MORNINGTON SHIRE COUNCIL

ANNUAL REPORT 2016/17

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ANNUAL REPORT 2016/17

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OUR WELCOME

Welcome to the Mornington Shire Council's Annual Report 2016-2017. This report describes council's achievements in delivering services to the Mornington Shire region and shows progress in delivering the actions set out from the Corporate Plan 2016-2021 and the Operational Plan 2016-2017. The annual report is one of the ways council connects with the community and is the culmination of regular reporting.

It shows

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

About this report

Aimed to foster a vibrant, culturally rich community where local government services and facilities are delivered in a way that is responsive to the needs and the aspirations of the community. This Annual Report compares our performance against what we said we'd do in the 2016-2017 financial year.

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

The region's economic base has been built upon it's geography, natural resources and, it's remote lifestyle.

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

MESSAGE FROM THE MAYOR

Mayor Brad Wilson

Another productive year has passed and we've seen some changes in the community. Once again, Council is striving to make our community better and stronger. Acting as advocates for the sometimes-unheard voice of our community to the Government, I would like to thank the Councilor's and staff for all their dedicated work towards making this another successful year.

Council's focus this year has been on infrastructure, this renewed effort has seen our new wharf built and an upgrade on the airport. It has been a long time coming but finally it's done, our staff have worked endlessly to complete the job and I would like to thank them for their hard work and dedication. CEO Frank Mills and our hard-working team have shown that they can achieve the goals of the Council, even if it means going all the way to the top.

We've also said goodbye to several staff members throughout the year that have been instrumental in improving the financial management of Council and obtaining funds that support programs/activities for the community. To them I would like to say thank you. Because of our remote location we know that there will always be a challenge in getting things done for the community, but with strong people leading the way and by working together I know things will continue to get better.

Council will continue the examination of service delivery within the community. Council will work hard over the coming year to help coordinate the provision of services in a manner that is more effective whilst ensuring that the needs of the community are met; we have to take control of the services that are being delivered in our community to ensure the best possible outcome for our people.

I look forward to with you all to improve our community and help make changes that will improve the health and wellbeing for everyone of Gununa.

Cr Brad Wilson

mayor@mornington.qld.gov.au

MESSAGE FROM THE CEO

Frank Mills

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

Whilst our uniqueness determines who we are, we have synergies with other local governments that include a reliance on grant funding to support our goal of progression to long term sustainability. With no rate base restrictions on land tenure and properties and limited capacity for commercial and economic development, our ability to generate own source revenue is restricted and requires innovative solutions.

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

Council's vision is:

To empower our Community – Our people

To feel solid and strong like the rock in Mundalbe

To taste and hear the breaking waves of change

To establish clean, safe, healthy lifestyles togetherness

Pride and respect for each other in our culture, achievements and successes.

To see and smell the compassion and peacefulness of our community

Commensurate to our vision, council and community recognise:

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

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

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

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

With a path set for the future for Council and community to continue to build on the momentum of change and the journey to achieving our vision and organisational goals, Council continues to invest time and resources in the formulation of our annual operational plan associated budget and our long term corporate and financial plans.

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

As Council continues our journey of an unparalleled period of change management, the achievements during 2016 – 2017 continue to build on the foundations that started in 2014 when Council set a new path and direction. With a focus on strengthening Council's financial position and its ability support the delivery of infrastructure projects whilst building community capacity, our achievements during the reporting period include:

Improving Community Lifestyle

Continued redevelopment of the football oval and sporting precinct that has seen installation of a lighting system, irrigation system and the remaining works to be carried out during the 2017 wet season.

Council commenced a service delivery mapping and development of a long-term service delivery strategy to re-shape service delivery on Mornington Island. This process that is being supported by both the State and Commonwealth Governments will progress during the 2017 – 2018 reporting period.

Ongoing negotiations and discussions continued with various Commonwealth and State Government departments to introduce a funding model for the long term for Council's sport and recreation and projects engaging youth.

With Local Laws approved and introduced for the control and licensing for domestic animals, the challenge for Council has been the long-term engagement of an Animal Management Worker. Negotiation of a new model for program funding will see the appointment of an appropriately qualified employee and the finalisation of a community education program in 2017.

Council and Community Housing

The Department of Housing and Homelessness Services, Department of Housing and Public Works, continue to support the employment of a local person as a community housing officer.

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

Finalisation of an agreement between Council and the Department of Housing and Public Works and Building and Asset Services for Council employed housing program staff to be offered first right of refusal for all community housing, government employee housing and government buildings maintenance and repair works.

Progression of formal negotiations with Gulf Region Aboriginal Corporation supported by the Department of Aboriginal and Torres Strait Islander Partnerships for an indigenous land use agreement to provide additional land for community housing on Mornington Island.

Keeping our Culture Alive

Council as part of its service delivery mapping and development of a long term service delivery strategy to re-shape service delivery on Mornington Island, identified the need and commenced design and implementation of a co-design process to include Mirndiyan Gununa Aboriginal Corporation, Junkuri Laka, Mornington Island Health Council and Mornington Island Aboriginal Corporation for Social and Economic Development.

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

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

Creating Opportunities for Prosperity

Council sourced funding to support the development of a concrete batching precinct that includes new batching plant, shedding and material storage areas to further support the employment of local indigenous people in the housing construction and repairs and maintenance fields.

Council continued to work in conjunction with the Department of Aboriginal and Torres Strait Islander Partnerships, Housing and Public Works and Building and Asset Services to implement a 5 year whole of government approach to new constructions and housing repairs and maintenance to support employment of local indigenous people.

Council regained the principal contractor status for all future social housing through a co-design process with our regional stakeholder network to further identify and develop opportunities that support economic development planning and activities.

Protecting Our Country

Council has completed the process to locate unidentified and unmarked graves for inclusion in the cemetery plans and records. Further development of a process to identifying and obtaining documentation of other graves in the Shire cemeteries has begun.

Council has undertaken a complete review of all its waste management processes to develop a more robust Environmental Management Plan to address civil pride, litter and waste management.

Council, with support from the State Government commenced upgrades of the sewage treatment plant and oceanic outflow to meet environmental standards for the present and future.

After much refinement, Council in conjunction with the Department of Aboriginal and Torres Strait Islander Partnerships and Brazier Motti completed a whole of community survey that included identification and correct spelling of all street names.

Council with funding support from a combine of Commonwealth and State Government agencies and private enterprise completed construction of a new Jetty and Barge Landing.

Council with funding support from Commonwealth and State Government departments for carried out extensive works that included replacement of airport fencing, lighting upgrade at the airport, a major works remediation project for the runway and landing bay areas. Council secured further funding for a major upgrade of safety and terminal works at the airport prior to June 2018.

Council complete its R2R commitments and developed a process for accelerating future R2R works in conjunction with the National Disaster Recovery and Resilience Arrangements works being carried out in 2017 and 2018.

Enhance and Support Local Business

Council commenced the construction phase of the Commonwealth Government funded, replacement of Councils bulk fuel storage on Mornington Island including the re-development of Councils fuel retail outlet to support local business.

Council commenced the installation and occupation phases of 42 bedrooms of transportable accommodation to support the development of a visitor accommodation centre on Mornington Island to support local business.

Council commenced the construction phases of an upgrade of the Council Store and staff housing with funding and support from the State Government under the Works for Queensland program.

Council undertook an extensive review and amended and adopted both their five year corporate and long term financial plan to meet community needs and expectations and improve financial sustainability of Council.

Transparent and Open Communication across Three Tiers of Government

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

Council’s Financial Statements for 2016 – 2017 financial year received Unqualified Financial Statements status by the Queensland Audit Office.

Council continued the implementation of their Sundry Debt Collection Policy which has allowed Council to improve internal procedures, resulting in the improved payments for outstanding debts in a timely manner thereby significantly reducing outstanding debts.

Council’s adopted internal procedures continued to show efficiencies resulting in improved cash flow processes within Council thereby allowing Council to invest surplus funds into its investment account to generate additional revenue.

Council achieved lodgement of all BAS, PAYG and FTB through introduced processes that ensure all lodgements are correct and made prior to the required lodgement dates.

Council conducted its annual review of its Disaster Management Plan and commenced planning both desk top and outdoor emergency exercises to test preparedness, resilience and risk assessment in line with the disaster management plan to be conducted during 2017 and 2018 wet season.

Council continued to develop its website, social media and community networks to disseminate information to the community and all stakeholders. Weekly radio interviews and Council and community newsletter and information sharing strategies continued to support the information flow to all residents and stakeholders.

Frank Mills

CEO, Mornington Shire Council

ceo@mornington.qld.gov.au

MORNINGTON SHIRE COUNCIL REGION

Mornington Shire incorporates twenty-two of the twenty-three islands of the Wellesley Group in the Gulf of Carpentaria. The Wellesley Islands are remnants of the mainland now submerged by the syncline that formed the Gulf of Carpentaria and are essentially flat platforms with little relief. There are substantial areas of intertidal flats and fringing reefs associated with most Islands.

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

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

Aspirations

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

According to our corporate Plan, Mornington Shire aims to be a community where:

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

OUR COUNCILLORS

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

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

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

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

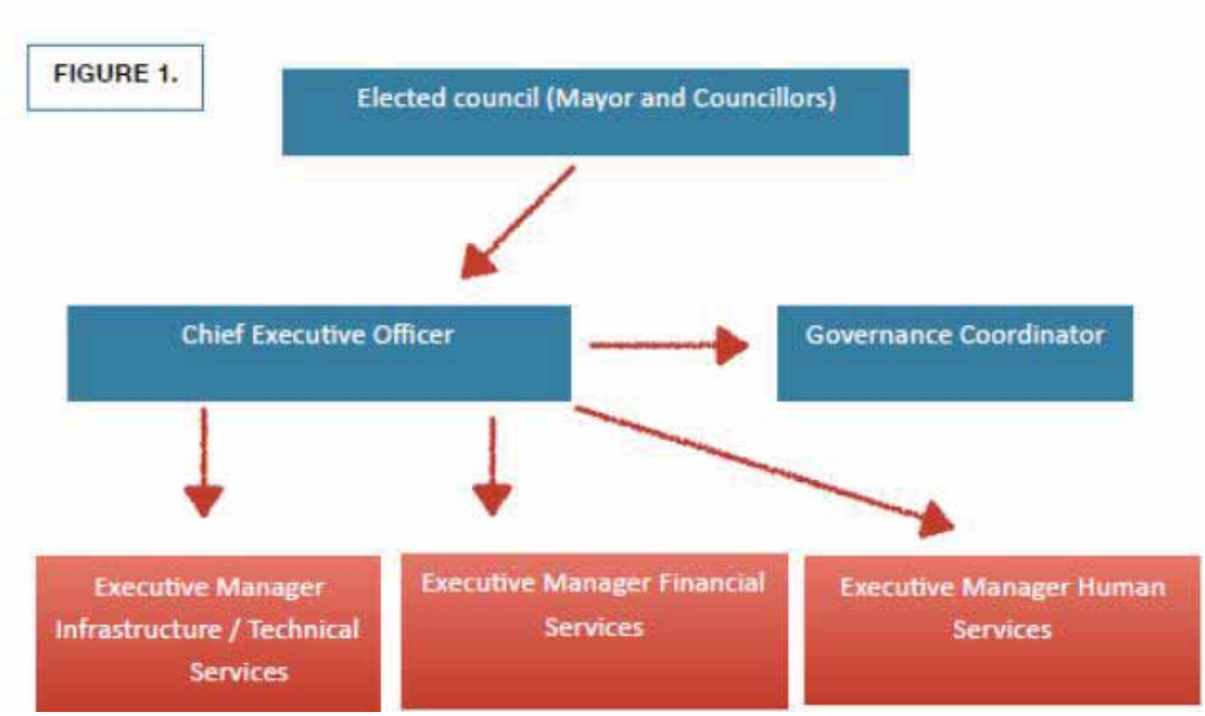
Council have confidence in the spirt and determination of the organisation and its commitment to delivering our vision. Our workforce is highly skilled, dynamic and adaptable in its approaches to tackling the range of challenges facing us ahead. Above all, our employees are committed to delivering high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

Cr Thompson	Cr Farrell	Cr Ah Kit	Cr Isaacs	Cr Wilson
Economic Development, Transport and Region Projects	Infrastructure and Housing	Health and Wellbeing	Community Engagement, Culture and Events	Overseeing Entire Runnings

OUR EXECUTIVE TEAM

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

FIGURE 1.



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.

NUMBER OF MEETINGS OF MORNINGTON SHIRE COUNCIL ATTENDED DURING 2016/17 FINANCIAL YEAR

Section 186 (c) of the Local Government Regulation 2012

Councillor	No. of Meetings
Mayor Bradley Wilson	6 of 12
Deputy Mayor Sarah Isaacs	10 of 12
Councillor Robert Thompson	9 of 12
Councillor Claire Farrell	11 of 12
Councillor Jane Ah Kit	10 of 12

There are a number of requirements contained within Section 186 and 187 of the Local Government Regulation 2012, that are required to be reported within the Annual Report regarding complaints made about Councillors. During the 2016/2017 financial year there were no complaints received against any of the Councillors.

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

COMMUNITY FINANCIAL REPORT

This report summarises Council's financial position

at 30 June 2017 in plain English.

30 June 2017

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

FINANCIAL SUMMARY

OPERATIONAL REVENUE

$13.8MILLION

CAPTIAL REVENUE

$12.38MILLION

EXPENDITURE

$16MILLION

ASSETS

$112.8MILLION

LIABILITIES

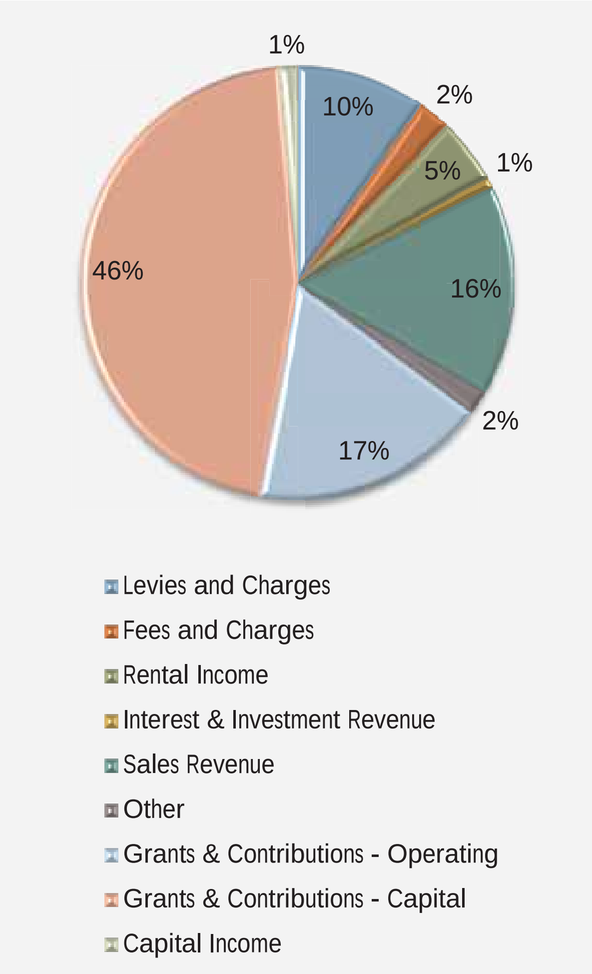
$1.25MILLION

COMMUNITY EQUITY

$116ILLION

Revenue

Council received **$26.2 million** in revenue and other income for the year ended 30 June 2017.



Total revenue increased by **$9.7 million** (+59%) on the previous year. Principal movements included:

- **Capital Grants $12 million ⇧ ($9.67m)** The significant increase in capital grants was due to completion of major infrastructure projects including:
  - Jetty and Barge Ramp
  - Airport Fencing and Lighting
  - Airport Runway Restoration

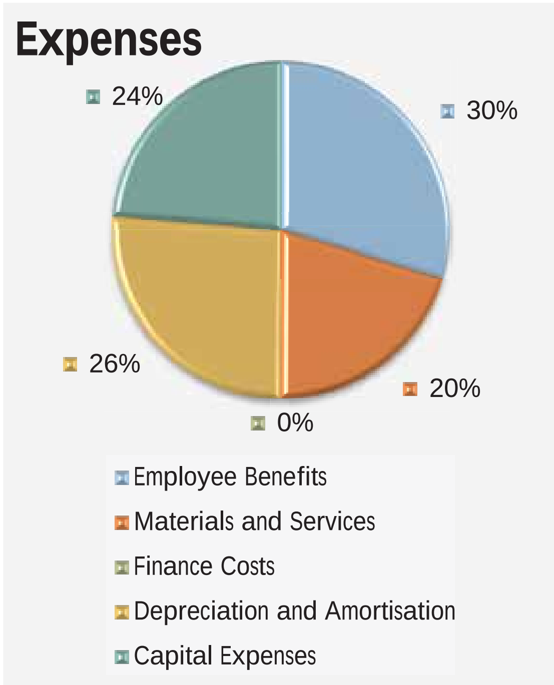
- **Sales Revenue $4.1 million ⇩ (-$1.38m)** Sales Revenue, which consists predominantly of recoverable works, decreased largely due to the temporary reassignment of trade staff to Council capital works.

Expenses

Council spent more than **$24.9 million** during the year between operations (**$16 million**) and payments for capital projects (**$8.9 million**).

The main operational expenses for Council include:

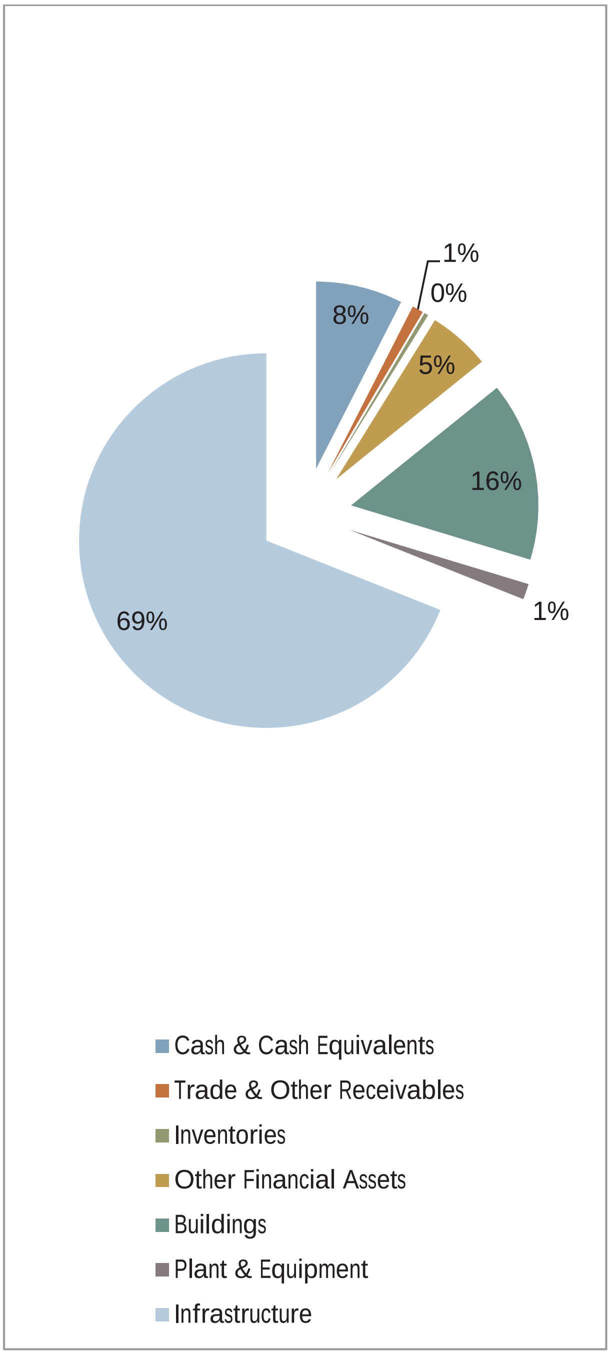
- Employee Benefits
- Materials and Services
- Finance Costs
- Depreciation and Amortisation
- Movement in 40 year lease value



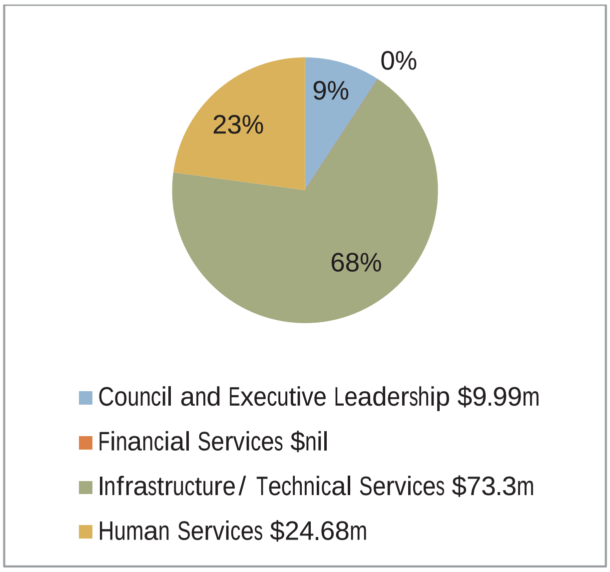
Assets

As at 30 June 2017, Council's assets were valued at **$112.8 million**.

What Council Owns



How the money is invested



Liabilities

At 30 June 2017, Council's liabilities totalled **$1.25 million**. This was made up of the following:

- Amounts owing to suppliers, and
- Employee leave entitlements

Community Equity

Council's community equity is defined as its net worth – what we own, less what we owe. At 30 June 2017, Council's community equity was **$111.6 million**.

Measures of financial sustainability

The Local Government Regulation 2012 requires that Council report its results for the financial year against selected financial sustainability ratios. These ratios, their definitions and Council's results at 30 June 2017 are stated below.

Ratio	How the measure is calculated	Target	Actual
Operating Surplus Ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	0-10%	-15.8%
Net Financial Liabilities Ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	<60%	-64%
Asset Sustainability Ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	>90%	272%

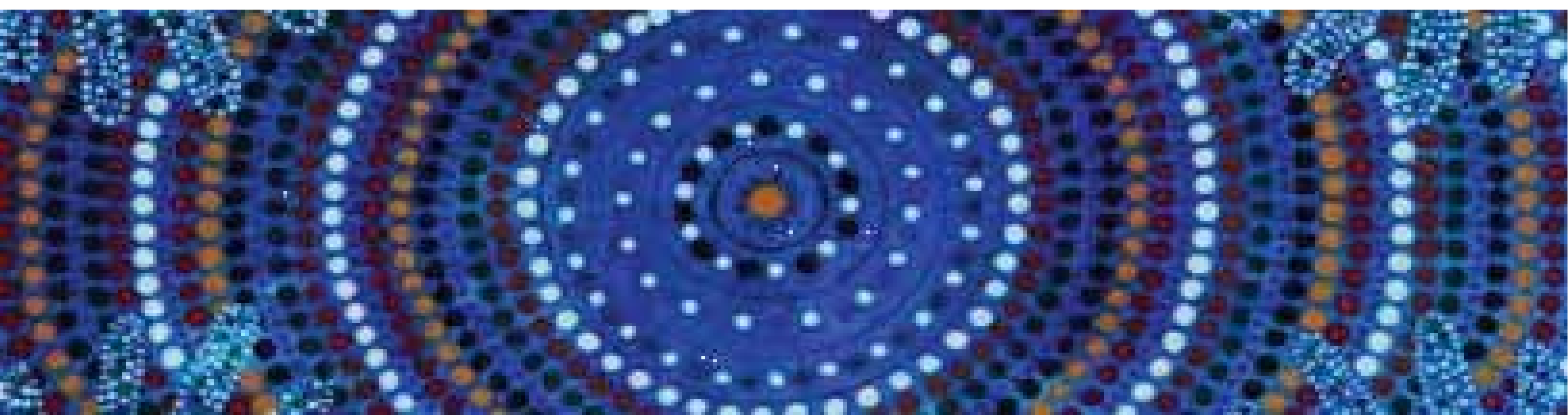
Council's current year financial sustainability statement, the Auditor-General's report on it and Council's long term financial sustainability statement are located following Council's Annual Financial Statements in this report.

Councillor Remuneration

2017

Councillor	Salary & Allowances	Superannuation	Total	Other
Bradley Wilson	99,313.54	5,958.90	105,272.44	
Robert Thompson	65,308.56	2,564.45	67,873.01	
Jane Ah Kit	65,308.56		65,308.56	
Sarah Isaacs	65,438.70		65,438.70	
Claire Farrell	65,393.77		65,393.77	
	360,763.13	8,523.35	369,286.48	-

FINANCIAL STATEMENTS



Mornington Shire Council
Financial Statements
for the year ended 30 June 2017

Mornington Shire Council
Financial Statements
For the year ended 30 June 2017

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Mornington Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2017

	Note	Council 2017 $	2016 $
Income			
Revenue			
Recurrent revenue			
Levies and charges	3(a)	2,519,428	2,147,646
Fees and charges	3(b)	639,650	311,078
Rental income	3(c)	1,290,211	1,514,842
Interest revenue	3(d)	205,860	193,806
Sales revenue	3(e)	4,115,461	5,495,559
Other income	3(f)	479,941	147,974
Grants, subsidies and contributions	4(a)	4,613,467	4,379,942
		13,864,018	14,190,847
Capital revenue			
Grants, subsidies and contributions	4(b)	12,013,999	2,344,405
Other capital income	5	371,331	-
Total capital revenue		12,385,330	2,344,405
Total income		**26,249,348**	**16,535,252**
Expenses			
Recurrent expenses			
Employee benefits	6	(6,242,284)	(6,365,886)
Materials and services	7	(4,290,906)	(5,844,950)
Finance costs	8	(16,387)	(552,193)
Depreciation	13	(5,498,947)	(5,960,435)
		(16,048,525)	(18,723,464)
Capital expenses	9	(4,983,488)	(19,716,589)
Total expenses		**(21,032,013)**	**(38,440,053)**
Net result		**5,217,335**	**(21,904,801)**
Other comprehensive income			
Items that will not be reclassified to net result			
Increase in revaluation surplus	17	(1,713,375)	-
Total other comprehensive income for the year		(1,713,375)	-
Total comprehensive income for the year		**3,503,960**	**(21,904,801)**

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

Mornington Shire Council
Statement of Financial Position
as at 30 June 2017

		Council	
	Note	2017 $	2016 $
Current Assets			
Cash and Cash Equivalents	10	8,475,402	7,510,434
Trade and Other Receivables	11	1,098,091	2,669,312
Inventories		410,367	229,976
Other Financial Assets	12	201,046	197,407
Total Current Assets		10,184,906	10,607,129
Non-Current Assets			
Other Financial Assets	12	5,839,433	6,741,245
Property, Plant and Equipment	13	96,858,253	91,863,385
Total Non-Current Assets		102,697,687	98,604,631
Total Assets		112,882,593	109,211,760
Current Liabilities			
Trade and Other Payables	15	1,123,928	927,019
Provisions	16	88,774	135,983
Total Current Liabilities		1,212,702	1,063,002
Non-Current Liabilities			
Provisions	16	38,372	21,197
Total Non-Current liabilities		38,372	21,197
Total Liabilities		1,251,074	1,084,199
Net Community Assets		**111,631,520**	**108,127,561**
Community Equity			
Asset Revaluation Surplus	17	101,002,586	102,715,961
Retained Surplus		10,628,935	5,411,600
Total Community Equity		**111,631,520**	**108,127,561**

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 2017

	Note	Council 2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		9,035,949	6,099,180
Payments to suppliers and employees		(10,273,343)	(12,860,857)
		(1,237,394)	(6,761,677)
Interest received		205,860	193,806
Rental income		1,290,211	1,514,842
Operating grants and contributions		4,613,467	4,379,942
Net cash inflow (outflow) from operating activities	18	4,872,144	(673,087)
Cash flows from investing activities			
Payments for property, plant and equipment		(8,985,950)	(990,688)
Proceeds from sale of property plant and equipment	9	35,455	-
Finance lease receipts	12	197,407	197,407
Grants, subsidies, contributions and donations		4,845,913	2,344,405
Net cash inflow (outflow) from investing activities		(3,907,176)	1,551,124
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		964,968	878,037
Cash and equivalents at the beginning of the financial year		7,510,434	6,632,397
Cash and equivalents at end of the financial year	10	8,475,402	7,510,434

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

Mornington Shire Council
Statement of Changes in Equity
For the year ended 30 June 2017

	Note	Asset Revaluation Surplus 17 $	Retained Surplus $	Total $
Balance as at 1 July 2016		102,715,961	5,411,600	108,127,561
Net operating surplus		-	5,217,335	5,217,335
Other comprehensive income for the year				
Increase / (decrease) in asset revaluation surplus	17	(1,713,375)	-	(1,713,375)
Balance as at 30 June 2017		**101,002,586**	**10,628,935**	**111,631,520**
Balance as at 1 July 2015		102,715,961	27,316,401	130,032,362
Net operating surplus		-	(21,904,801)	(21,904,801)
Other comprehensive income for the year				
Increase / (decrease) in asset revaluation surplus		-	-	-
Balance as at 30 June 2016		**102,715,961**	**5,411,600**	**108,127,561**

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

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

1 Significant Accounting Policies

1.A Basis of Preparation

These general purpose financial statements are for the period 1 July 2016 to 30 June 2017 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

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

Current/ Non-Current classification

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

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

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

Recurrent/capital classification

Revenue and expenditure are presented as "recurrent" or "capital" in the Statement of Comprehensive Income on the following basis:

Capital Revenue includes grants and subsidies received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investment in new assets. It also includes non-cash contributions which are usually infrastructure assets received from developers and fair value gains on infrastructure assets or housing leases.

The following transactions are classified as either "Capital Income" or "Capital Expenses" depending on whether they result in accounting gains or losses:

- disposal of non-current assets
- revaluations of infrastructure assets
- revaluation of housing leases

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

1.B Statement of Compliance

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

1.C Constitution

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

1.D Date of Authorisation

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

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

1.E Currency

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

1.F Adoption of new and revised Accounting Standards

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

Mornington Shire Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective with the exception of AASB 2016-4 *Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*. Generally council applies standards and interpretations in accordance with their respective commencement dates. The early adoption of AASB 2016-4 clarifies that the recoverable amount of specialised non-cash-generating assets held for continuing use is expected to be materially the same as fair value determined under AASB 13. As a consequence impairment testing of such assets is not required where they are regularly revalued under the revaluation model. This year Council has applied AASB 124 Related Party Disclosures for the first time. As a result Council has disclosed more information about related parties and transactions with those related parties. This information is presented in note 21.

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

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

Council has some leases that are not on its balance sheet. AASB 16 Leases is effective from 1 July 2019. Council is still reviewing the expected impact based on council's current obligations.

Other amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have a material impact on the financial statements.

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

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

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

Valuation and depreciation of property, plant and equipment - Note 13 and Note 14
Impairment of property, plant and equipment - Note 13
Provisions - Note 16
Valuation of finance leases - Note 12
Contingent liabilities - Note 23

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

1.H Financial Assets and Financial Liabilities

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

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

1.I Inventories

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

1.J National Competition Policy

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

1.K Rounding and Comparatives

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

1.L Taxation

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

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

2. Analysis of Results by Function

2(a) Components of Council Functions

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

Council and Executive Leadership Team

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

In the prior year, this function was reported as follows:
- Councillor and CEO were reported within the Corporate Services Function (now the Financial Services and Human Services Functions)
- Members of the Executive Leadership Team were reported within their responsible Function

Financial Services

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

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

Infrastructure/ Technical Services

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

Human Services

The Human Services function includes:
- Administration
- Human Resources and Payroll
- Property Management (Residential and Commercial)
- Human Resources and Payroll
- Grants
- Council Stores
- Sports and Recreation
- Bakery

This function was formed in the current year and incorporates the activities previously the responsibility of the Community Services function and a number of activities previously performed by the Corporate Services function.

The previous Community services function was responsible for providing services and facilities to the community, including cultural, health, welfare, environmental and recreational services.

The following activities were previously the responsibility of the Corporate Services function:
- Administration
- Human Resources and Payroll
- Council Stores

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

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 2017

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							
	2017 $	2017 $	2017 $	2017 $	2017 $	2017 $	2017 $	2017 $	2017 $	2017 $	2017 $
Council and Executive Leadership Team	7,727	824,166	-	-	831,893	(1,858,063)		(1,858,063)	(1,026,170)	(1,026,170)	9,983,179
Financial Services	4,160,326	244,034	-	-	4,404,360	(1,067,166)	-	(1,067,166)	3,337,194	3,337,194	-
Infrastructure/ Technical Services	342,448	6,976,612	4,031,739	7,073,000	18,423,799	(10,043,838)	(4,282,721)	(14,326,559)	(2,724,778)	4,097,240	78,210,498
Human Services	102,966	1,205,738	846,000	434,591	2,589,295	(3,079,457)	(700,767)	(3,780,224)	(1,770,753)	(1,190,929)	24,688,916
Total Council	4,613,467	9,250,550	4,877,739	7,507,591	26,249,348	(16,048,525)	(4,983,488)	(21,032,012)	(2,184,507)	5,217,335	112,882,593

Year ended 30 June 2016

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							
	2016 $	2016 $	2016 $	2016 $	2016 $	2016 $	2016 $	2016 $	2016 $	2016 $	2016 $
Corporate Services	3,460,888	226,218	-	-	3,687,106	(4,056,896)	-	(4,056,896)	(369,790)	(369,790)	10,241,078
Technical Services	421,371	3,429,279	2,334,405	-	6,185,055	(7,264,038)	(138,653)	(7,402,691)	(3,413,388)	(1,217,636)	66,366,700
Community Services	497,683	6,155,408	10,000		6,663,091	(7,402,530)	(19,577,936)	(26,980,466)	(749,439)	(20,317,375)	32,603,982
Total Council	4,379,942	9,810,905	2,344,405	-	16,535,252	(18,723,464)	(19,716,589)	(38,440,053)	(4,532,617)	(21,904,801)	109,211,760

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

		2017 $	2016 $
3	**Revenue Analysis**		
(a)	**Levies and Charges**		
	Water	1,334,614	1,169,187
	Sewerage	595,350	488,328
	Garbage charges	589,464	490,131
		2,519,428	2,147,646
(b)	**Fees and Charges**		
	Fees and charges	639,650	311,078
		639,650	311,078
(c)	**Rental Income**		
	Property rental	1,290,211	1,514,842
		1,290,211	1,514,842
(d)	**Interest Revenue**		
	Interest received on deposits	205,860	193,806
		205,860	193,806
(e)	**Sales Revenue**		
	Sale of Services		
	Contract and recoverable works	3,267,719	4,766,220
		3,267,719	4,766,220
	Sale of goods		
	Sale of goods	847,742	729,339
		847,742	729,339
		4,115,461	5,495,559
(f)	**Other Income**		
	Sundry Income		35,417
	Other Income	479,941	112,557
		479,941	147,974

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

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

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

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

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

Contract and recoverable works include construction and maintenance works for locals and local businesses. The amount recognised as revenue for contract revenue during the financial year is the amount receivable in respect of invoices issued during the period. There are no contracts in progress at the year end. The contract work carried out is not subject to retentions.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

4 Grants, Subsidies and Contributions

	2017 $	2016 $
(a) Recurrent		
Commonwealth government subsidies and grants	-	700,595
General purpose grants	4,160,326	3,397,238
State government subsidies and grants	429,721	282,109
Other	23,420	-
	4,613,467	4,379,942
(b) Capital		
Commonwealth government subsidies and grants	1,269,600	871,500
NDRRA funding*	-	1,223,529
State government subsidies and grants	3,067,533	249,376
Other capital contributions	508,780	
Other capital contributions - Non Cash	7,168,086	-
	12,013,999	2,344,405

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

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

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

	2017 $	2016 $
Non-reciprocal grants	76,468	218,313
	76,468	218,313

5 Capital Income

	2017 $	2016 $
Fair value of newly recognised controlled assets	371,331	-
Total Capital Income	371,331	-

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

6 Employee Benefits

	Note	2017 $	2016 $
Total staff wages and salaries		4,782,520	4,271,907
Councillors' remuneration		330,576	368,675
Annual, sick and long service leave entitlements		807,992	727,298
Superannuation	20	625,083	540,022
		6,546,171	5,907,902
Other employee related expenses		130,076	459,314
		6,676,247	6,367,216
Less: Capitalised employee expenses		(433,963)	(1,330)
		6,242,284	6,365,886

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

Total Council employees at the reporting date:	2017	2016
Elected members	5	5
Administration staff	19	14
Depot and outdoors staff	84	82
Total full time equivalent employees	108	101

7 Materials and Services

	2017 $	2016 $
Administration expenses	159,471	237,431
Audit of annual financial statements	90,000	81,300
Civic, Governance & Executive operating expenses	304,014	186,188
Communications and IT	256,634	285,393
Community & Human Services operating expenses	210,085	493,797
Council Enterprise operating expenses (Bakery, External Accommodation)	317,474	225,416
Finance operating expenses	271,939	17,517
Building services operating expenses	698,861	2,024,448
Insurance	221,721	297,872
Plant maintenance expenses	358,649	245,813
Private works operating expenses	145,456	96,015
Public facilities & conveniences expenses	393,294	497,275
Staff Housing operating expenses	143,261	341,611
Storeyard operating expenses	240,998	113,301
Workshop operating expenses	479,049	702,573
	4,290,906	5,844,950

Comparative Information
Classification of expenses has been revised in the current year in order for informaton to be more relevant. Comparative information has been updated to reflect these changes.

8 Finance Costs

	2017 $	2016 $
Bank charges	11,892	19,591
Impairment of debts	4,495	532,602
	16,387	552,193

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

	2017 $	2016 $
9 Capital Expenses		
Gain / loss on revaluation of lease assets		
Initial recognition of new leases	-	-
Loss on revaluation of lease assets	(700,767)	(19,577,936)
Total Gain/ loss on revaluation of lease assets	(700,767)	(19,577,936)
Gain / loss on disposal of non-current assets		
Proceeds from the sale of property, plant and equipment	35,455	-
Less: Book value of property, plant and equipment disposed off	(4,318,176)	(138,653)
Total Gain/ loss on disposal of non-current assets	(4,282,721)	(138,653)
Total Capital Expenses	(4,983,488)	(19,716,589)

Refer to Note 25 for information in regard to the 30 June 2016 'Loss on revaluation of lease assets'

	2017 $	2016 $
10 Cash and Cash Equivalents		
Cash at bank and on hand	8,194,601	7,235,851
Deposits at call	280,800	274,583
Balance per Statement of Cash Flows	8,475,402	7,510,434

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

Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:		
Unspent government grants and subsidies	76,468	218,313
Total unspent restricted cash	76,468	218,313

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

Financial Risk Management - Credit risk

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

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

	2017 $	2016 $
Trust funds held for outside parties		
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	5,525	5,525
	-	-
	5,525	5,525

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.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

	2017 $	2016 $
11 Trade and Other Receivables		
Current		
Trade debtors	1,138,316	3,312,217
Less: Impairment	(46,302)	(683,998)
GST recoverable	6,077	41,093
	1,098,091	2,669,312

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

The collectability of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment. The loss is recognised in finance costs.

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

Financial Risk Management - Credit risk

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

By the nature of the 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.

No interest is charged on debtors. There is no concentration of credit risk for service charges, fees and other debtors receivable.
Ageing of past due receivables and the amount of any impairment is disclosed in the following table:

	2017 $	2016 $
Not past due	931,164	2,636,226
Past due 31-60 days	16,627	87,665
Past due 61-90 days	456	14,715
More than 90 days	196,146	614,704
Impaired	(46,302)	(683,998)
Total	1,098,091	2,669,312

	2017	2016
Movement in accumulated impairment provisions is as follows:		
Opening balance at 1 July	683,998	245,090
Impairment debts written off during the year		(227,333)
Additional impairments recognised	1,083	673,315
Impairments reversed	(638,779)	(7,074)
Closing balance at 30 June	46,302	683,998

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

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

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

	2017 $	2016 $
12 Other Financial Assets		
Current		
Finance leases	201,046	197,407
	201,046	197,407
Non-Current		
Finance leases	5,839,433	6,741,245
	5,839,433	6,741,245
A reconciliation between the gross investment in the lease and the fair value of lease payments is as follows:		
Gross minimum lease payments receivable		
Not later than one year	201,046	197,407
Later than one year but not later than five years	804,185	789,628
Later than five years	5,790,171	5,880,881
	6,795,402	6,867,916
Add: Estimated contingent rent	3,692,686	3,880,822
Less: Present value adjustment	(4,447,610)	(3,810,086)
Fair value of lease payments	6,040,478	6,938,652
The fair value of lease payments are receivable as follows:		
Not later than one year	201,046	197,407
Later than one year but not later than five years	785,363	787,897
Later than five years	5,054,070	5,953,348
	6,040,479	6,938,652
Movements in finance leases were as follows:		
Opening balance	6,938,652	26,713,994
Add: Initial recognition of new leases	-	-
Less: Lease receipts	(197,407)	(197,407)
Add: Gain/ (loss) on revaluation	(700,767)	(19,577,936)
Closing balance	6,040,479	6,938,652

The calculation of fair value has included an estimate of average annual CPI increases of (2.5% for 2015/16 and 2.5% for 2016/17) and a discount rate of (2.59% for 2015/16 and 3.48% for 2016/17).

Refer to Note 25 for information in regard to the 30 June 2016 'Loss on revaluation of lease assets'

Finance leases as lessor

Council has leased 222 dwellings as lessor to the Queensland Government for 40 years. The total lease payment per dwelling in the current year was an average of $906.61. These lease payments are required to be adjusted each year by the change in the Consumer Price Index (All Groups) for Brisbane. As the gross lease payments are insufficient to cover the fair value (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.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

13 Property, Plant and Equipment

Council - 30 June 2017	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 2016		38,193,044	5,092,555	53,232,161	31,654,587	11,255,306	13,676,156	662,193	153,766,002
Additions			434,969					15,719,067	16,154,036
Recognition of controlled assets		371,331						-	371,331
Disposals		(160,000)	(730,703)		(4,000)		(7,377,638)	-	(8,272,341)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	17	3,783,513		2,849,956	(204,054)	1,573,279	(50,516)	-	7,952,178
Transfers between classes		72,603	15,305	122,256	(126,886)	111,581	12,172,337	(12,367,196)	-
Closing gross value as at 30 June 2017		42,260,491	4,812,126	56,204,373	31,319,647	12,940,166	18,420,339	4,014,064	169,971,206
Accumulated depreciation and impairment									
Opening balance as at 1 July 2016		21,174,339	3,638,834	16,191,608	9,560,356	6,052,659	5,284,821	-	61,902,617
Depreciation provided in period		1,167,334	281,563	2,741,440	517,294	332,922	458,395		5,498,947
Depreciation on disposals		(160,000)	(646,874)		(3,200)		(3,144,091)		(3,954,165)
Revaluation adjustment to asset revaluation surplus	17	2,597,829		5,324,525	1,049,502	1,016,646	(322,948)		9,665,554
Transfers between classes			4,299		(16,255)	11,956			-
Accumulated depreciation as at 30 June 2017		24,779,502	3,277,822	24,257,572	11,107,697	7,414,183	2,276,177	-	73,112,953
Total written down value as at 30 June 2017		17,480,989	1,534,304	31,946,802	20,211,950	5,525,983	16,144,162	4,014,064	96,858,253
Residual Value		-	-	-	-	-	-	-	
Range of estimated useful life in years		15-60	5-40	5-50	10-100	15-100	1-50	-	
Additions Comprise:		$	$	$	$	$	$	$	$
Renewals		14,800	209,240		-	-	12,172,337	1,999,744	14,396,121
Other additions		57,803	225,729	122,256	-	-	-	1,352,127	1,757,915
Total additions		72,603	434,969	122,256	-	-	12,172,337	3,351,871	16,154,036

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

13 Property, Plant and Equipment

Council - 30 June 2016	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 2015		38,193,044	5,050,067	53,043,332	31,654,587	11,240,000	14,043,298	702,917	153,927,245
Additions		-	336,189	-	-	15,306	-	639,193	990,688
Disposals		-	(293,701)	-	-	-	(814,000)	(44,230)	(1,151,931)
Transfers between classes		-	-	188,829	-	-	446,858	(635,687)	-
Closing gross value as at 30 June 2016		38,193,044	5,092,555	53,232,161	31,654,587	11,255,306	13,676,156	662,193	153,766,002
Accumulated depreciation and impairment									
Opening balance as at 1 July 2015		19,977,149	3,563,231	13,451,504	8,853,513	5,721,561	5,344,271	-	56,911,229
Depreciation provided in period		1,197,190	301,728	2,740,102	706,843	331,098	683,474	-	5,960,435
Depreciation on disposals		-	(226,125)	-	-	-	(742,924)	-	(969,049)
Accumulated depreciation as at 30 June 2016		21,174,339	3,638,834	16,191,608	9,560,356	6,052,659	5,284,821	-	61,902,617
Total written down value as at 30 June 2016		17,018,705	1,453,721	37,040,554	22,094,231	5,202,647	8,391,335	662,193	91,863,385
Residual value		-	-	-	-	-	-	-	
Range of estimated useful life in years		15 - 50	2 - 20	10 - 25	10 - 150	20 - 60	20 - 40	-	

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

13 Property, Plant and Equipment (Continued)

a) Recognition

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

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

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

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

b) Measurement

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

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

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

c) Depreciation

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

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

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

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

d) Impairment

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

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

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

13 **Property, Plant and Equipment (Continued)**

e) **Valuation Processes**

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 3 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection. Desktop valuations are conducted each year by qualified external valuers and, where material, are applied to the asset values.

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

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

14 Fair Value Measurements

(i) Recognised Fair Value Measurements

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

Property, plant and equipment
- Buildings
- Road and Drainage 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)

Council does not have any assets measured at fair value which meet the criteria for categorisation as level 1 or level 2.

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

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

Buildings (Level 3)

The fair value of buildings was determined by independent valuer, AssetVal Pty Ltd effective 30 June 2017. 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 the determination of fair value has been performed using the Cost approach valuation technique.

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

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

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

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

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

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

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

14 Fair Value Measurements (Continued)

Infrastructure Assets (Level 3)

The fair value of infrastructure assets was determined by independent valuer, AssetVal Pty Ltd effective 30 June 2017. 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 Current 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.

Current replacement cost was calculated by reference to the assets linear and width characteristics, overhead allocations and service costs. Where construction is outsourced, current replacement cost was based on the average of similar projects over the last few years. Reference was also made to recent costs for construction works within the similar remote locations and Rawlinson's Construction Cost Guide.

Componentisation

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

Calculating Remaining Useful Lives

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

* Condition;
* Known Age; and
* Estimated Age

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

Where water and sewer assets are located underground and physical inspection is not possible, the age, size and type of construction material, together with current and planned maintenance records are used to determine the fair value at reporting date.

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

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

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

	2017 $	2016 $
15 Trade and Other Payables		
Current		
Creditors and accruals	538,187	427,845
Annual leave	482,427	382,241
Other payables	103,314	116,933
	1,123,928	927,019

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

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

Annual Leave
A liability for annual leave is recognised. All amounts have been recognised as current due to the entitlement of staff to take their leave at any time, subject to operational requirements.

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

	2017 $	2016 $
16 Provisions		
Current		
Long service leave	88,774	135,983
	88,774	135,983
Non-current		
Long service leave	38,372	21,197
	38,372	21,197
Details of movements in provisions:		
Long service leave		
Balance at beginning of financial year	157,180	106,874
Long service leave entitlement arising	5,550	67,315
Long Service entitlement extinguished	(21,633)	(1,547)
Long Service entitlement paid	(13,950)	(15,462)
Balance at end of financial year	127,146	157,180

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.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

17 Asset Revaluation Surplus

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

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

Movements in the asset revaluation surplus were as follows:	2017 $	2016 $
Balance at beginning of financial year	102,715,961	102,715,961
Net adjustment to non-current assets at end of period to reflect a change in:		
- Buildings	1,185,684	-
- Road and drainage network	(2,474,569)	-
- Water	(1,253,556)	-
- Sewerage	556,633	-
-Other structures	272,432	-
Balance at end of financial year	101,002,586	102,715,961

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

	2017 $	2016 $
Buildings	59,553,791	58,368,107
Road and drainage network	17,211,492	19,686,060
Water	15,103,456	16,357,012
Sewerage	3,142,471	2,585,838
Other structures	5,991,376	5,718,944
	101,002,586	102,715,961

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

	Note	2017 $	2016 $
Net result		5,217,335	(21,904,801)
Non-cash items:			
Depreciation and amortisation	13	5,496,947	5,960,435
Contributed assets	4b)	(7,168,086)	-
Fair value of newly recognised controlled assets	5	(371,331)	-
Brought forward expensed in current year		-	44,230
(Gain) on revaluation of finance leases	12	700,767	19,577,936
		(1,339,703)	25,582,601
Investing and development activities:			
Net (profit)/loss on disposal of non-current assets	9	4,282,721	138,653
Capital grants and contributions		(4,845,913)	(2,344,405)
		(563,191)	(2,205,752)
Changes in operating assets and liabilities:			
(Increase)/ decrease in receivables		1,571,220	(2,078,308)
(Increase)/decrease in inventory		(180,391)	68,530
Increase/(decrease) in payables		196,909	(185,663)
Increase/(decrease) in other provisions		(30,034)	50,306
		1,557,704	(2,145,135)
Net cash inflow from operating activities		4,872,144	(673,087)

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

19 Financial Instruments

Mornington Shire Council has exposure to the following risks arising from financial instruments:
- credit risk
- liquidity risk
- market risk

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

Financial Risk Management

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

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

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

Mornington Shire Council does not enter into derivatives.

Credit Risk

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

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

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

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	2017 $	2016 $
Financial Assets			
Cash and cash equivalents	10	8,475,402	7,510,434
Trade and other receivables	11	1,098,091	2,669,312
Other financial assets	12	6,040,479	6,938,652
Other Credit Exposures			
Guarantees	23	109,110	115,676
Total Financial Assets		15,723,082	17,234,074

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

19 Financial Instruments (Continued)

Liquidity Risk

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

Council manages it 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
	$	$	$	$	$
2017					
Trade and Other Payables	641,501	-	-	641,501	641,501
	641,501	-	-	641,501	641,501
2016					
Trade and Other Payables	544,778	-	-	544,778	544,778
	544,778	-	-	544,778	544,778

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.

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
	$	$	$	$	$
2017					
QTC Cash Fund		-	-	-	-
Other Deposits	8,475,402	84,754	(84,754)	84,754	(84,754)
Net total	8,475,402	84,754	(84,754)	84,754	(84,754)
2016					
QTC Cash Fund	6,940,040	69,400	(69,400)	69,400	(69,400)
Other Deposits	508,378	5,084	(5,084)	5,084	(5,084)
Net total	7,448,418	74,484	(74,484)	74,484	(74,484)

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

20 Superannuation

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

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

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

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

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

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

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

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

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

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

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

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

There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Mornington Shire Council made less than 4% of the total contributions to the plan in the 2016-17 financial year.

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

	Note	2017 $	2016 $
Superannuation contributions paid by Council to the scheme for the benefit of employees was:	6	625,083	540,022

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

21 Transactions With Related Parties

a) Key Management Personnel Compensation

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

KMP include the Mayor, councillors, council's Chief Executive Officer and some executive management. The compensation paid to KMP for 2016/17 comprises:

	2017 $
Short-term employee benefits	985,192
Post-employment benefits	81,947
Long-term benefits	-
Termination benefits	-
Total	1,067,140

Detailed remuneration disclosures are provided in Council's annual report.

b) Transactions with other related parties

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

Details of transactions between Council and other related	2017 $
Employee expenses for close family members of key management	216,350

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

The council employs 108 staff of which 4 are close family members of key management personnel.

c) Loans and guarantees to/from related parties

At 30 June 2017, a balance of $23,859 was owing from related parties. These amounts arose due to wage overpayments to the Councillors. Arrangements are in place to recover these amounts, with amounts expected to be fully repaid by 30 June 2018. No guarantees have been provided.

d) Commitments to/from other related parties

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

e) Transactions with related parties that have not been disclosed

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

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

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

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

All council employees, including close family members of key management personnel were employed through an arm's length process. They are paid in accordance with the applicable enterprise bargaining agreement for the job they perform. On this basis, employment with council is considered to be an ordinary citizen transaction.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

22 Commitments for Expenditure

Council is not party to any non-cancellable operating leases as at 30 June 2017.

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

23 Contingent Liabilities

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

The latest audited financial statements for LGM Queensland are as at 30 June 2016 and show accumulated surplus of $60,234,042.

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 $109,110.17.
The latest audited financial statements for Local Government Workcare are as at 30 June 2016 and show accumulated member funds of $42,676,161. It is not anticipated that any liability will arise.

24 Events after the reporting period

There were no material adjusting events after the balance date.

25 Correction of error

Council values its 40 year housing leases, as disclosed within "Other financial assets" based on the fair value of the future expected minimum lease payments. Minimum lease payments are calculated based on the annual rent component and rates component per the lease agreement, except where service charges are levied separately.
From 1 July 2015, Council commenced levying service charges for all properties in accordance with the annual schedule of fees and charges.
As at 30 June 2016, the lease fair value assessment incorrectly included the future expected cash flow from the rates component in the minimum lease payment. As a result, the service charge revenue was also incorrectly classified as a lease receipt.

The comparatives for the year ended 30 June 2016 have been restated accordingly.

Statement of Comprehensive Income	30 June 2016 $	Restated 2016 $
Revenue		
Recurrent Revenue		
Levies and charges	1,665,591	2,147,646
Other capital income	(1,749,219)	-
Expenses		
Capital Expenses	(136,653)	(19,716,589)

Statement of Financial Position	30 June 2016 $	Restated 2016 $
Current Assets		
Current finance lease	690,925	197,407
Non-Current Assets		
Non current finance lease	23,594,389	6,741,245
Community Equity		

Mornington Shire Council
Financial Statements
For the year ended 30 June 2017

Management Certificate
For the year ended 30 June 2017

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

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

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

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

Mayor	**Chief Executive Officer**
Bradley Wilson	**Frank Mills**
Date: 25 / 10 / 2017	Date: 25 / 10 / 2017

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Mornington Shire Council

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of Mornington Shire Council

In my opinion, the financial report:

a) gives a true and fair view of the council's financial position as at 30 June 2017, and of its financial performance and cash flows for the year then ended

b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Mayor and Chief Executive Officer.

Basis for opinion

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

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

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

Other information

Other information comprises the information included in Mornington Shire Council's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and the long-term financial sustainability statement.

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

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

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

Responsibilities of the council for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017:

a) I received all the information and explanations I required.

b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

C. G. Strickland

QUEENSLAND
27 OCT 2017
AUDIT OFFICE

C G Strickland
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 2017

Measures of Financial Sustainability

Council's performance at 30 June 2017 against key financial ratios and targets:

Ratio	How the measure is calculated	Actual	Target
Operating Surplus Ratio	Net result (excluding capital) divided by total operating revenue (excluding capital)	-15.8%	0% to 10%
Asset Sustainability Ratio	Capital expenditure on replacement of assets (renewals) divided by depreciation expense.	272%	> 90%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-84%	< 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 2017.

Mornington Shire Council
Certificate of Accuracy
For the year ended 30 June 2017

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

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

Mayor
Bradley Wilson

Date: 25 / 10 / 2017

Chief Executive Officer
Frank Mills

Date: 25 / 10 / 2017

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Mornington Shire Council

Opinion

I have audited the accompanying current year financial sustainability statement of Mornington Shire Council for the year ended 30 June 2017, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Mornington Shire Council for the year ended 30 June 2017 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other information

Other information comprises the information included in Mornington Shire Council's annual report for the year ended 30 June 2017, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information prepared was the general purpose financial statements and the long-term financial sustainability statement.

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

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

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

Responsibilities of the council for the current year financial sustainability statement

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

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

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

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

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

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

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

C. G. Strickland

QUEENSLAND
27 OCT 2017
AUDIT OFFICE

C G Strickland
as Delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane

Mornington Shire Council
Long-Term Financial Sustainability
Prepared as at 30 June 2017

Measures of Financial Sustainability Council	Measure	Target	Actuals 30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025
				Projected for the years ended							
Operating Surplus Ratio	Net result divided by total operating revenue	**0% to 10%**	-16%	-17%	-16%	-16%	-15%	-13%	-14%	-13%	-11%
Asset Sustainability Ratio	Capital expenditure on renewals divided by depreciation expense.	**> 90%**	272%	163%	19%	46%	48%	50%	52%	54%	56%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue	**< 60%**	-64%	-35%	-36%	-32%	-28%	-26%	-23%	-20%	-19%

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.

Mornington Shire Council
For the long-term financial sustainability
Prepared as at 30 June 2017

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	**Chief Executive Officer**
Bradley Wilson	**Frank Mills**
Date: 25/10/2017	Date: 25/10/2017