presbyterians sent missionaries to the island and the Lardil and Yangkaal peoples were brought together. In 1948, a tidal wave devastated the water supply of the Wellesley's and the Kaiadilt people were also brought into the settlement.

The Uniting Church managed Mornington Island from the early 1900s, but in 1978 the Queensland Government decided to take control of the island. The community protested against the state government's decision and went to the Commonwealth Government for support. By the end of that year, Malcolm Fraser's Federal Liberal Government and Joh Bjelke-Petersen's Queensland Country Party agreed on self-government for the island.

During this process of transitioning to self-government the Bjelke-Petersen government introduced the Aurukun and Mornington Shire Leases Act 1978 which was eventually repealed on the 1st of January 2015.

The traditional owners for Mornington Island consist of the Lardil, Yangkaal, Gangalidda and Kaiadilt people with today's population estimated to be about 1500 with the recent 2016 Census to confirm actual numbers in due course.

The traditional owners had native title recognised over almost all of the land on the 23 islands of the archipelago and the Lardil, Yangkaal, Gangalidda and Kaiadilt peoples became native title holders of 121,775 hectares on the 23 islands. They gained exclusive rights to all but 25 hectares of the land which consists of the township area of Gununa and a small parcel of land on Sweers Island. This occurred in 2008, when Justice Jeffrey Spender of the Federal Court made the determination recognising exclusive and non-exclusive native title rights on the Wellesley, South Wellesley, Forsyth and Bountiful Island groups, around 400km north of Mount Isa. During the process, the native title applicants negotiated with parties to their claim, allowing the court to make a consent determination over the land recognising their rights to camp, hunt, conduct ceremonies and protect significant places. Additionally, in 2004 the court recognised the non-exclusive native title rights over the sea surrounding the Wellesley Islands group.

Whilst the Wellesley Islands are one of the more unique and picturesque archipelagos in Australia, the islands have no mineable mineral deposits, the soil is generally too poor to be suitable for large scale agriculture or horticulture, the climate can be extreme, aquaculture and tourism have never been developed and the fishing industry in the gulf has developed without reliance on the local people.

Since obtaining self-governance status, successive community members have held roles as elected members either as Shire President or more recently the Mayor and/or as Councillors. There has also been a succession of Shire Clerks or more recently Chief Executive Officers in leadership roles with Council, each leaving their own mark in terms of success or not, during their engagement with Council.

Due to the vagaries of climate, weather and successive leadership models Councils ever ageing infrastructure, property, plant and equipment has been in a state of decline for the past two decades. Council's ability to raise own source revenue had likewise been eroded away especially since 2003 when the Queensland Government introduced an alcohol management plan that saw the Council owned hotel close its doors and prohibition introduced. This combined with various Chief Executive Officers and Council leaders divorcing Council from the majority of its previous service delivery programs and commercial operations saw Councils finances and chances of sustainability compromised.

Our new leaders, *our new voice*

This new council reflects a new and exciting time for the residents of Mornington Shire. It is a time of new beginnings, new energy and new opportunities for our organisation and the region. A Corporate Plan is being developed to capture these opportunities and set the priorities for the organisation over the next five years. It focusses the organisation on delivering key services to the community, maintaining existing community assets and places a priority on planning for new infrastructure where it is most needed. Importantly, this Corporate Plan will reinforce the council's vision for the Wellesley Island Group, to move the region forward, together. This will aid in our hopes to be Australia's most sustainable indigenous region. At the core of this, there is an emphasis on strong leadership, strategic partnerships and effective advocacy so the region and community can reach its full potential. Over the next decade the Mornington Shire region will be transformed through the delivery of key region-making projects, for example, the Marine and Foreshore Business Precinct, and upgrades (that include a new runway) at the Mornington Island Aerodrome. At the same time, council will be advocating for critical transport upgrades and consolidating the many community benefits associated with other core infrastructure projects in the pipeline. Council and its staff have the opportunity to lead the implementation of some of these projects and in doing so, shape the long-term future of the region. The organisation will also remain clearly focussed on its most important priority – delivering the wide range of core local government services that help support our community. Our goals and values will shape how we work collaboratively both within and outside our organisation. This will include working with community members and volunteers, business suppliers and contractors – and the many others who contribute to servicing our diverse community. More than ever before, partnerships with other levels of government and commercial entities will be needed to deliver the outcomes that council seeks on behalf of the community. Council have confidence in the spirit and determination of the organisation and its commitment to delivering this 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 fit for purpose, 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.

Council is working hard to keep our culture strong, to ensure our environment remains pristine and to create greater opportunities today so our families can benefit tomorrow.

Cr Thompson; economic development, transport and region projects

Cr Farrell; infrastructure and housing

Cr Ah Kit; health and wellbeing

Cr Isaacs; community engagement, culture and events

Cr Wilson; overseeing entire runnings

Cr. Bobby Thompson | Cr. Claire Farrell | Cr. Jane Ah - Kit | Deputy Mayor Sarah Isaacs | Mayor Bradley Wilson

In final

Mornington Shire Council, working in partnership with a new, energetic and enthusiastic council led by Mayor Bradley Wilson and a supportive staff body of 104 (93 % indigenous), are working hard to deliver an improved quality of life to the residents that call the region home.

These are exciting times with sereval major infrastructure projects underway, service delivery optimisation, countless capacity building opportunities for local indigenous residents and a focus on achieving a more sustainable future for generations to come.

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 somewhat limited financial conditions. The region's economic base has been built upon its geography, natural resources and in particular the marine, tourism, construction and health sectors.

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

For now, thank you and council invite you to stay a while, explore our interactive website, "Like" **Mornington Shire Council** on Faceboook and help us improve our services for you, our community.

Let's move the region forward, together.

FINANCIAL STATEMENTS

Mornington Shire Council
Financial Statements
for the year ended 30 June 2015

Mornington Shire Council
Financial Statements
For the year ended 30 June 2015

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Mornington Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2015

	Note	Council 2015 $	Council 2014 $
Income			
Revenue			
Recurrent revenue			
Levies and charges	3(a)	1,017,304	986,041
Fees and charges	3(b)	237,806	413,647
Rental income	3(c)	523,013	390,884
Interest received	3(d)	225,217	230,562
Sales revenue	3(e)	3,533,711	867,662
Other income	3(f)	207,768	156,047
Grants, subsidies and contributions	4(a)	4,422,013	3,087,061
		10,166,833	6,131,904
Capital revenue			
Grants, subsidies and contributions	4(b)	12,202,009	6,251,836
Total revenue		22,368,842	12,383,740
Capital income	5	3,994,066	4,723,630
Total income		26,362,909	17,107,370
Expenses			
Recurrent expenses			
Employee benefits	6	(4,418,424)	(2,946,921)
Materials and services	7	(5,760,925)	(4,238,187)
Finance costs	8	(36,435)	(10,414)
Depreciation	14	(5,009,041)	(2,429,202)
		(15,224,826)	(9,624,725)
Capital expenses	9	(259,043)	(1,485,857)
Total expenses		(15,483,869)	(11,110,582)
Net Result		10,879,040	5,996,788
Other comprehensive income			
Items that will not be reclassified to net result			
Increase revaluation surplus	18	-	29,115,092
Total other comprehensive income for the year		-	29,115,092
Total comprehensive income for the year		10,879,040	35,111,880

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

Mornington Shire Council
Statement of Cash Flows
For the year ended 30 June 2015

	Note	Council 2015 $	2014 $
Cash flows from operating activities			
Receipts from customers		5,741,529	7,816,663
Payments to suppliers and employees		(10,157,019)	(7,384,859)
		(4,415,490)	431,804
Interest received		225,217	230,562
Rental income		523,013	390,884
Operating grants and contributions		4,422,013	3,087,061
Net cash inflow (outflow) from operating activities	23	754,753	4,140,311
Cash flows from investing activities			
Payments for property, plant and equipment		(13,809,162)	(7,427,501)
Proceeds from sale of property plant and equipment		-	1,013
Finance lease receipts		669,910	718,342
Grants, subsidies, contributions and donations		12,202,009	362,249
Net cash inflow (outflow) from investing activities		(937,243)	(6,345,897)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Net cash inflow (outflow) from financing activities		-	-
Net increase (decrease) in cash and cash equivalent held		(182,488)	(2,205,586)
Cash and equivalents at the beginning of the financial year		6,814,885	9,020,472
Cash and equivalents at end of the financial year	10	6,632,397	6,814,885

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

	Note	2015 $	2014 $
Current Assets			
Cash and Equivalents	10	6,632,397	6,814,885
Trade and Other Receivables	11	591,005	774,458
Inventories	12	298,506	460,091
Other Financial Assets	13	679,462	669,910
Total Current Assets		8,201,370	8,719,344
Non-Current Assets			
Other Financial Assets	13	26,034,532	22,719,927
Property, Plant and Equipment	14	97,016,016	88,474,939
Total Non-Current Assets		123,050,548	111,194,866
Total Assets		131,251,918	119,914,210
Current Liabilities			
Trade and Other Payables	16	1,112,682	593,202
Provisions	17	11,548	67,188
Total Current Liabilities		1,124,230	660,390
Non-Current Liabilities			
Provisions	17	95,326	100,502
Total Non-Current liabilities		95,326	100,502
Total Liabilities		1,219,556	760,892
Net Community Assets		130,032,362	119,153,321
Community equity			
Revaluation Surplus	18	102,715,961	102,715,961
Retained Surplus		27,316,401	16,437,361
Total Community Equity		130,032,362	119,153,321

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 2015

1 Significant Accounting Policies

1.A Basis of Preparation

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

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

Revenue and expenditure are presented as "recurrent" or "capital" in the Statement of Comprehensive Income on the following basis:
Capital Revenue includes grants and subsidies received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investment in new assets. It also includes non-cash contributions which are usually infrastructure assets received from developers.
The following transactions are classified as either "Capital Income" or "Capital Expenses" depending on whether they result in accounting gains or losses:
- disposal of non-current assets
- revaluations of investment property and property, plant and equipment.

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

1.B Statement of Compliance

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

1.C Constitution

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

1.D Date of Authorisation

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

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.

Mornington Shire Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. Council applies standards and interpretations in accordance with their respective commencement dates.
Due to its recent release, Council is still reviewing the way that revenue is measured and recognised to identify whether AASB 15 Revenue from Contracts with Customers will have a material impact. To date no impact has been identified.

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

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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 1.O and Note 15
Impairment of property, plant and equipment - Note 1 P
Provisions - Note 1.S and Note 17
Valuation of finance leases - Note 1.Q
Contingent liabilities - Note 20

1.H Revenue

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

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

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

Grants and Subsidies
Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them.

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

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

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

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

Sales Revenue
Sale of goods and recoverable works 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 works include construction and maintenance works for locals and local businesses.

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

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1.I 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.

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

Financial Assets
- Cash and cash equivalents (Note 1.J)
- Receivables - measured at amortised cost (Note 1.K)
- Other financial assets (finance leases) - measured at fair value (Note 1.Q)

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

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

1.J Cash and Equivalents

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.

1.K Receivables

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

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

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

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

1.L Inventories

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

1.M Other Financial Assets

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

1.N Investments

Term deposits in excess of three months are reported as investments, with deposits of less than three months being reported as cash equivalents. At 30 June 2015 Council did not have any term deposits in excess of three months.

1.0 Property, Plant and Equipment

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

The classes of property, plant and equipment recognised by the Council are:
Buildings
Plant and Equipment
Road and Drainage Network
Water
Sewerage
Other Infrastructure Assets
Work in Progress

Acquisition of assets
Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect's fees and engineering design fees and all other establishment costs.

Property, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

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

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

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This 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.

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

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

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

Capital Work in Progress

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

Depreciation

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

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

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

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

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

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the annual valuation process for assets measured at written down current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in Note 14.

Land Under Roads

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

Deed of Grant In Trust Land

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

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

1.P Impairment of Non-Current Assets

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

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

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

1.Q Leases

Leases of plant and equipment under which the Council as lessor transfers substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are classified as finance leases. Other leases, where substantially all the risks and benefits remain with the lessor, are classified as operating leases.

Finance leases as lessor
Council has leased 222 dwellings as lessor to the Queensland Government for 40 years. The total lease payment per dwelling in the current year was an average of $2,999.62. These lease payments are required to be adjusted each year by the change in the Consumer Price Index (All Groups) for Brisbane. As the gross lease payments are insufficient to cover the fair value (depreciated replacement cost) of the leased properties, there is no interest rate implicit in the leases and therefore no finance income will arise from the leases. Consequently, the leases are recognised at the present value of the expected future lease payments receivable (fair value). Gains on revaluation of finance lease assets are recognised as other income.

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

1.R Payables

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

1.S Liabilities - Employee Benefits

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

Salaries and Wages
A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 16 as a payable.

Annual Leave
A liability for annual leave is recognised. All amounts have been recognised as current due to the entitlement of staff to take their leave at any time, subject to operational requirements. This liability represents an accrued expense and is reported in Note 16 as a payable.

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

Superannuation
The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 21.

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Long Service Leave
A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. This liability is reported in Note 17 as a provision.

1.T Revaluation Surplus

The 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.

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

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

1.U Retained Surplus

In reference to the comparative figures for the year ended 30 June 2014, this represents the amount of Council's net funds not set aside in reserves to meet specific future needs.

1.V 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.W Rounding and Comparatives

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

1.X Taxation

Income of local authorities and public authorities is exempt from Commonwealth taxation except for Fringe Benefits Tax and Goods and Services Tax ('GST'). The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

1.Y Treatment of Significant Asset Transactions

Public Housing Assets
On 18 March 2011 the Council leased public housing assets and associated leasehold land to the Queensland Government, as part of the Indigenous Housing Arrangement 40 year lease.

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

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

Community Development Employment Programs (CDEP)
On the 12 August 2013, the Council ceased running and managing the CDEP Program and was transferred to Jobfind. The assets that were acquired and managed under the CDEP Program were retained by Council.

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2. Analysis of Results by Function

2(a) Components of Council Functions

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

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

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

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

Community Development and Employment
Operation of the funded Community Development and Employment Program and related activities.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2015

2 Analysis of Results by Function

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

Year ended 30 June 2015

Functions	Gross Program Income				Total Income	Gross Program Expenses		Total Expenses	Net Result from Recurrent Operations	Net Result	Assets
	Recurrent		Capital			Recurrent	Capital				
	Grants	Other	Grants	Other							
	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015
	$	$	$	$	$	$	$	$	$	$	$
Corporate Services	3,436,422	1,395,095	-	3,994,066	8,825,583	(5,406,445)	-	(5,406,445)	(574,928)	3,419,138	34,343,194
Technical Services	309,671	3,609,518	12,202,009	-	16,121,198	(8,379,701)	(259,043)	(8,638,744)	(4,460,512)	7,482,454	69,505,138
Community Services	123,072	732,531	-	-	855,603	(1,282,118)	-	(1,282,118)	(426,515)	(426,515)	26,956,725
Community Development and Employment	552,848	7,676		-	560,524	(156,562)	-	(156,562)	403,962	403,962	446,858
Total Council	4,422,013	5,744,820	12,202,009	3,994,066	26,362,909	(15,224,826)	(259,043)	(15,483,869)	(5,057,993)	10,879,040	131,251,918

Year ended 30 June 2014

Functions	Gross Program Income				Total Income	Gross Program Expenses		Total Expenses	Net Result from Recurring Operations	Net Result	Assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014
	$	$	$	$	$	$	$	$	$	$	$
Corporate Services	2,970,650	1,129,086	5,889,587	4,723,630	14,712,953	(4,334,662)	(1,485,857)	(5,820,519)	(234,926)	8,892,434	7,547,308
Technical Services	92,131	1,371,266	362,249	-	1,825,646	(3,808,793)	-	(3,808,793)	(2,345,396)	(1,983,147)	59,335,645
Community Services	10,000	493,816	-	-	503,816	(867,517)	-	(867,517)	(363,701)	(363,701)	50,738,574
Community Development and Employment	14,280	50,675	-	-	64,955	(613,753)	-	(613,753)	(548,798)	(548,798)	2,292,685
Total Council	3,087,061	3,044,843	6,251,836	4,723,630	17,107,370	(9,624,725)	(1,485,857)	(11,110,582)	(3,492,821)	5,996,788	119,914,210

During the current financial year Council reviewed the classification of all its assets. The aim was to align the assets better to the function they were principally used for. These reclassifications have not been retrospectivily applied to the prior year balances.

Notes to the Financial Statements
For the year ended 30 June 2015

	Note	Council 2015 $	Council 2014 $
3 Revenue Analysis			
(a) Levies and charges			
Water		493,280	502,975
Sewerage		335,270	311,766
Garbage charges		188,754	171,300
		1,017,304	986,041
(b) Fees and Charges			
Fees and charges		237,808	413,647
		237,808	413,647
(c) Rental Income			
Property rental		523,013	390,884
		523,013	390,884
(d) Interest Received			
Interest received on deposits		225,217	230,562
		225,217	230,562
(e) Sales Revenue			
Sale of Services			
Contract and recoverable works		1,142,622	887,662
Social Housing Construction		2,391,089	-
		3,533,711	887,662

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.

	Council 2015 $	Council 2014 $
(f) Other Income		
Sundry Income	66,975	83,108
Recouped Administrative Costs - CDEP	-	15,000
Plant Hire - Internal	-	46,316
Other Income	140,793	11,622
	207,768	156,046
4 Grants, Subsidies, Contributions and Donations		
(a) Recurrent		
General purpose grants	3,436,422	2,559,801
State government subsidies and grants	221,502	101,631
Commonwealth government subsidies and grants	764,089	425,629
	4,422,013	3,087,061
(b) Capital		
Commonwealth Government Subsidies and Grants	111,626	362,249
NDRRA Funding	12,090,383	-
Other Capital Grants	-	5,889,587
	12,202,009	6,251,836

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:

	Council 2015 $	Council 2014 $
Non-reciprocal grants	105,140	-
	105,140	-
5 Capital Income		
Gain / loss on disposal of non-current assets		
Profit (Loss) on Sale N/C Assets	-	1,013
Gain on Revaluation of Lease Assets	3,994,066	4,722,617
Total Capital Income	3,994,066	4,723,630

	Note	Council 2015 $	Council 2014 $
8 Finance Costs			
Bank Charges		12,858	10,414
Impairment of Debts		23,577	-
		36,435	10,414
9 Capital Expenses			
Gain / loss on disposal of non-current assets			
Proceeds from the sale of property, plant and equipment		-	-
Less: Book value of property, plant and equipment disposed off		289,043	1,485,857
Total capital expenses		289,043	1,485,857
10 Cash and Equivalents			
Cash at bank and on hand		6,361,137	8,552,116
Deposits at call		271,260	262,769
Balance per Statement of Cash Flows		6,632,397	8,814,885

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:

	Note	2015	2014
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:			
Unspent government grants and subsidies		105,140	724,543
Total unspent restricted cash		105,140	724,543
11 Trade and Other Receivables			
Current			
Trade Debtors		673,578	951,796
Other Debtors		34,134	104,579
Less: Impairment		(245,090)	(283,199)
GST Recoverable		128,383	1,282
		591,005	774,458

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

	Note	2015	2014
Movement in accumulated impairment provisions is as follows:			
Opening balance at 1 July		283,199	377,660
Impairment Debts written off during the year		(23,577)	(65,347)
Additional impairments recognised		23,577	-
Impairments reversed		(38,109)	(29,114)
Closing Balance at 30 June		245,090	283,199
12 Inventories			
Stores Inventory		298,508	480,091
Total Inventories		298,508	480,091

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	Note	Council 2015 $	Council 2014 $
6 Employee Benefits			
Total staff wages and salaries		3,018,565	1,998,325
Councillors' remuneration		304,405	281,379
Annual, sick and long service leave entitlements		406,434	403,002
Superannuation	21	337,453	316,283
		4,066,877	2,998,990
Other employee related expenses		427,614	87,241
		4,494,491	3,086,231
Less: Capitalised employee expenses		(76,067)	(139,309)
		4,418,424	2,946,922

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

Total Council employees at the reporting date:	2015	2014
Elected members	5	6
Administration staff	13	12
Depot and outdoors staff	53	38
Total full time equivalent employees	71	55

7 Materials and Services	2015	2014
Advertising and marketing	2,298	2,515
Administration supplies and consumables	25,826	14,570
Audit Fees	89,430	81,056
Communications and IT	217,957	193,452
Consultants	155,802	264,187
Power	30,753	28,660
Rentals - operating leases	14,445	28,969
Subscriptions and registrations	42,060	83,605
Travel	67,241	118,137
Civic Receptions, Entertainment and Council Meetings	8,004	7,976
General Expenses	205,292	17,632
Insurance	261,328	283,231
Legal Expenses	97,336	240,012
Stoneyard Operating Expenses	258,925	12,501
Stoneyard Cartage	106,426	122,109
Workshop Operating Costs	87,706	54,989
Plant Maintenance - Materials	-	301,450
Construction Camp - Operating Expenses	53,007	54,501
Water Operating Expenses	34,688	60,231
Water Repairs and Maintenance	-	36,549
Airport Operating Expenses	42,368	4,881
Animal Control Costs	68,667	92,173
Pest Control Costs	32,795	16,250
Sport and Recreation Expenses	26,034	96,569
Purchase of Call Cards	12,891	15,669
Operating Expenses Cemetery	10,186	4,502
Library Operating Expenses	313	638
Private Works - Operating Expenses	2,755,875	109,277
CD&S Expenses	387,163	6,451
CDEP Insurance Assets	-	2,370
CDEP Activity Materials	-	17,352
CDEP Bakery Activity Materials	-	4,625
CDEP Motor Vehicle Expenses	-	15,569
CDEP Training	-	6,355
Other Materials and Services	608,311	1,802,414
	5,760,925	4,238,187

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	Note	Council 2015 $	Council 2014 $
13 Other Financial Assets			
Current			
Finance Leases		679,462	669,910
		679,462	669,910
Non-Current			
Finance Leases		26,034,532	22,719,927
		26,034,532	22,719,927
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		679,462	669,910
Later than one year but not later than five years		2,717,847	2,679,640
Later than five years		20,927,543	21,303,262
		24,324,852	24,652,812
Add: Estimated contingent rent		18,292,788	19,296,190
Less: Present value adjustment		(15,903,646)	(20,559,165)
Fair value of lease payments		26,713,994	23,389,837
The fair value of lease payments are receivable as follows:			
Not later than one year		679,462	669,910
Later than one year but not later than five years		2,743,214	2,644,883
Later than five years		23,291,318	20,075,044
		26,713,994	23,389,837
Movements in finance leases were as follows:			
Opening balance		23,389,837	19,319,685
Add: Initial recognition of new leases		-	-
Less: Lease receipts		(669,910)	(652,465)
Add: Gain on revaluation		3,994,066	4,722,617
Closing balance		26,713,994	23,389,837

The calculation of fair value has included an estimate of average annual CPI increases of (3% for both 2013/14 and 2014/15) and a discount rate of (3.54% for 2013/14 and 2.62% for 2014/15).

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14 Property, Plant and Equipment - 30 June 2015	Note	Buildings	Plant and Equipment	Road and Drainage Network	Water	Sewerage	Other Infrastructure Assets	Work in Progress	Total
Basis of Measurement		Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
Asset Values		$	$	$	$	$	$	$	$
Opening Gross Value as at 1 July 2014		38,182,035	6,006,038	39,646,550	31,654,387	11,240,000	14,026,478	826,878	141,643,188
Additions		-	193,079	13,396,782	-	-	-	219,301	13,809,162
Disposals		-	(1,266,060)	-	-	-	-	(259,043)	(1,525,103)
Transfers Between Classes		10,989	56,410	-	-	-	16,820	(84,219)	-
Closing Gross Value as at 30 June 2015		38,193,044	5,050,007	53,043,332	31,654,387	11,240,000	14,043,298	702,917	153,927,245
Accumulated Depreciation									
Opening balance as at 1 July 2014		18,762,955	4,549,761	11,642,919	8,144,770	5,391,701	4,676,144	-	53,168,246
Depreciation provided in period		1,214,194	279,530	1,808,587	708,743	329,860	668,127	-	5,009,041
Depreciation on disposals		-	(1,266,060)	-	-	-	-	-	(1,266,060)
Accumulated Depreciation as at 30 June 2015		19,977,149	3,563,231	13,451,504	8,853,513	5,721,561	5,344,271	-	56,911,229
Total Written Down Value as at 30 June 2015		18,215,895	1,486,836	39,591,828	22,801,074	5,518,439	8,699,027	702,917	97,016,016
Range of Estimated Useful Life in Years		15 - 50	3 - 20	10 - 25	10 - 150	20 - 80	20 - 40	-	
Additions Comprise		$	$	$	$	$	$	$	$
Renewals			193,079	13,396,782				103,021	13,692,882
Other Additions		-	-	-	-	-	-	116,280	116,280
Total additions		-	193,079	13,396,782	-	-	-	219,301	13,809,162

Property, Plant and Equipment - 30 June 2014	Note	Buildings	Plant and Equipment	Road and Drainage Network	Water	Sewerage	Other Infrastructure Assets	Work in Progress	Total
Basis of Measurement		Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
Asset Values		$	$	$	$	$	$		$
Opening Gross Value as at 1 July 2013		38,245,730	6,281,371	30,387,349	11,715,362	8,350,800	8,543,391	709,810	104,133,473
Additions		-	-	-	-	-	-	7,422,659	7,422,659
Disposals		(1,413,502)	(467,715)	(653,500)	(2,499,955)	(66,500)	(310,000)	-	(5,441,032)
Revaluation Adjustment to ARR	18	412,223	-	6,942,600	16,549,673	3,055,700	5,567,738	-	35,528,085
Transfers Between Classes		937,444	253,082	-	5,889,587	-	225,478	(7,305,591)	-
Closing Gross Value as at 30 June 2014		38,182,055	6,066,638	39,646,550	31,654,587	11,240,000	14,026,478	826,878	141,643,188
Accumulated Depreciation									
Opening balance as at 1 July 2013		20,486,622	4,654,748	10,960,113	5,775,051	3,602,979	2,838,665	-	48,719,178
Depreciation Provided in Period		886,812	267,888	874,961	206,391	101,202	291,948	-	2,429,202
Depreciation on Disposals		(681,197)	(372,875)	(171,781)	(1,964,645)	(58,330)	(244,350)	-	(3,603,126)
Revaluation Adjustment to Revaluation Surplus	18	(1,929,282)	-	679,622	4,127,073	1,744,850	1,789,831	-	6,412,094
Accumulated depreciation as at 30 June 2014		18,762,955	4,549,761	11,642,915	8,144,770	5,391,701	4,676,144	-	53,168,246
Total written down value as at 30 June 2014		19,419,100	1,516,877	28,003,635	23,509,817	5,848,299	9,350,334	826,878	88,474,939

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For the year ended 30 June 2015

15 Fair Value Measurements

(i) Recognised Fair Value Measurements

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

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

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)

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

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

The table presents the Council's assets measured and recognised at fair value at 30 June 2015.

At 30 June 2015	Note	Level 3 - 2015 (Significant unobservable inputs) $	Level 3 - 2014 (Significant unobservable inputs) $
Recurring fair value measurements			
Buildings	14	18,215,896	18,419,100
Road and Drainage Network	14	39,591,828	28,003,635
Water	14	22,801,074	23,509,817
Sewerage	14	5,518,438	5,848,299
Other Structures	14	8,699,027	8,350,334
		94,826,263	84,131,185

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

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

Buildings (Level 3)

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

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

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

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

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

Sensitivity of valuation to unobservable inputs – Buildings

While the unit rates are based on square metres can be support by market evidence (Level 2), the estimates of residual values, useful life, pattern of consumption and asset condition that are used to calculate accumulated depreciation comprise unobservable inputs (Level 3). Where these other inputs are significant to the valuation the overall valuation has been classified as level 3. The valuation's sensitivity to these inputs are summarised below.

Significant Unobservable Input	Range of Inputs	Relationship of unobservable Inputs to Fair Value
Condition Ratings	100% – 0%	Higher the condition rating, lower the Fair Value
Remaining Life	10 – 50 years	Longer remaining useful life, higher the fair value

Infrastructure Assets (Level 3)

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

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

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

Roads and Drainage

Current replacement cost

Council categorises the road infrastructure into urban and rural roads with further sub categories of sealed and unsealed roads. Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

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

Fair value of assets was determined by independent valuer, Propell National Valuers effective 30 June 2014. Condition was inspected as far as practical for all accessible sites (with the access to eastern end of Balleiah Road being prevented due to flooding). Current Replacement Cost was calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs and overhead allocations.

Sensitivity of valuation to unobservable inputs – Infrastructure

As detailed above Council's road and drainage infrastructure have been valued using the depreciated replacement cost methodology. This method utilises a number of inputs that require judgement and are therefore classed as unobservable. Whilst these judgements are made with the greatest care, and based upon experience, different judgements could result in a different valuation. The table below summaries the effect that changes in the most significant unobservable inputs would have on the valuation.

Significant Unobservable Input	Range of Inputs	Relationship of unobservable Inputs to Fair Value
Terrain- Subterranean	Depending upon difficulty	Higher the difficulty, higher the fair value
Condition Ratings	10 - 0	Higher the condition rating, the lower the fair value
Remaining Life	10 – 25 years	The longer the remaining useful life, the higher the

Drainage infrastructure

Current replacement cost

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

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

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

Water and Sewerage

Current replacement cost

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

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

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

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

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

Sensitivity of valuation to unobservable inputs

The method used to value Council's water and sewerage assets utilise a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest of care, and based upon experience, different judgements could result in a different calculation. The below table summarises the effect that the changes in the most significate unobservable inputs would have in the valuation.

Significant Unobservable Input	Range of Inputs	Relationship of unobservable Inputs to Fair Value
Standard material usage quantities	Varies upon type of material	Higher the usage quantities, higher the fair value
Condition Ratings	0 - 5	Higher the condition rating, lower the Fair Value
Remaining Life	10 – 150 years	Longer remaining useful life, higher the fair value

Accumulated Depreciation

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

	Note	2015 $	2014 $
19 Commitments for Expenditure			
Operating leases			
Minimum lease payments in relation to non-cancellable operating leases are as follows:			
Within one year		-	40,001
One to five years		-	-
Later than five years		-	-
		-	40,001

20 Contingent Liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

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.

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

Local Government Workcare
The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is $101,190.

21 Superannuation

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

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

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

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

There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Mornington Shire Council made less than 4% of the total contributions to the plan in the 2014/15 financial year.

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

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

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16 Trade and Other Payables

	Note	2015 $	2014 $
Current			
Creditors and accruals		767,442	312,847
Annual leave		201,594	131,885
Other payables		143,646	148,469
		1,112,682	593,202

17 Provisions

	Note	2015 $	2014 $
Current			
Long service leave		11,548	67,188
		11,548	67,188
Non-current			
Long service leave		95,326	100,502
		95,326	100,502

Details of movements in provisions:

		2015 $	2014 $
Long service leave			
Balance at beginning of financial year		167,690	139,798
Long service leave entitlement arising		20,894	35,155
Long Service entitlement extinguished		(10,672)	-
Long Service entitlement paid		(71,038)	(7,263)
Balance at end of financial year		106,874	167,690

18 Revaluation Surplus

Movements in the asset revaluation surplus were as follows:

	2015 $	2014 $
Balance at beginning of financial year	102,715,961	73,600,869
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Buildings	-	2,341,506
Road and Drainage Network	-	9,263,178
Water	-	12,421,650
Sewerage	-	1,310,850
Other Structures	-	3,777,908
Balance at end of financial year	102,715,961	102,715,961

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

	2015 $	2014 $
Buildings	58,368,107	58,368,107
Road and Drainage Network	19,686,060	19,686,060
Water	16,357,012	16,357,012
Sewerage	2,585,838	2,585,838
Other Structures	5,718,944	5,718,944
	102,715,961	102,715,961

21 Superannuation

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

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

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

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

There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Mornington Shire Council made less than 4% of the total contributions to the plan in the 2014/15 financial year.

The next actuarial investigation will be conducted as at 1 July 2016.

	Note	2015 $	2014 $
Superannuation contributions paid by Council to the scheme for the benefit of employees was:	6	337,453	316,283

22 Trust Funds

	2015	2014
Trust funds held for outside parties		
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	5,525	2,008
	5,525	2,008

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.

23 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities

	Note	2015 $	2014 $
Net result		10,879,040	5,966,707
Non-cash items:			
Depreciation and amortisation		5,009,041	2,429,202
Revaluation adjustments		-	-
(Gain) on revaluation of finance leases		(3,994,066)	(4,722,617)
		1,014,975	(2,293,415)
Investing and development activities:			
Net (profit)/loss on disposal of non-current assets		259,043	1,485,857
Capital grants and contributions		(12,202,009)	(362,249)
		(11,942,966)	1,123,608
Changes in operating assets and liabilities:			
(Increase)/ decrease in receivables		183,454	(306,312)
(Increase)/decrease in inventory		161,588	(34,131)
Increase/(decrease) in payables		519,480	(284,116)
Increase/(decrease) in other provisions		(60,818)	27,892
		803,704	(656,668)
Net cash inflow from operating activities		754,753	4,140,311

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24 Events after the reporting period

There were no material adjusting events after the balance date. The following events occurred after the end of the reporting period:

- The Mornington Island airstrip suffered damage due to weather events in December 2015. This damage prevented larger passenger transport aircraft from landing for a period of time. The airstrip is currently operating normally but restoration works are required. The costs of restoration have not yet been reliably estimated;

- The jetty on Mornington Island was demolished and written-off in 2016. The jetty was in use throughout the year until its demolision. Council is intending for a new jetty to be constructed in the 2017 financial year;

- Council elections were held in March 2016. A number of new councillors were elected which may result in changes to Council's long-term vision.

25 Prior year adjustment

At 30 June 2014 road infrastructure assets were revalued. The revaluation did not take into consideration damage caused by flooding in February 2014. This damage has been quantified and Mornington Shire Council has made the following retrospective restatement due to the correction of this prior period error.

Mornington Shire Council
Statement of Financial Position
as at 30 June 2014

	2014 $	Adjustment $	Restated Actual 2014 $
Non-Current Assets			
Property, Plant and Equipment	97,646,707	(9,171,767)	88,474,939
Total Non-Current Assets	97,646,707	(9,171,767)	88,474,939
Net Community Assets	128,325,089	(9,171,767)	119,153,321
Community equity			
Revaluation Surplus	111,887,728	(9,171,767)	102,715,961
Total Community Equity	128,325,089	(9,171,767)	119,153,321

Mornington Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2014

	2014 $	Adjustment $	Restated Actual 2014 $
Items that will not be reclassified to net result			
Increase revaluation surplus	38,286,859	(9,171,767)	29,115,092
Total other comprehensive income for the year	38,286,859	(9,171,767)	29,115,092
Total comprehensive income for the year	44,283,646	(9,171,767)	35,111,880

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26 Financial Instruments

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

- credit risk
- liquidity risk
- market risk

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

Financial Risk Management

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

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

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

Mornington Shire Council does not enter into derivatives.

Credit Risk

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

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

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

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	2015	2014
Financial Assets		$	$
Cash and equivalents	10	6,632,397	6,814,665
Receivables - other	11	591,005	774,458
Other financial assets	13	26,713,994	23,389,637
Other Credit Exposures			
Guarantees	20	101,190	119,540
Total Financial Assets		34,038,586	31,098,720

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

Trade and Other Receivables
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 Councils 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.

QAO certified statements

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

	2015	2014
	$	$
Not past due	13,827	628,451
Past due 31-60 days	0	9,825
Past due 61-90 days	180,533	24,119
More than 90 days	641,735	365,262
Impaired	(245,090)	(253,199)
Total	591,005	774,458

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.

Liquidity Risk

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

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

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

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	$	$	$	$	$
2015					
Trade and Other Payables	911,088	-	-	911,088	911,088
	911,088	-	-	911,088	911,088
2014					
Trade and Other Payables	461,317	-	-	461,317	461,317
	461,317	-	-	461,317	461,317

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

Market Risk

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

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

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

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

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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
	$	$	$	$	$
2015					
QTC Cash Fund	6,230,196	62,302	(62,302)	62,302	(62,302)
Other Deposits	402,201	4,022	(4,022)	4,022	(4,022)
Net total		66,324	(66,324)	66,324	(66,324)
2014					
QTC Cash Fund	6,055,711	60,557	(60,557)	60,557	(60,557)
Other Deposits	759,174	7,592	(7,592)	7,592	(7,592)
Net total		68,149	(68,149)	68,149	(68,149)

Fair Value

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

Mornington Shire Council
Financial Statements
For the year ended 30 June 2015

Management Certificate
For the year ended 30 June 2015

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

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

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

(ii) the general purpose financial statements, as set out on pages 1 to 29, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.

Mayor	Acting Chief Executive Officer
Bradley Wilson	Andrew Thompson
Date: 29 / 8 / 16 .	Date: 29 / 8 / 16

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Mornington Shire Council

Report on the Financial Report

I have audited the accompanying financial report of Mornington Shire Council, which comprises the statement of financial position as at 30 June 2015 the statement of comprehensive income, statement of changes in equity and statement of cash for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

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

Opinion

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

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

(b) in my opinion -

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

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

Other Matters - Electronic Presentation of the Audited Financial Report

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

C G Strickland

QUEENSLAND 08 SEP 2016 AUDIT OFFICE

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

Queensland Audit Office
Brisbane

Mornington Shire Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2015

Measures of Financial Sustainability	How the measure is calculated	Actual	Target
Council's performance at 30 June 2015 against key financial ratios and targets:			
Operating Surplus Ratio	Net result (excluding capital) divided by total operating revenue (excluding capital)	-49.7%	0% to 10%
Asset Sustainability Ratio	Capital expenditure on replacement of assets (renewals) divided by depreciation expense.	273%	> 90%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-69%	< 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 2015.

Certificate of Accuracy
For the year ended 30 June 2015

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

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

Mayor	Acting Chief Executive Officer
Bradley Wilson	Andrew Thompson
Date: 29 / 8 / 16	Date: 29 / 8 / 16

QAO certified statements

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Mornington Shire Council

Report on the Current-Year Financial Sustainability Statement

I have audited the accompanying current-year financial sustainability statement, which is a special purpose financial report of Mornington Shire Council for the year ended 30 June 2015 comprising the statement and explanatory notes, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Current-Year Financial Sustainability Statement

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

Auditor's Responsibility

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

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

My responsibility is to form an opinion as to whether the statement has been accurately calculated based on the Council's general purpose financial report. My responsibility does not extend to forming an opinion on the appropriateness or relevance of the reported ratios, nor on the Council's future sustainability.

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

Independence

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

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

Opinion

In accordance with s.212 of the *Local Government Regulation 2012*, in my opinion, in all material respects, the current-year financial sustainability statement of Mornington Shire Council for the year ended 30 June 2015 has been accurately calculated.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, attention is drawn to Note 1 which describes the basis of accounting. The current-year financial sustainability statement has been prepared in accordance with the *Financial Management (Sustainability) Guideline 2013* for the purpose of fulfilling the Council's reporting responsibilities under the *Local Government Regulation 2012*. As a result, the statement may not be suitable for another purpose.

Other Matters - Electronic Presentation of the Audited Statement

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

C.G Strickland

QUEENSLAND 08 SEP 2016 AUDIT OFFICE

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

Queensland Audit Office
Brisbane

Mornington Shire Council
Long-Term Financial Sustainability
Prepared as at 30 June 2015

Measures of Financial Sustainability

Council

				Projected for the years ended								
	Measure	Target	Actuals 30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Operating Surplus Ratio	Net result divided by total operating revenue	0% to 10%	-49.7%	-11.1%	-9.5%	-9.1%	-8.8%	-7.4%	-7.5%	-6.6%	-5.7%	-5.8%
Asset Sustainability Ratio	Capital expenditure on renewals divided by depreciation expense.	> 90%	273%									
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue	< 60%	-69%	-45%	-40%	-38%	-35%	-33%	-25%	-24%	-23%	-23%

Mornington Shire Council's Financial Management Strategy

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

Certificate of Accuracy
For the long-term financial sustainability

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

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

Mayor
Bradley Wilson
Date: 29/8/16

Acting Chief Executive Officer
Andrew Thompson
Date: 29/8/16

MORNINGTON SHIRE COUNCIL

Let’s move the region forward, together.

Prepared by Layla Kirchhoff, Mornington Shire Council.