



MORNINGTON
SHIRE COUNCIL

20/21

ANNUAL REPORT

MORNINGTON SHIRE COUNCIL





**MORNINGTON
SHIRE COUNCIL**

Disclaimer

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

We extend a special thank you to Des Mellican for use of his images throughout this report.

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MORNINGTON
SHIRE COUNCIL

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WELCOME

Welcome to the Mornington Shire Council's Annual Report 2020–2021. This report describes Council's achievements in delivering services to the Mornington Shire region and shows progress in delivering the actions set out from the Corporate Plan 2017–2022 and the Operational Plan 2020–2021. 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 would do in the 2020–2021 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 and more recently, the impact that coronavirus has had.

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

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

MESSAGES



MESSAGE FROM THE MAYOR

MAYOR YANNER

As I reflect on the past financial year, I think it is fair to say that we were all hoping to be talking a lot less about the pandemic, and more about the issues and solutions which would drive our community forward.

Whilst we were fortunate to see minimal impact directly on our Island, the ongoing focus on Covid has at times drawn the attention away from the business at hand at both the State and Federal level. With that in mind, I am proud of the work Council undertook during 2020-2021 to bring to the forefront our story, the story of our people, and highlight on the national stage the ongoing levels of vulnerability and social inequity which plagues our people. My goals and aspirations for my time in local government are simple: I am fighting for a better life for every single member of the Mornington community.

I embarked on this journey with the support of Council, and after extensive coverage in the Courier Mail in May appealing for action to overcome extreme disadvantage, the Acting Prime Minister Hon. Michael McCormack, accepted our invitation to visit Mornington Island in June 2021. He was joined by wife Catherine and his ministerial delegation including Hon. Ken Wyatt, Federal Minister for Indigenous Affairs and Hon. Robbie Katter MP, Member for Traeger. During the visit, I discussed several strategies and projects with the Ministers which would help overcome the disadvantage being experienced, and called for an audit of services funded to deliver programs on our Island to understand what impact was truly being achieved.

The Mornington Shire Council 2020-2021 Annual Report will give you some insight into the year in review. During this period Council also put together a comprehensive 5 year Implementation Plan to develop projects and seek funding to improve culture, country, health, education, employment, training, transport, recreation and wellbeing on Mornington Island. I am proud of what we have produced and will strive to see these projects come to fruition.

On behalf of my fellow Councillors, I would like to thank Council's Leadership Team and the Staff for their efforts during 2020-2021 and acknowledge the work and support Acting CEO Graham King provided to us during his time here. Together we can achieve much, and I encourage all staff and Councillors to continue on this path together as we build a stronger Mornington Island for our future generations.

Mayor Kyle Yanner

MESSAGE FROM THE ACTING CHIEF EXECUTIVE OFFICER

GRAHAM KING – Acting CEO

Since joining Council in early 2021, Council's main priorities for the Administration were to address the following matters:

Financial Management

- Identify the current financial performance of Council, both for the 2020/21 financial year and for the past five financial years. This was to understand the policy position it needed to take to return the Council to financial sustainability.
- Establish a financial reporting system that enabled Council to examine the financial performance of Council in implementing the extensive programs of works and projects to be completed in the financial year and appropriately monitor critical financial outcomes.
- Commence early preparation of the 2021/22 Budget, ensuring wide input into the budget preparation and adoption.

By all accounts the Administration did establish a much improved financial management reporting system; undertook relative training of elected representatives; obtained improved financial performance outcomes for the 2020/21 financial year; and prepared a budget for 2021/22 financial year that includes important policy initiatives of Council and importantly addresses the extensive operational deficits of the previous five financial years as recorded in the Auditor General's Annual Report for 2019/20.

Community Development

As part of Council's determination to address the very serious economic and social outcomes on Mornington Island, Council embarked of a very extensive exercise to inform the local community, the wider Queensland community and both the Australian and Queensland State Government of the critical need to improve Government service delivery on the Island and to implement high priority projects that would, over time, address the social and economic conditions on the Island.

Important in this regard was for the State Government to undertake, with the Australian Government, an independent audit of all government services on the Island and end alcohol prohibition, which has had disastrous negative impacts on the community.

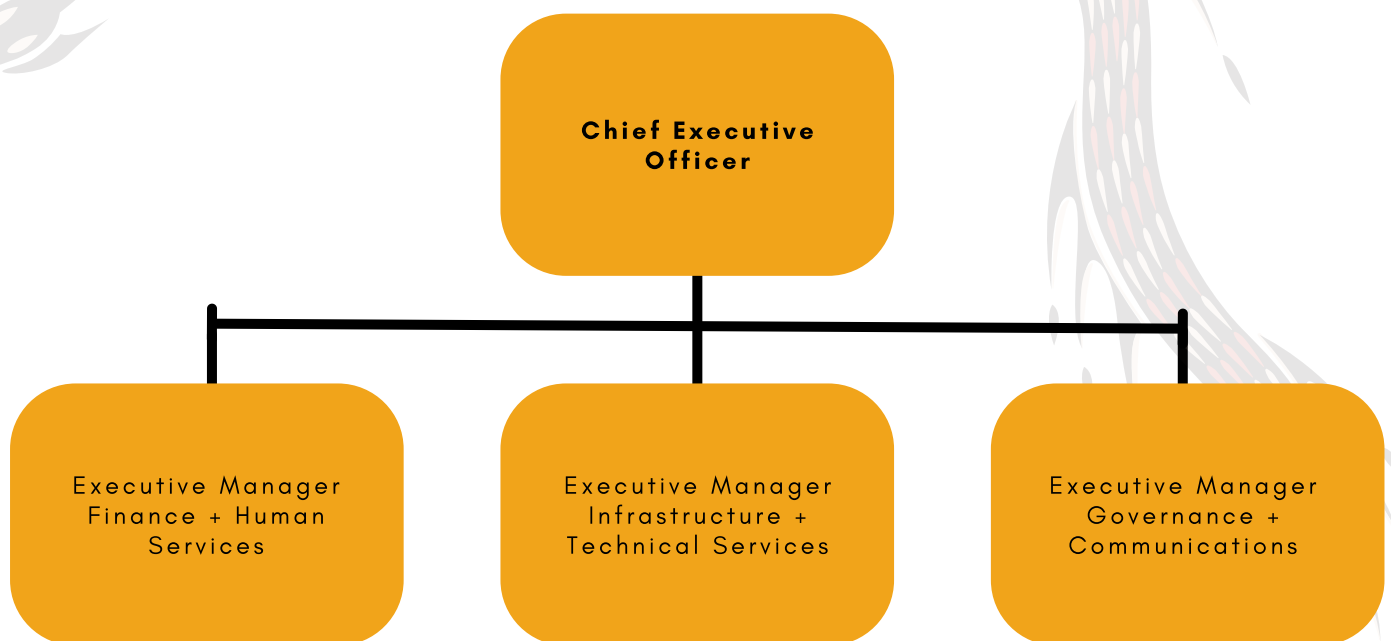
The Administration has played an important role in supporting the Mayor and Council in implementing both a media strategy, highlight the living conditions on the Island, as well as assisting Council to develop a '5 year Implementation Plan' identifying projects which, if implemented, would not only address the economic and social issues on the Island, but would lead to a new beginning for successive generations to live a life aligned to the broader Queensland community.

It has been an absolute privilege to be assisting Council in this regard, and working with such dedicated staff and consultants embracing this vision and working tirelessly to achieve it.

Graham King
A/CEO

EXECUTIVE TEAM

The Chief Executive Officer and 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 .



OUR REGION

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

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

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

Aspirations

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

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

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

OUR COUNCILLORS

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

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

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

The 2020 Local Government Quadrennial Elections saw significant change in the elected representatives for Mornington Shire Council, with four new Councillors, including the Mayor, elected.

The newly elected Council was met with the first challenge of steering Council through the Covid 19 pandemic, and have since this time been able to progress with passion on highlight the conditions of our residents, improving Council's financial position, and developing a 5 Year Implementation Plan to drive our community forward. This has been a difficult and trying time for everyone, but the Elected Members never lost sight of their objective of making the community a strong and proud place to live.



Mayor Kyle Yanner



Deputy Mayor
Dwayne Rogers



Cr Roxanne Thomas



Cr David Barnes



Cr Bobby Thompson

GOVERNANCE



GOVERNANCE

Mornington Shire Council aims for transparent, clear and open 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
- 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.

Statutory Information

Local Government Act 2009

Section 45 Significant Business Activities

a) During the period Council operated the following Business Activities:

Council and Executive Leadership Team, Financial Services, Governance, Infrastructure/Technical Services and Human Services.

b) None of these activities satisfied the statutory threshold for a significant business activity.

c) Council applied the competitive neutrality principle to these business activities.

d) None of these business activities commenced operations during the period.

Section 201 Local Government Act 2009

Remuneration paid to Senior Management Employees

The number of Senior Management Employee packages paid within following remunerations bands was:

Effective 30 June 2021	No. Snr Management
\$100,000 to \$199,999	3
\$200,000 to \$299,999	1

The total remuneration for senior management was \$1,322,235.92.

Local Government Regulation 2012

Section 183 Financial Statements

The general purpose financial statement is shown on pages 30 to 75.

The current year financial sustainability statement is shown on page 70.

The long term financial sustainability statement is shown on page 75.

The Auditor-General's audit reports about the general purpose financial statements and the current year sustainability statement is shown on pages 67 to 69 and pages 72 to 74 respectively.

Section 184 Community Financial Report

The Community Financial Report for the period is shown on pages 22 to 28.

Section 185 Particular Resolutions

The Council has endorsed one resolution as it relates to Sections 206(2) and 250(1) of the Local Government Regulation 2012 - 'Councillor Expenses Reimbursement Policy' (resolution 2020/114) at Ordinary Council Meeting held on 15 July 2020.

Section 186 Councillors

Councillor Remuneration

a) Remuneration and Superannuation payments to Councillors during 2020-2021 were as follows:

COUNCILLOR	RENUMERATION	SUPERANNUATION	TOTAL
Kyle Yanner	\$120,827.86	\$10,079.68	\$130,907.54
David Barnes	\$53,049.34	\$5,039.72	\$58,089.06
Dwayne Rogers	\$61,210.86	\$7,345.52	\$68,556.38
Roxanne Thomas	\$53,049.34	\$5,039.60	\$58,088.94
Bobby Thompson	\$53,049.34	\$5,039.60	\$58,088.94

b) The cost of expenses incurred by, and the facilities provided to Councillors in 2020-2021 were as follows:

COUNCILLORS	MOBILE DEVICES	COUNCIL VEHICLES	TRAINING + CONFERENCES	TOTAL
Kyle Yanner	\$1,219.22	\$14,408.65	\$12,760.42	\$28,388.29
David Barnes	\$534.55			\$534.55
Dwayne Rogers	\$534.55		\$3,525.85	\$4,060.40
Roxanne Thomas	\$534.55		\$1,671.77	\$2,206.32
Bobby Thompson	\$534.55		\$7,281.32	\$7,815.87

c) Attendance at Council Meetings and Special Meetings:

COUNCILLOR	ORDINARY MEETINGS		SPECIAL MEETINGS	
	REQUIRING ATTENDANCE	ATTENDED	REQUIRING ATTENDANCE	ATTENDED
Kyle Yanner	12	12	3	3
David Barnes	12	10	3	3
Dwayne Rogers	12	9	3	3
Roxanne Thomas	12	12	3	2
Bobby Thompson	12	11	3	2



Section 186 (1) Statistics for Complaints made against Councillors for 2020-2021

The Local Government Act 2009 provides a framework for assessing complaints about the conduct or performance of Councillors. It is a requirement under the Local Government Regulation 2012 that the Annual Report contains details of complaints received about Councillors conduct or performance. Orders and complaints about Councillors during the financial year are shown in the table.

FOR FINANCIAL YEAR 2020-2021	NUMBER
1. The Total Number of the Following	
(i) orders made under section 150I(2) of the Act	-
(ii) orders made under section 150AH(1) of the Act	-
(iii) decisions, orders and recommendations made under section 150AR(1) of the Act	-
2. Each of the Following during the Financial Year	
(i) the name of each councillor for whom a decision, order or recommendation mentioned in paragraph 1	-
(ii) a description of the unsuitable meeting conduct, inappropriate conduct or misconduct engaged in by each of the councillors	-
(iii) a summary of the decision, order or recommendation made for each councillor	-
3. The Number of Each of the Following during the Financial Year	
(i) complaints referred to the assessor under section 150P(2)(a) of the Act by local government entities for the local government	-
(ii) matters, mentioned in section 150P(3) of the Act, notified to the Crime and Corruption Commission	-
(iii) notices given under section 150R(2) of the Act	1
(iv) notices given under section 150S(2)(a) of the Act	-
(v) decisions made under section 150W(1)(a), (b) and (e) of the Act	6
(vi) referral notices accompanied by a recommendation mentioned in section 150AC(3)(a) of the Act	-
(vii) occasions information was given under section 150AF(4)(a) of the Act	-
(viii) occasions the local government asked another entity to investigate, under chapter 5A, part 3, division 5 of the Act for the local government, the suspected inappropriate conduct of a councillor	-
(ix) applications heard by the conduct tribunal about the alleged misconduct or inappropriate conduct of a councillor	-

Section 187 Administrative Action Complaints

Local Governments are committed to providing a level of customer service expected by their communities and Council acknowledges and respects the right of affected persons to provide feedback both positive and negative about decisions or actions made by it. Also acknowledged is the rights of a person to lodge a complaint about a decision or other action the Council has taken.

The complaints process ensures that any complaint is dealt with fairly, promptly, professionally, in confidence (subject to legal requirements) and in a manner respectful to the complainant.

The Council gives equal weight to complaints that are received anonymously.

Under the Local Government Act 2009, issues which are within the scope of Administrative Action Complaints about councils include:

- a decision, or a failure to make a decision, including a failure to provide a written statement of reasons for a decision
- an act, or a failure to act
- the formulation of a proposal or intention, or
- the making of a recommendation.

Council did not receive any complaints in accordance with this provision during 2020-2021.

Council has implemented an internal policy as it relates to complaints and will extend this to reviewing its external complaints process during 2021-2022.

Section 188 – Overseas Travel

No overseas travel was undertaken by the Councillors or Council employees in an official capacity during 2020-2021.

Section 189 Expenditure on Grants to Community Organisations

(1) Grants from Council Programs were NIL.

(2) Council did not allocate a budget towards discretionary funds for Councillors



Section 190 Other Matters

1(a) The Chief Executive Officer's assessment of the local government's progress towards implementing its five-year corporate plan and annual operation plan.

The Acting CEO provides the following assessment:

- Council has successfully addressed the high rates of operational deficits experienced over the past five years as identified in the Auditor General's Report.
- Council through the second half of 2020/21 reviewed service standards to address deficiencies in the 2021/22 Budget.
- Council through the second half of 2020/21 reviewed its assets particularly plant and equipment, water and sewerage infrastructure, as well as its facilities and accommodation assets, to ensure adequate funding was allowed for in the 2021/22 budget.
- In respect to the Master Plan, Council took direct action to implement strategies to address airport safety and housing (Lardil Street Precinct) by initiating the preliminary design of the realignment of the Mornington Island runway which the Master Plan strongly recommended.
- Progress in addressing governance and administration was mainly directed at improved policy development and review. Strong emphasis was placed on meeting Local Government compliance as set out in the Local Government Regulations.
- Community development was given particular emphasis with the development of a first-class Community Safety Plan, undertaking community liquor licencing events and initiating a series of community events. The development of Council's new website and improved use of social media was initiated to increase community knowledge of Council services and operations.
- In regard to critical infrastructure, during the second half of the financial year, Council's 2020/21 budget review process and budget planning process, critical infrastructure was examined to ensure the 2021/22 budget addressed such infrastructure. A new water supply filtrations system was approved from State Government funding under 'Work for Queensland' Grant Program.
- In regards to Council and public housing, strong emphasis on identifying the best model for undertaking public housing with a switch from contractor to employee delivery with the full implementation being programmed for the 2021/22 financial year.

1(b) Particulars of other issues relevant to making an informed assessment of the local government's operations and performance in the financial year.

- During the second half of 2020/21, Council undertook a complete review of its financial performance and its strategic direction. Significantly improved financial reporting and training for Councillors was undertaken to empower the Mayor and Councillors to fully understand financial performance and service standards for its main services. At the same time, as part of the work to set a new direction for the residents of Mornington Island, Council commenced detailed discussion with the Government Champions to address the 'third world' social/economic conditions on the Island and to present to the community and Government a new vision for the Island to address such socio/economic conditions. Council developed a '5 Year Implementation Plan' outlined in the Mayor's Statement.

1(c) An annual operations report for each commercial business unit.

- The newly created Mundalbe Enterprise Ltd commercial entity was deregistered.

1(d) Details of any action taken for, and expenditure on, a service, facility or activity supplied by another local government under an agreement for conducting a joint government activity and for which the local government levied special rates or charges for the financial year.

- Council did not levy any special rates or charges for a service, facility or activity supplied by another local government during 2020-2021

1(e) The number of invitations to change tenders under Section 228(7) during the financial year.

- No invitations to change tenders were issued during 2020-2021.

1(f) List of Registers kept by the local government

- Registers kept include:

Governance	Delegation Register
Assets Register	Local Laws Register
Roads Register	Related Parties Register
Register Fees & Charges	
Register of Interests – Councillors and Related Persons	
Register of Interests - CEO, Snr Management Staff & Related Persons	

1(g) Summary of concessions for rates and charges granted by the local government.

- Not applicable

1(h) Internal Audit for the financial year.

Council's internal audit conducted reviews of the following business activities:

- NIL

1(i) Summary of investigation notices given under Section 49 for competitive neutrality complaints.

- No investigations notices were issued for competitive neutrality complaints.

1(j) The local government's responses in the financial year on the QCA's recommendations on any competitive neutrality complaints under section 52(3).

- No complaints were received.



MORNINGTON
SHIRE COUNCIL

Mornington Island

5 Year Strategic Implementation Plan

Top 6 Priorities

Outstation Multi-purpose facility

- Sustainable Families Program
- Wholistic Health and Wellbeing Program
- On Country Program

Swimming Pool

Market Garden

Youth Hub

Outstation School

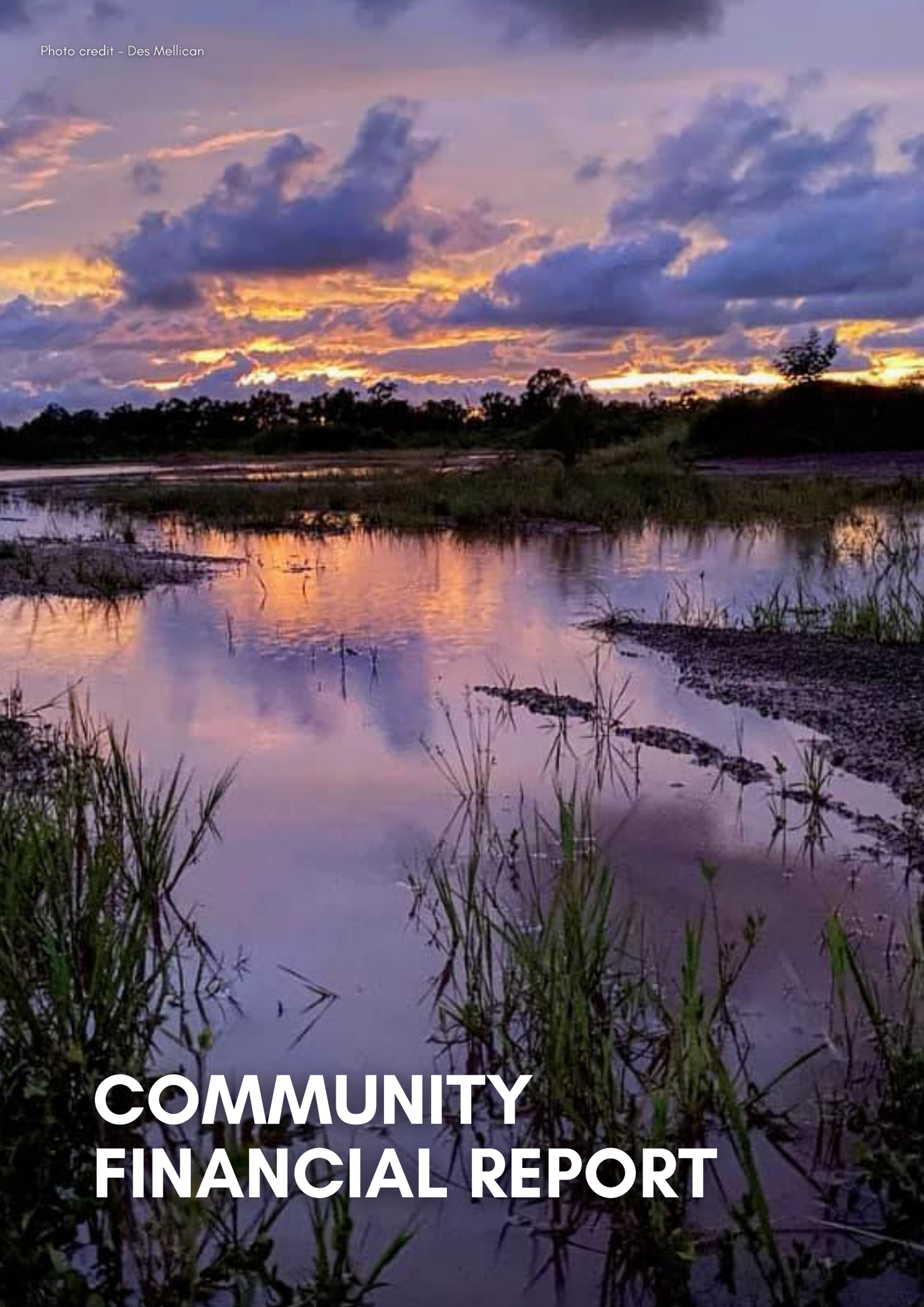
Training, Administration, Business Hub and Library

- Outstation Multi-purpose facility
- Water Security
- Barge Services Review & Freight Subsidies
- Road Building Machinery
- Realignment of the Runway
- Male and Female Single Persons Accommodation
- Beef Production and Processing
- Visitor Accommodation

- Splash Park
- Coastal Studies and Foreshore
- Management Plans to combat erosion
- Tourism Development Strategy
- Waste Management Strategy
- Internet and Mobile Phone Coverage ✓
- Reintroduction of Legal Alcohol Carriage ✓
- Youth Development Strategy ✓
- Community Safety Plan ✓



Photo credit - Des Mellican



COMMUNITY FINANCIAL REPORT

COMMUNITY FINANCIAL REPORT

The 2020–2021 Community Financial Report provides an analysis of Council's fiscal performance for the year as detailed in the audited financial statements published from page 32 onwards.

Council is required to prepare a Community Financial Report each year in accordance with Section 179 of the *Local Government Regulation 2012*.

The Community Financial Report is required to:

- a) contain a summary & analysis of Council's financial performance and position for the financial year;
- b) be consistent with the general-purpose financial statement for the financial year;
- c) include the relevant measures of financial sustainability for the financial year; and
- d) be written in a way that can be easily understood by the community.

This Community Financial Report complies with the above requirements and covers the financial performance and position of Mornington Shire Council for the financial year ended 30 June 2021.

FINANCIAL STATEMENTS

Council is required to prepare a set of general-purpose financial statements each year in accordance with the requirements of the *Local Government Act 2009*, *Local Government Regulation 2012* and *Australian Accounting Standards*. The financial statements are required to be independently audited. The audited financial statements, on page 32 onwards, set out the financial performance, financial position, cash flows and net wealth of Council for the financial year ended 30 June 2021, incorporating four financial statements and accompanying notes.

Statement of Comprehensive Income

This statement outlines:

- All sources of Council's income (revenue)
- All recurrent expenditure; and
- Capital expenses relating to the write off of non-current assets

Both recurrent revenue and capital revenue are reported in the Statement of Comprehensive Income, but only recurrent expenditure is recognized. Capital expenditure is recognized in the Statement of Financial Position. 'Recurrent' is also referred to as 'operating' because the income and expenditure relate to operations and maintenance and not capital, although depreciation of assets is included.

Statement of Financial Position

This statement outlines what Council owns (assets) and what it owes (liabilities) at a point in time. Council's net wealth is determined by deducting total liabilities from total assets, the larger the net equity, the stronger the financial position.

Statement of Cash Flows

This statement summarises the actual cash flows of cash for a period and explains the change in the cash balance held from the start of the period through to the end of the reporting period. Cash Flows are separated into operating, investing, and financing activities.

Operating activities include the normal transactions of conducting Council's day-to-day business while investing activities include the purchase and sale of assets and receipt of capital grants, subsidies, and contributions. Financing activities include loan income and repayment of debt. The 'cash at the end of the reporting period' equals the amount reported as 'cash and cash equivalents' in the Statement of Financial Position.

Statement of Changes in Equity

This statement summarises the change in Council's real worth throughout the financial year.

Council's net worth can change as a result of:

- A surplus or deficit as recorded in the Statement of Comprehensive Income; and
- An increase or decrease in the net value of non-current assets resulting from a revaluation of those assets

OVERVIEW

Council's key financial results for the financial year ended 30 June 2021:

KEY RESULTS	2020/2021 \$Million
Operational Revenue	22.14M
Capital Revenue	5.89M
Expenditure	27.7M
Assets	127M
Liabilities	8.2M
Community Equity (NET WORTH)	119M

REVENUE

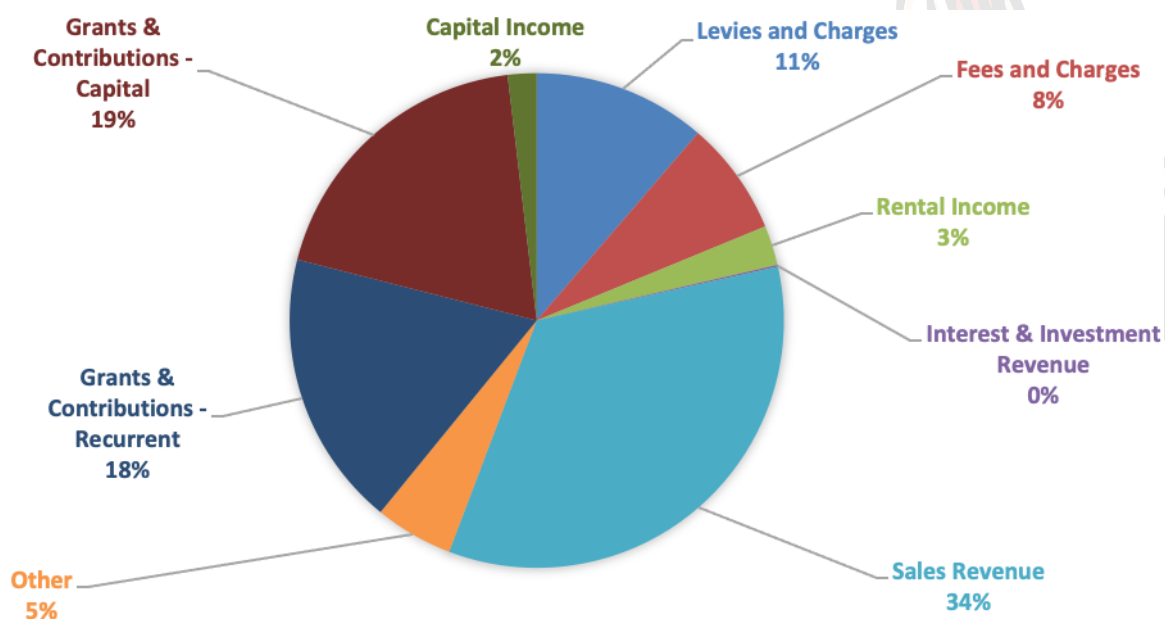
Council recorded **\$28.04 million** in revenue and other income for the year ended 30 June 2021.

Total revenue increased by \$1.58 million (+6%) on the previous year. Principal movements included:

- **Capital Grants \$5.4 million ↓(-\$600k)** Capital grants funding was received for major asset and infrastructure projects including:
 - Road Reconstruction - Disaster Recovery Funding Arrangements (DRFA)
 - Lelka Murrin Tavern Refurbishment
 - Places of Refuge - Cyclonic Tie-Down of Buildings

Cash funds received for capital grant projects are treated as a contract liability and deposited into Queensland Treasury Corporation (QTC) cash fund accounts (i.e., Restricted Cash). Capital revenue is recognised as the related asset is constructed.

- **Other Income \$1.4 million ↑(+1.1m)** Insurance Recoveries were received for several Council and community assets. This income is one-off and received for the specific purpose of replacement of the damaged/ destroyed assets.



EXPENSES

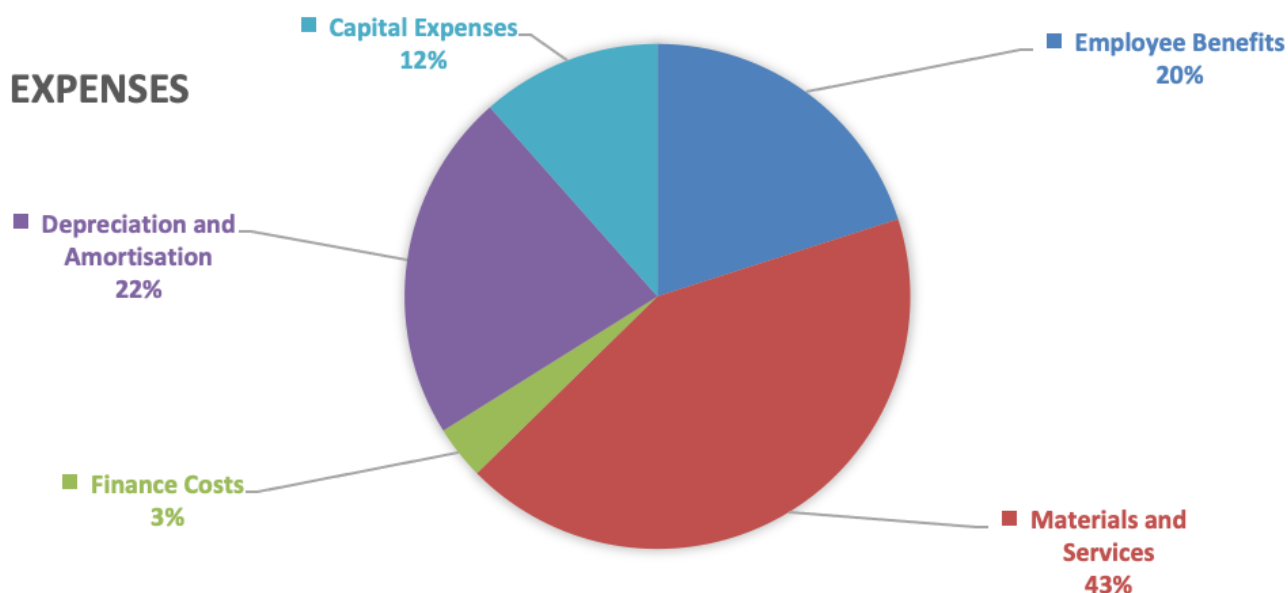
Council incurred **\$27.7million** in expenses during the year which included operational expenditure of **\$24.5million** and capital expenditure of **\$3.2million**. Total cash flows for capital projects was **\$7.2million**.

The main expenses included:

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

Capital expenses

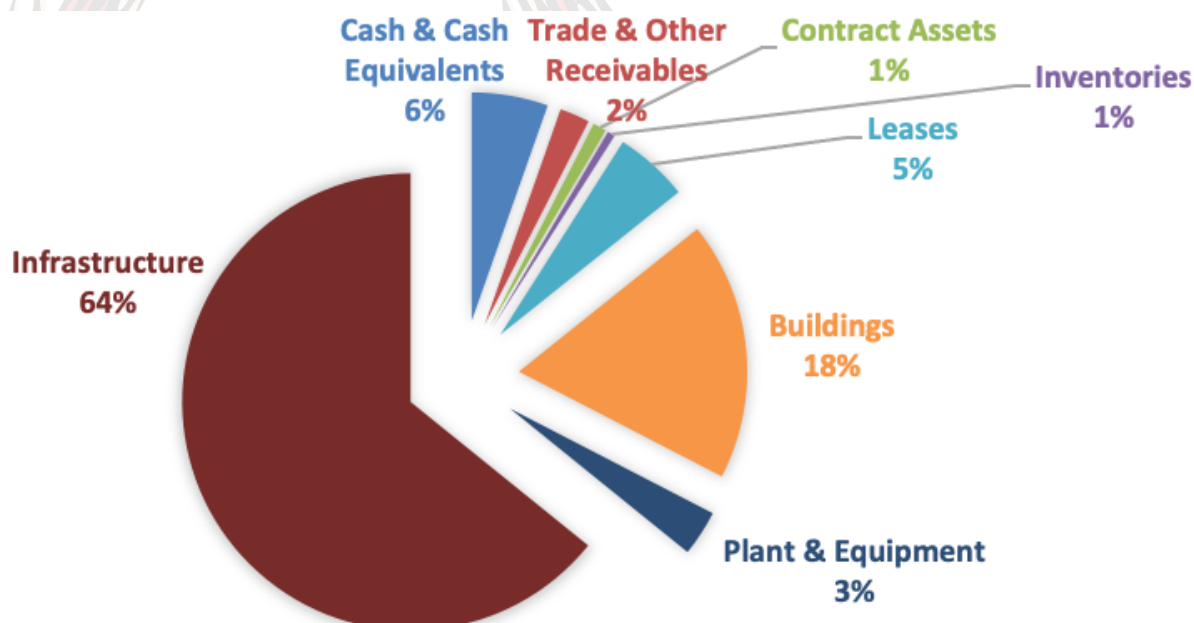
- Capital expenses were related to the restoration of flood damaged road infrastructure



ASSETS

As at 30 June 2021, Council's assets were valued at **\$127 million**.

What Council Owns



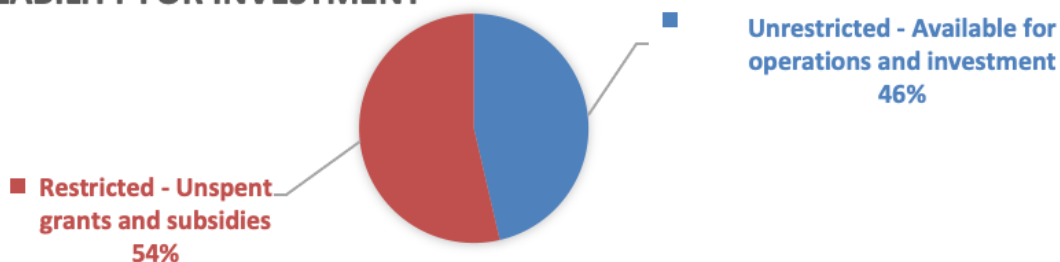
CASH & EQUIVALENTS

Cash held at bank may have restrictions placed over its use. These funds are classified as either unrestricted or restricted.

Unrestricted funds are monies received from day-to-day operations and from grant funding which does not place conditions over how it is to be spent. These funds are available to be re-invested into operations, asset replacement/ renewal and delivery of services to the community generally.

Restricted funds are generally received in the form of grants from other levels of government and are required to be spent for a specific purpose, such as construction of buildings or infrastructure. These funds are not available to fund operations. Unspent funds or funds not spent according to the funding requirements may be required to be returned to the funding body.

CASH AVAILABILITY FOR INVESTMENT



LIABILITIES

At 30 June 2021, Council's liabilities totalled **\$8.2 million**. This was made up of the following:

- Amounts owing to suppliers
- Unspent capital grant funding
- Provision for restoration of landfill; and
- Employee leave entitlements

Total liabilities increased by **\$3.1 million ↑ (+63%)** on the previous year. Principal movements included:

- **Trade Payables \$2.9 million ↑ (+\$1.4 million)** The significant increase was largely due to timing of large payments for contract works, such as road reconstruction projects.
- **Contract Liability \$3.7 million ↑ (+\$1.8 million)** This balance represents the total of grant funds received for a specific purpose minus the expenditure to date for the underlying projects. The level of liability will vary from year to year depending on the success of grant funding applications, timing of receipt of funds and progress of project delivery.

COMMUNITY EQUITY

Council's community equity is defined as its net worth – what we own, less what we owe. At 30 June 2021, Council's community equity was **\$119 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 2021 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%	-10.7%
Asset Sustainability Ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	> 60%	92.6%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	> 90%	-16.0%

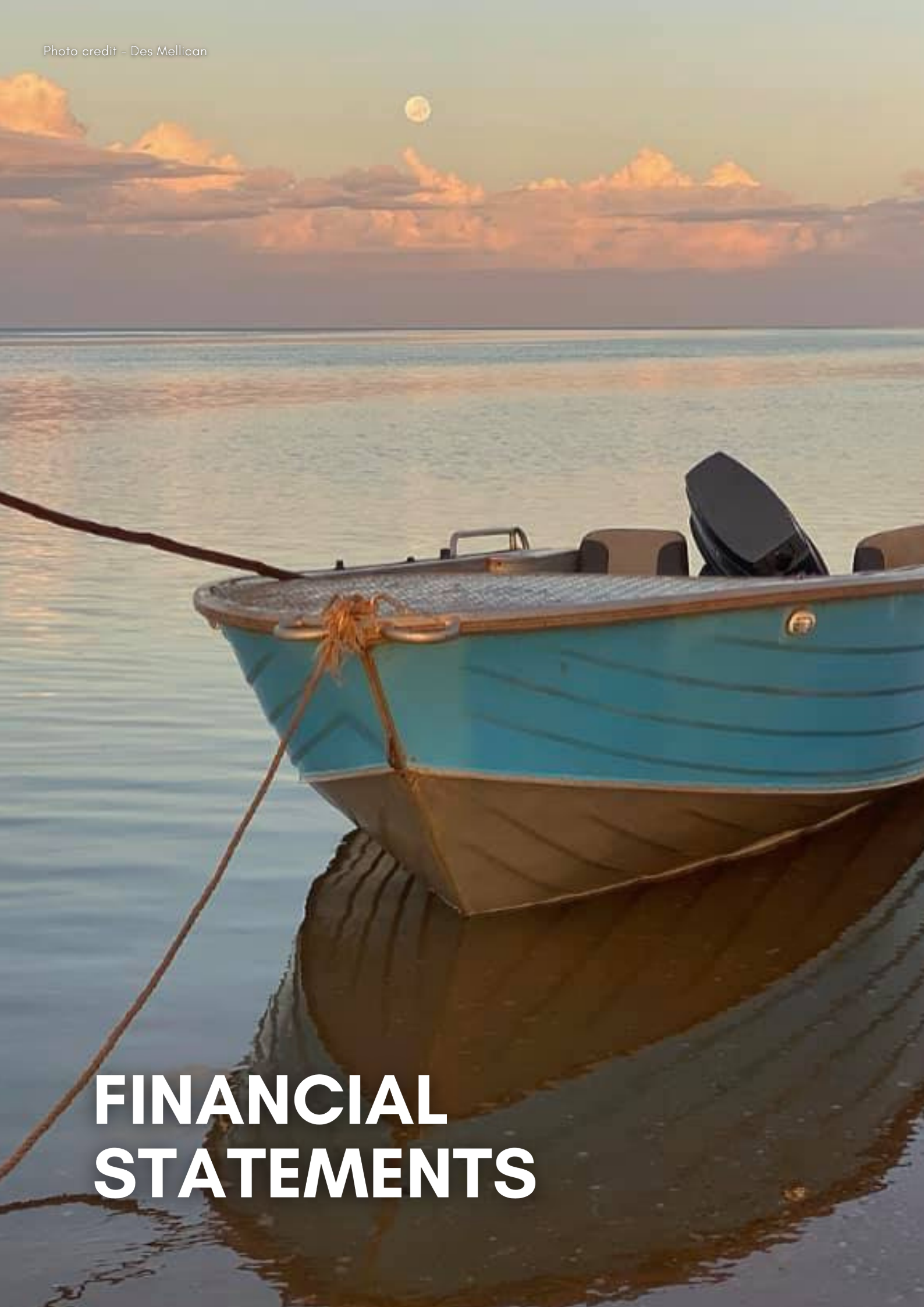
Operating Surplus Ratio measures the organisations' ability to fund ongoing operations over the long-term. A positive operating surplus ratio is required to be maintained for the current level of services to be sustainable. A negative operating surplus ratio as currently shown for Council indicates that the current level of services are not sustainable and likely to raise future financial sustainability challenges.

Asset Sustainability Ratio approximates the extent that property, plant, equipment, and infrastructure are being replaced as they reach the end of their useful lives. A higher ratio indicates that the organisation is likely to be sufficiently managing, replacing, and renewing existing infrastructure. A lower ratio, as shown for Council, indicates that infrastructure may not be replaced or renewed, resulting in reduced service levels for current users and create a burden on future generations.

Net Financial Liabilities Ratio is an indicator of the extent that net financial liabilities can be serviced from current operating revenue. This is currently noted as above target for Council.

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.

Photo credit - Des Mellican

A photograph of a blue boat with an outboard motor on calm water at sunset. The boat is in the foreground, and its reflection is visible in the water. The sky is filled with orange and yellow clouds, and a full moon is visible in the upper center. The text "FINANCIAL STATEMENTS" is overlaid in white, bold, sans-serif font at the bottom left.

FINANCIAL STATEMENTS

Mornington Shire Council
Financial Statements
for the year ended 30 June 2021

Mornington Shire Council

Financial Statements

For the year ended 30 June 2021

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Mornington Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2021

		Council	
	Note	2021 \$	Restated 2020 \$
Income			
Revenue			
Recurrent revenue			
Levies and charges	3(a)	3,173,232	2,821,145
Fees and charges	3(b)	2,095,705	1,607,553
Sales revenue	3(c)	9,607,462	9,709,264
Grants, subsidies and contributions	3(d)(i)	5,066,936	5,033,643
		<u>19,943,335</u>	<u>19,171,605</u>
Capital revenue			
Grants, subsidies and contributions	3(d)(ii)	5,368,717	5,956,792
Total capital revenue		<u>5,368,717</u>	<u>5,956,792</u>
Rental income	13	728,380	517,719
Interest revenue	4(b)	34,043	46,952
Other income	4(a)	1,437,240	258,973
Capital income	5	529,263	504,624
Total income		<u>28,040,978</u>	<u>26,456,665</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(5,555,045)	(6,102,777)
Materials and services	7	(11,806,419)	(11,658,427)
Finance costs	8	(950,078)	(147,224)
Depreciation	14	(6,205,654)	(5,702,727)
		<u>(24,517,196)</u>	<u>(23,611,155)</u>
Capital expenses	9	(3,191,830)	(2,647,865)
Total expenses		<u>(27,709,026)</u>	<u>(26,259,020)</u>
Net result		<u>331,952</u>	<u>197,645</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Movement in asset revaluation surplus	18	267,564	-
Total other comprehensive income for the year		<u>267,564</u>	<u>-</u>
Total comprehensive income for the year		<u>599,516</u>	<u>197,645</u>

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

Mornington Shire Council
Statement of Financial Position
as at 30 June 2021

	Note	2021 \$	Restated 2020 \$
Current assets			
Cash and cash equivalents	10	6,883,292	3,860,376
Trade and other receivables	11	2,708,176	1,308,961
Inventories		686,285	629,560
Contract asset	12(a)	1,226,285	303,551
Leases	13	208,092	208,092
Total current assets		11,712,130	6,310,540
Non-current assets			
Leases	13	6,465,862	6,199,478
Property, plant and equipment	14	109,208,536	111,108,456
Total non-current assets		115,674,398	117,307,934
Total assets		127,386,528	123,618,474
Current liabilities			
Trade and other payables	16	2,937,121	1,500,451
Contract liability	12(b)	3,691,979	1,936,162
Provisions	17	16,613	24,902
Total current liabilities		6,645,713	3,461,515
Non-current liabilities			
Provisions	17	1,534,156	1,549,816
Total non-current liabilities		1,534,156	1,549,816
Total liabilities		8,179,869	5,011,331
Net Community assets		119,206,659	118,607,143
Community Equity			
Asset revaluation surplus	18	99,427,769	99,160,205
Retained surplus		19,778,890	19,446,938
Total Community equity		119,206,659	118,607,143

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

Mornington Shire Council
Statement of Changes in Equity
For the year ended 30 June 2021

	Note	Asset Revaluation Surplus 18	Retained Surplus	Total
		\$	\$	\$
Balance as at 1 July 2020		99,160,205	20,926,054	120,086,259
Correction of error in revenue recognition	21		686,578	686,578
Correction of error in capital expenses	21		(2,165,694)	(2,165,694)
Restated balance at 1 July 2020		<u>99,160,205</u>	<u>19,446,938</u>	<u>118,607,143</u>
Net operating surplus		-	331,952	331,952
Other comprehensive income for the year				
Increase / (decrease) in asset revaluation surplus	18	267,564	-	267,564
Balance as at 30 June 2021		<u>99,427,769</u>	<u>19,778,890</u>	<u>119,206,659</u>
Balance as at 1 July 2019		99,160,205	21,026,564	120,186,769
Adjustment on initial application of AASB 15/ AASB 1058			(1,777,271)	(1,777,271)
Net operating surplus		-	197,645	197,645
Other comprehensive income for the year				
Increase / (decrease) in asset revaluation surplus				-
Balance as at 30 June 2020		<u>99,160,205</u>	<u>19,446,938</u>	<u>118,607,143</u>

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 2021

		Council	
	Note	2021	2020
		\$	\$
Cash flows from operating activities			
Receipts from customers		15,876,486	14,328,973
Payments to suppliers and employees		(17,510,409)	(18,222,034)
		(1,633,923)	(3,893,061)
Rental Income		317,731	517,719
Interest received		32,787	46,952
Operating grants and contributions		5,068,134	5,033,643
Net cash inflow (outflow) from operating activities	19	3,784,729	1,705,253
Cash flows from investing activities			
Payments for property, plant and equipment		(7,217,772)	(5,887,185)
Proceeds from sale of property plant and equipment	9	11,281	81,955
Lease receipts	13	262,879	214,857
Grants, subsidies, contributions and donations		6,181,799	5,564,283
Net cash inflow (outflow) from investing activities		(761,813)	(26,090)
Net increase (decrease) in cash and cash equivalent held		3,022,916	1,679,163
Cash and equivalents at the beginning of the financial year		3,860,376	2,181,213
Cash and equivalents at end of the financial year	10	6,883,292	3,860,376

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

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

1 Information about these financial statements

1.A Basis of Preparation

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

These general purpose financial statements are for the period 1 July 2020 to 30 June 2021 and have been prepared in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*.

These financial statements comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Council is a not-for-profit entity for financial reporting purposes and complies with Australian Accounting Standards as applicable to not-for-profit entities.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain classes of 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 Adoption of New and Revised Accounting Standards

Council has adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2020, none of the standards had a material impact on reported position, performance and cash flows.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

1.C Standards Issued Not Yet Effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2021, these standards have not been adopted by Council and will be included in the financial statements on their effective date. The standards are not expected to have a material impact upon Council's future financial statements.

1.D Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Councils make a number of judgements, estimates and assumptions in preparing these financial statements. These are based on the best information available to Council at the time, however due to the passage of time, these assumptions may change and therefore the recorded balances may not reflect the final outcomes. These significant judgements, estimates and assumptions relate to the following items and specific information is provided in the relevant note:

Judgements, Estimates and Assumptions	Note
Valuation and depreciation of property, plant and equipment	14,15
Impairment of property, plant and equipment	14
Provisions	17
Valuation of finance leases	13
Contingent liabilities	23
Financial instruments and financial liabilities	20
Revenue Recognition	3

1.E 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.F 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.G Rounding and Comparatives

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

1.H 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 2021

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. The Executive Managers, along with the Chief Executive Officer form the Executive Leadership Team.

Financial Services

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

Governance

The Governance department advises on legal, human resources and governance issues and is responsible for managing the service delivery reform program and ensuring the good governance of Council. Activities performed by Governance were previously the responsibility of the Council and Executive Leadership Team 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
- Bakery
- Council Warehouse
- Grants
- Payroll
- Property Management (Residential and Commercial)
- Sports and Recreation
- Workplace Health and Safety

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

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 2021													
Functions	Gross program income						Total income	Gross program expenses		Total expenses	Net result from recurrent operations	Net Result	Assets
	Recurrent				Capital								
	Grants	Other	Grants	Other									
	2021	2021	2021	2021									
	\$	\$	\$	\$	2021	2021	\$	2021	\$			2021	\$
Council and Executive	-	-	-	-	-	(1,869,421)	-	(1,869,421)	(1,869,421)				22,180,834
Leadership Team													
Financial Services	4,635,144	2,527,684	122,716		529,263	7,814,806	(4,040,019)	(1,980)	(4,041,998)	3,122,809	3,772,808	119,938	
Governance	111,667	14,346	-		-	126,013	(578,078)	-	(578,078)	(452,065)	(452,065)	-	
Infrastructure/ Technical Services	294,825	11,965,427	4,323,823		-	16,584,076	(14,548,065)	(3,189,850)	(17,737,914)	(2,287,812)	(1,153,839)	78,020,289	
Human Services	21,100	2,572,805	922,178		-	3,516,082	(3,481,614)	-	(3,481,614)	(887,709)	34,469	27,065,467	
Total Council	5,062,736	17,080,262	5,368,717		529,263	28,040,977	(24,517,196)	(3,191,830)	(27,709,025)	(2,374,198)	331,952	127,386,528	

Year ended 30 June 2020												
Functions	Gross program income						Gross program expenses			Net result from recurrent operations	Net Result	Assets
	Recurrent		Capital		Total income	Recurrent	Capital	Total expenses				
	Grants	Other	Grants	Other								
	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Council and Executive	-	57,509	-	-	57,509	(1,893,943)	-	(1,893,943)	(1,836,434)	(1,836,434)	16,058,684	
Leadership Team												
Financial Services	4,603,773	1,118,249	53,794	504,624	6,280,441	(3,243,187)	-	(3,243,187)	2,478,835	3,037,254	7,226	
Governance	114,000	15,791	-	-	129,791	(504,757)	-	(504,757)	(374,965)	(374,965)	267,133	
Infrastructure/ Technical Services	315,870	11,893,573	3,500,200	-	15,709,643	(14,653,547)	(2,647,865)	(17,301,413)	(2,444,104)	(1,591,770)	79,256,485	
Human Services	-	1,876,483	2,402,798	-	4,279,281	(3,315,721)	-	(3,315,721)	(1,439,238)	963,560	28,028,946	
Total Council	5,033,643	14,961,606	5,956,792	504,624	26,456,665	(23,611,155)	(2,647,865)	(26,259,020)	(3,615,906)	197,645	123,618,474	

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

3 Revenue

(a) Levies and Charges

Levies and annual charges are recognised as revenue when the council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate.

Service charges are levied annually based on the quantity of the specified unit of measure associated with each property. The charge and corresponding unit of measure are set out in Council's Fees & Charges.

	2021	2020
	\$	\$
Water	1,290,476	1,091,165
Sewerage	671,056	558,070
Garbage charges	623,220	523,910
General service charges	588,480	648,000
	<u>3,173,232</u>	<u>2,821,145</u>

(b) Fees and Charges

Revenue arising from fees and charges is recognised at the point in time when the performance obligation is completed and the customer receives the benefit of the goods/ services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payments are within 30 days of the provision of services or in some cases paid upfront. There is no material obligation for Council in relation to refunds or returns.

Airport landing fees are measured based on the number of passengers and recognised net of amounts not expected to be recoverable.

Accommodation fees consists of revenue from bookings at Council run Motel and Visitor Accommodation Centre and other accommodation which is not subject to a commercial leasing arrangement. Revenue is recognised at the time of occupancy of the premises (subject to conditions of cancellation policies) and measured at the prices listed in the Fees and Charges.

	\$	\$
Airport landing fees	477,283	400,443
Accommodation fees	1,520,237	1,125,580
Other fees and charges	98,185	81,530
	<u>2,095,705</u>	<u>1,607,553</u>

(c) Sales Revenue

Sale of goods revenue is recognised at the point in time when the customer has taken delivery of the goods. Revenue from services is recognised when the service is rendered.

Contract and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. The revenue and the associated costs are recognised by reference to the stage of completion of the contract activity based on costs incurred at the reporting date. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed. Council has a number of contracts in progress at year end (2020: nil). The contract work carried out is not subject to retentions.

	\$	\$
Rendering of Services		
Contract works	6,475,969	6,093,008
Other recoverable works	1,818,413	2,546,011
	<u>8,294,382</u>	<u>8,639,019</u>
Sale of goods		
Sale of goods	1,313,080	1,070,245
	<u>1,313,080</u>	<u>1,070,245</u>
	<u>9,607,462</u>	<u>9,709,264</u>

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

(d) Grants, Subsidies and Contributions

Grant income under AASB 1058

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

Capital grants

Capital grants received to enable Council to acquire or construct an item of property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

Where assets are donated or purchased for significantly below fair value, the revenue is recognised when the asset is acquired and controlled by the Council.

	2021	2020
	\$	\$
(i) Operating		
Commonwealth government subsidies and grants	-	-
General purpose grants	4,537,881	4,553,276
State government subsidies and grants	515,153	395,575
Other	13,902	84,792
	<u>5,066,936</u>	<u>5,033,643</u>

Grants and contributions are to be classified as operating or capital depending on the purpose for which they were received and not on the purpose for which they were spent. General purpose grants and contributions are all classified as operating regardless of how they are spent.

(ii) Capital

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.

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.

	\$	\$
Commonwealth government subsidies and grants	76,418	-
NDRRA/ DRFA funding	3,907,815	2,051,246
State government subsidies and grants	1,364,484	3,354,146
Other contributions	20,000	551,400
	<u>5,368,717</u>	<u>5,956,792</u>

(iii) Timing of revenue recognition for grant, subsidies, contributions and donations

	2021		2020	
	Timing of Recognition		Timing of Recognition	
	Point in time	Over time	Point in time	Over time
Grants and subsidies	5,066,936	5,368,717	5,033,643	5,956,792
	<u>5,066,936</u>	<u>5,368,717</u>	<u>5,033,643</u>	<u>5,956,792</u>

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

4 Interest and Other Income		2021	2020
		\$	\$
(a) Other Income			
Other Income		21,575	219,817
Insurance Recoveries		1,415,665	39,156
		<u>1,437,240</u>	<u>258,973</u>
Insurance recoveries are recognised as income once the proceeds have been quantified and acknowledgement of payment of the claim has been received from the insurer.			
(b) Interest Revenue			
Interest received on deposits		34,043	46,952
		<u>34,043</u>	<u>46,952</u>
5 Capital Income			
Gain/ (loss) on revaluation of finance leases		529,263	504,624
Fair value of newly recognised controlled assets		-	-
Total Capital Income		<u>529,263</u>	<u>504,624</u>
6 Employee Benefits			
Employee benefit expenses are recorded when the service has been provided by the employee			
Total staff wages and salaries		3,537,249	4,167,030
Councillors' remuneration		350,880	294,049
Annual, sick and long service leave entitlements		435,955	482,558
Superannuation	24	624,133	607,125
		<u>4,948,217</u>	<u>5,550,762</u>
Other employee related expenses		656,455	586,050
		<u>5,604,672</u>	<u>6,136,812</u>
Less: Capitalised employee expenses		(49,627)	(34,035)
		<u>5,555,045</u>	<u>6,102,777</u>
Councillor remuneration represents salary, other allowances, costs and training paid in respect of carrying out their duties.			
Total Council employees at the reporting date:		2021	2020
Elected members		5	5
Administration staff		23	17
Depot and outdoors staff		71	62
Total full time equivalent employees		<u>99</u>	<u>84</u>
7 Materials and Services		2021	2020
Expenses are recorded on an accruals basis as Council receives the goods or services		\$	\$
Administration expenses		975,745	1,011,205
Audit of annual financial statements *		93,750	76,991
Community and civic expenses		132,993	153,266
Consultants		394,470	526,212
Contract works		442,028	2,251,521
Contractors		6,073,372	3,604,952
Cost of goods sold		1,085,375	1,579,796
Insurance		498,181	502,238
Management fees and subscriptions		393,943	380,705
Motor vehicle expenses		416,122	388,725
Other materials and services		814,827	682,155
Other recoverable works		283,535	299,567
Repairs and maintenance		202,078	201,094
		<u>11,806,419</u>	<u>11,658,427</u>

* Total estimated audit fees by the QAO relating to the 2021 annual financial statements are \$77,700 (2020: Actual \$93,750).

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

8 Finance Costs

	2021	2020
	\$	\$
Bank charges	14,757	13,968
Impairment of receivables	988,612	124,088
Unwinding of discount on provisions	(53,291)	9,168
	<u>950,078</u>	<u>147,224</u>

9 Capital Expenses

	2021	2020
	\$	\$
Gain / (loss) on disposal of non-current assets		
Proceeds from the sale of property, plant and equipment	11,281	81,955
Less: Book value of property, plant and equipment disposed	(326,270)	(278,939)
Total Gain/ (loss) on disposal of non-current assets	<u>(314,989)</u>	<u>(196,984)</u>
Provision for restoration of landfill		
Discount rate adjustment to landfill restoration provision 17	(72,238)	(285,187)
	<u>(72,238)</u>	<u>(285,187)</u>
Road reconstruction expense		
Capital expense as a result of road restoration - TC Trevor 14 g)	(2,804,603)	(2,165,694)
	<u>(2,804,603)</u>	<u>(2,165,694)</u>
Total Capital Expenses	<u>(3,191,830)</u>	<u>(2,647,865)</u>

10 Cash and Cash Equivalents

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

	2021	2020
	\$	\$
Cash at bank and on hand	6,883,292	3,860,376
Balance per Statement of Cash Flows	<u>6,883,292</u>	<u>3,860,376</u>

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.

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:

	2021	2020
	\$	\$
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:		
Unspent government grants and subsidies	3,691,979	114,940
Total unspent restricted cash	<u>3,691,979</u>	<u>114,940</u>

Trust funds held for outside parties

The Council performs only a custodial role in respect of these monies. As these funds cannot be used by the Council,

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	80	80
	<u>80</u>	<u>80</u>

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

11 Trade and Other Receivables

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

Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. All known bad debts were written-off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue.

Subsequent recoveries of amounts previously written off in the same period are recognised as finance costs in the Statement of Comprehensive Income.

	2021	2020
	\$	\$
Current		
Trade debtors	2,419,276	1,210,548
Other debtors	786,669	82,444
Less: Impairment	(1,145,708)	(157,096)
GST recoverable	647,939	173,065
	<u>2,708,176</u>	<u>1,308,961</u>

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

Movement in accumulated impairment losses is as follows:

	\$	\$
Opening balance at 1 July	157,096	216,502
Impairment debts written off during the year	-	(56,213)
Additional impairments recognised	988,612	124,087
Impairments reversed	-	(127,280)
Closing balance at 30 June	<u>1,145,708</u>	<u>157,096</u>

Trade and other receivables

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

Lease receivables

Council has elected to use the simplified approach for lease receivables. Whilst historical data shows that defaults have occurred, even in the event of a default occurring, Council has determined expected credit losses for this receivables grouping to be immaterial, accordingly an expected credit loss of lease receivables is not calculated.

At 30 June, the exposure to credit risk for trade receivables by type of counterparty was as

	2021	2020
	\$	\$
Property charges	383,209	397,931
Community organisations	805,491	200,044
Other	2,017,242	695,017
	<u>3,205,942</u>	<u>1,292,993</u>

A summary of the Council's exposure to credit risk for trade receivables is as follows:

	2021	2021	2020	2020
	Not credit-	Credit-	Not credit-	Credit-
	impaired	impaired	impaired	impaired
	\$	\$	\$	\$
Not past due	1,892,847	333,585	648,899	-
Past due 31-60 days	23,489	12,143	20,611	-
Past due 61-90 days	20,259	6,066	13,062	-
More than 90 days	126,640	790,911	453,323	157,096
Total gross carrying amount	<u>2,063,235</u>	<u>1,142,705</u>	<u>1,135,895</u>	<u>157,096</u>
Loss allowance	-	(1,142,705)	-	(157,096)
	<u>2,063,235</u>	<u>-</u>	<u>1,135,895</u>	<u>-</u>

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

12 Contract Balances

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer/ fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

	2021 \$	Restated 2020 \$
(a) Contract assets	<u>1,226,285</u>	<u>303,551</u>
(b) Contract liabilities		
Funds received upfront to construct Council controlled assets	3,671,979	1,916,162
Deposits received in advance of services provided (e.g. non-capital and other service delivery obligations)	20,000	20,000
	<u>3,691,979</u>	<u>1,936,162</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Funds received upfront to construct Council controlled assets	1,227,565	2,399,673
Non-capital performance obligations	-	-
	<u>1,227,565</u>	<u>2,399,673</u>

(c) Significant changes in contract balances

Significant movements in contract balances have occurred during the year, resulting from changes in timing of work performed and the receipt of monies in advance for work yet to commence.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

13 Leases

Council as a Lessor

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 Revenue from Contracts with Customers.

The lease income is recognised on a straight-line basis over the lease term.

Finance leases:

Council has leased 230 dwellings as lessor to the Queensland Government for 40 years. The total lease payment per dwelling in the current year is between \$800 - 907.60. These lease payments are required to be adjusted each year by the change in the Consumer Price Index (All Groups) for Brisbane. As the gross lease payments are insufficient to cover the fair value (current replacement cost) of the leased properties, there is no interest rate implicit in the leases and therefore no finance income will arise from the leases. Consequently, the leases are recognised at the present value of the expected future lease payments receivable (fair value). Gains on revaluation of finance lease assets are recognised as other income.

There are no unearned finance income, unguaranteed residual values accruing to the benefit of Council, accumulated allowance for uncollectible minimum lease payments receivable or contingent rents recognised as income applicable to the leases.

	2021 \$	2020 \$
Current		
Finance leases	208,092	208,092
	<u>208,092</u>	<u>208,092</u>
Non-Current		
Finance leases	6,465,862	6,199,478
	<u>6,465,862</u>	<u>6,199,478</u>
A reconciliation between the gross investment in the lease and the fair value of lease payments is as follows:		
Gross minimum lease payments receivable:		
Not later than one year	208,092	208,092
Later than one year but not later than five years	832,368	832,368
Later than five years	5,170,819	5,376,941
	<u>6,211,279</u>	<u>6,417,401</u>
Add: Estimated contingent rent	2,863,243	2,632,138
Less: Present value adjustment	<u>(2,400,568)</u>	<u>(2,641,969)</u>
Fair value of lease payments	<u>6,673,954</u>	<u>6,407,570</u>
The fair value of lease payments are receivable as follows:		
Not later than one year	208,092	208,092
Between one and two years	208,845	207,787
Between two and three years	209,602	207,482
Between three and four years	210,361	207,178
Between four and five years	211,123	206,875
Later than five years	5,625,931	5,370,156
	<u>6,673,954</u>	<u>6,407,570</u>

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

13 Leases

	2021 \$	2020 \$
Movements in finance leases were as follows:		
Opening balance	6,407,570	6,117,804
Less: Lease receipts	(262,879)	(214,857)
Add: Gain/ (loss) on revaluation	529,263	504,624
Closing balance	<u>6,673,954</u>	<u>6,407,570</u>

Key estimates and assumptions		
Consumer Price Index (CPI)	2.5% : 2020/21	2.2% : 2019/20
Any increase in the consumer price index would result in an increase in actual lease receipts due not later than one year, an increase in estimated contingent rent and a corresponding increase in the revaluation gain (net of discounting). A decrease in CPI would result in a reduction in the estimated contingent rent		
Discount Rate	2.13% : 2020/21	2.4% : 2019/20
An increase in the discount rate would result in a reduction in the fair value of lease payments and a corresponding decrease or loss on revaluation. A decrease in the discount rate would result in an increase in fair value of lease payments and a corresponding gain on revaluation.		

Operating leases:

Where Council retains the risks and rewards relating to a lease, they are classified as operating leases and related to several buildings held as property, plant and equipment in the statement of financial position for strategic purpose and to provide a social service.

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

	2021 \$	2020 \$
Investment property income (excluding variable lease payments not dependent on an index or rate)	728,380	517,719

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.

The Council has entered into commercial property leases on some of its buildings.

The minimum leases receipts are as follows:

	2021 \$	2020 \$
Not later than one year	502,593	274,859
One to five years	1,035,606	894,658
Later than five years	3,755,030	3,034,186
	<u>5,293,229</u>	<u>4,203,703</u>

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

14 Property, Plant and Equipment

Council - 30 June 2021

Basis of Measurement
Asset Values
 Opening gross value as at 1 July 2020 - Restated
 Additions
 Disposals
 Revaluation adjustment to other comprehensive income (asset revaluation surplus)
 Capital expense as a result of road restoration - TC Trevor
 Transfers between classes
Closing gross value as at 30 June 2021

Buildings	Plant and Equipment	Road and Drainage Network	Water	Sewerage	Other Infrastructure Assets	Work in Progress	Total
Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
\$	\$	\$	\$	\$	\$	\$	\$
46,343,455	6,450,836	60,874,535	33,374,706	14,044,498	23,208,598	8,217,438	192,514,066
	1,042,694					6,126,348	7,169,042
	(97,999)		(319,453)	(93,180)			(510,632)
1,580,197		2,173,221	708,341	313,636	633,119		5,408,514
		(2,804,603)					(2,804,603)
4,535,568		3,425,412	121,058	1,034,051	1,518,251	(10,634,340)	-
52,459,220	7,395,531	63,668,565	33,884,652	15,299,005	25,359,968	3,709,446	201,776,387

Accumulated depreciation and impairment
 Opening balance as at 1 July 2020 - Restated
 Depreciation provided in period
 Depreciation on disposals
 Revaluation adjustment to asset revaluation surplus
 Reversal of write-down of condition as result of road restoration - TC Trevor
 Write-down of damage as result of natural disaster - TC Ester & TC Inogen
 Transfers between classes
Accumulated depreciation as at 30 June 2021

23,327,473	4,116,570	27,298,877	13,159,265	8,561,251	4,942,174	-	81,405,610
1,291,746	362,744	3,141,403	494,679	276,257	638,825		6,205,654
	(95,510)		(49,118)	(39,734)			(184,362)
774,534		974,570	275,805	189,361	140,675		2,354,944
		(5,227,848)					(5,227,848)
		8,013,852					8,013,852
25,393,753	4,383,804	34,200,854	13,880,631	8,987,135	5,721,674	-	92,567,850

Total written down value as at 30 June 2021
 Residual Value
 Range of estimated useful life in years

27,065,467	3,011,727	29,467,711	20,004,021	6,311,870	19,638,294	3,709,446	109,208,536
-	-	-	-	-	-	-	
15-60	5-40	5-50	10-100	15-100	1-50	-	

Additions Comprise:
 Renewals
 Other additions
 Total additions

\$	\$	\$	\$	\$	\$	\$	\$
-	723,757					5,408,742	6,132,499
-	318,937					717,606	1,036,543
-	1,042,694	-	-	-	-	6,126,348	7,169,042

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

14 Property, Plant and Equipment

Council - 30 June 2020
 Basis of Measurement
Asset Values
 Opening gross value as at 1 July 2019
 Additions
 Disposals
 Capital expense as a result of road restoration - TC Trevor
 Transfers between classes
Closing gross value as at 30 June 2020 - Restated

Buildings	Plant and Equipment	Road and Drainage Network	Water	Sewerage	Other Infrastructure Assets	Work in Progress	Total
Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
\$	\$	\$	\$	\$	\$		\$
45,147,443	6,289,973	60,874,535	33,374,706	14,044,498	22,939,946	5,924,259	188,595,360
1,254,403	110,351				281,598	5,490,992	7,137,344
(865,458)	(160,514)	(2,165,694)			(12,946)	(14,026)	(1,052,944)
							(2,165,694)
807,067	211,026	2,165,694				(3,183,787)	-
46,343,455	6,450,836	60,874,535	33,374,706	14,044,498	23,208,598	8,217,438	192,514,066

Accumulated depreciation and impairment
 Opening balance as at 1 July 2019
 Depreciation provided in period
 Depreciation on disposals
 Fair value adjustment on recognition of property, plant and equipment
Accumulated depreciation as at 30 June 2020 - Restated
Total written down value as at 30 June 2020 - Restated
 Residual value
 Range of estimated useful life in years

21,917,244	3,932,095	24,296,242	12,668,207	8,304,366	4,360,107	-	75,478,261
1,096,428	262,650	3,002,635	491,058	256,865	593,071	-	5,702,727
(670,799)	(78,175)	-	-	-	(11,004)	-	(759,978)
984,600	-	-	-	-	-	-	984,600
23,327,473	4,116,570	27,298,877	13,159,265	8,561,251	4,942,174	-	81,405,610
23,015,982	2,334,266	33,575,658	20,215,441	5,483,247	18,266,424	8,217,438	111,108,456
-	-	-	-	-	-	-	-
15-60	5-40	5-50	10-100	15-100	1-50	-	-

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

14 Property, Plant and Equipment

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 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, 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 and estimated useful lives 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. Condition assessments were performed as part of the 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.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

14 Property, Plant and Equipment

Key judgements and estimates:

Straight line depreciation is used as that is consistent with the even consumption of service potential of these assets over their useful life to the Council.

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

d) Impairment

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

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

e) Valuation

Key judgements and estimates:

Some of the Council's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Council uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Council engages third party qualified valuers to perform the valuation. The Council works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed within this note.

f) 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 in intervening years and, where material, are applied to the asset values.

Revaluation increases are recognised in the asset revaluation surplus unless they are reversing a previous decrease which was taken through the income statement, in that case the increase is taken to the income statement to the extent of the previous decrease.

Revaluation decreases are recognised in the asset revaluation surplus, where there is sufficient amount available in the asset revaluation surplus relating to that asset class. Where there isn't sufficient amount available in the surplus, the decrease is recognised in the statement of comprehensive income.

Where the class of asset has previously decreased in value and this reduction was recognised as an expenses, an increase in the value of the class is recognised in the statement of comprehensive income.

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.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

14 Property, Plant and Equipment

g) DRFA Capital Works

DRFA funding is received in response to declared natural disaster events which have resulted in significant damage to essential public assets. The expenditure to restore the asset to its pre-disaster condition is treated as a capital addition in the financial year that the work is carried out.

The decrease to the value of the asset as a result of the natural disaster event is treated in one of following ways:

* If it is possible to quantify the write down to the value of the asset in the financial year the natural disaster event occurred, a downward revaluation adjustment is processed to the revaluation reserve against accumulated depreciation. In the year that the restoration work is then carried out, an adjustment is processed to reverse the prior year adjustment to accumulated depreciation and record a decrease in the replacement cost of the asset, resulting in no movement in the fair value of the asset. The actual costs of the restoration work are then recorded as a capital addition.

* If it is not possible to quantify the write down to the value of the asset until the financial year in which the restoration work is performed, a capital write-off against the replacement cost of the asset is recognised in that same year and shown as a capital expense in the Statement of Comprehensive Income.

15 Fair Value Measurements

(i) Recognised Fair Value Measurements

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

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

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

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

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 last full valuation of Council's building assets was performed effective 30 June 2018 by AssetVal Pty Ltd with reference to detailed condition assessments performed by CT Management. The desktop indexation assessments are based on inputs from producer price data, construction indices and recent cost guides (2021: +3.58%) (2020: nil). 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.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

15 Fair Value Measurements

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

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

* Published/ available market data for recent projects, and/or published cost guides were utilised to determine the estimated replacement cost (gross value) of the asset, including allowances for preliminaries and professional fees.

The replacement cost of the assets was determined by applying unit rates to each component of the asset.

The unit rates applied include all materials, labour and overheads. These unit rates are estimated using information collated from similar recent project costs, direct quotations from suppliers, unit rate databases, indices and Rawlinson's' Construction Handbook.

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

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

The assessment of remaining useful life is determined through the asset management condition assessment procedures which take into consideration the current physical condition and applying the relevant condition factor.

Infrastructure Assets (Level 3)

All Council infrastructure assets were valued using written down current replacement cost. There is no market for Council's roads, water, sewerage and drainage assets and other infrastructure assets as these are held to provide essential services to the community. The fair value comprises the estimated current cost of replacement of the asset with a similar asset which is not necessarily an exact reproduction but which has similar service potential and function (plus where applicable an amount for installation), less an amount for depreciation in the form of accrued physical wear and tear, economic and functional obsolescence.

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

The last full valuation of Council's water, sewer and other infrastructure was undertaken by AssetVal Pty Ltd effective 30 June 2017. Desktop indexation has been performed in intervening years with The desktop indexation assessments are based on using composite utilities index developed by combining the Electrical Equipment Manufacturing Index, the Engineering Design and Management Index, the Metal Product Manufacturing Index, the Concrete Product Manufacturing Index and other movement from the ABS Producer Price Index (2021: 1.41%- 1.72%) (2020: nil).

The last full valuation of Council road infrastructure was undertaken by AssetVal Pty Ltd effective 30 June 2017. The desktop indexation assessments are based on ABS Producers' Price Index "Roads and Bridges Construction" (2021: +3.57%) (2020: nil).

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

15 Fair Value Measurements

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

Infrastructure Assets (Level 3)

A desktop road condition assessment was performed by CT Management for the year ended 30 June 2019. The assessment of condition was performed with reference to completion photos of restoration works for damage incurred during declared weather events in 2017 and 2018. The condition ratings of roads damaged during declared weather events in March 2019, February 2020 and January 2021 were subsequently reviewed and revised once the nature and extent of damage could be reasonably quantified. The condition of roads are subsequently reassessed and revised once restoration works are complete.

For the year ended 30 June 2020 Council assessed the relevant indexes and determined that there was no material movement in the current replacement cost of infrastructure assets. Accordingly a nil indexation rate was applied.

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 2021

16 Trade and Other Payables

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

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

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

	2021	2020
	\$	\$
Current		
Creditors and accruals	2,063,691	962,782
Annual leave	290,420	462,832
Other payables	583,010	74,837
	<u>2,937,121</u>	<u>1,500,451</u>

17 Provisions

	2021	2020
	\$	\$
Current		
Long service leave	16,613	24,902
	<u>16,613</u>	<u>24,902</u>
Non-current		
Long service leave	126,037	160,644
Refuse restoration	1,408,119	1,389,172
	<u>1,534,156</u>	<u>1,549,816</u>

Long Service Leave

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

Where employees have met the prerequisite length of service and council does not have an unconditional right to defer this liability beyond 12 months long service leave is classified as a current liability. Otherwise it is classified as non-current.

Details of movements in provisions:

	2021	2020
	\$	\$
Long service leave		
Balance at beginning of financial year	185,546	205,366
Long service leave entitlement arising	99,651	102,425
Long Service entitlement extinguished	(128,439)	(49,035)
Long Service entitlement paid	(14,108)	(73,210)
Balance at end of financial year	<u>142,650</u>	<u>185,546</u>

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

17 Provisions

Key estimates and assumptions		
Wage Price Index	1.1% : 2020/21	3% : 2019/20
Any increase in the wage price index would result in an increase in estimated gross liability and increase the corresponding employee entitlement expense.		
Discount Rate	0.68% : 2020/21	1.75% : 2019/20
An increase in the discount rate would result in a reduction in the gross liability and a corresponding decrease in the corresponding employee entitlement expense. A decrease in the discount rate would result in an increase in the net liability and a corresponding increase in the employee entitlement expense.		

Refuse dump restoration

A provision is made for the cost of restoring refuse dumps where it is probable the Council will be liable, or required, to do this when the use of the facilities is complete.

Details of movements in provisions:

	2021	2020
	\$	\$
Refuse restoration		
Balance at beginning of financial year	1,389,172	1,094,816
Initial recognition of restoration costs	-	-
Increase in provision due to unwinding of discount	(53,291)	9,168
Increase (decrease) in provision due to change in discount rate	72,238	285,187
Balance at end of financial year	<u>1,408,119</u>	<u>1,389,172</u>

Key estimates and assumptions

A provision is made for the cost of restoring refuse dumps and quarries where it is probable the council will have an obligation to rehabilitate the site when the use of the facilities is complete.

The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for dump sites is reviewed at least annually and updated based on the facts and circumstances available at the time. Management estimates that the current trenches will close in 2030 and that the restoration and monitoring will occur progressively over the subsequent 30 years.

Refuse restoration provision represents the present value of anticipated future costs associated with the closure of the dump sites, decontamination and monitoring of historical residues and leaching on these sites.

As refuse dumps are on land which Council does not control, the provision for restoration is treated as an expense in the year the provision is first recognised. Changes in the provision are treated as an expense or income.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

18 Asset Revaluation Surplus

The asset revaluation surplus comprises revaluation movements on property, plant and equipment. Increases and decreases on revaluation are offset within a class of assets.

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.

	2021 \$	2020 \$
Movements in the asset revaluation surplus were as follows:		
Balance at beginning of financial year	99,160,205	99,160,205
Net adjustment to non-current assets at end of period to reflect a		
- Buildings	805,663	-
- Road and drainage network	(1,587,354)	-
- Water	432,536	-
- Sewerage	124,275	-
- Other structures	492,444	-
Balance at end of financial year	<u>99,427,769</u>	<u>99,160,205</u>

Asset revaluation surplus analysis

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

Buildings	65,216,708	64,411,045
Road and drainage network	6,346,378	7,933,732
Water	16,732,242	16,299,706
Sewerage	3,587,510	3,463,235
Other structures	7,544,931	7,052,487
	<u>99,427,769</u>	<u>99,160,205</u>

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

	Note	2021 \$	2020 \$
Net result		331,952	197,645
Non-cash items:			
Depreciation and amortisation	14	6,205,654	5,702,727
Other contributions - Non Cash	3(d)(ii)	-	(551,400)
Discount rate adjustment to landfill restoration provision	9	18,947	285,187
Brought forward work in progress expensed in current year	14	-	14,026
(Gain)/ loss on revaluation of finance leases	5	(529,263)	(504,624)
		<u>5,695,338</u>	<u>4,945,916</u>
Investing and development activities:			
Net (profit)/loss on disposal of non-current assets	9	314,989	196,984
Changes in accounting policy		-	(1,777,271)
Correction in prior year error	21	-	(686,578)
Road reconstruction expense	9 & 14g)	2,804,603	2,165,694
Capital grants and contributions	3(d)(ii)	(5,368,717)	(2,941,543)
		<u>(2,249,126)</u>	<u>(3,042,714)</u>
Changes in operating assets and liabilities:			
(Increase)/ decrease in receivables		(1,399,215)	261,228
(Increase)/ decrease in contract assets		-	(303,551)
(Increase)/decrease in inventory		(56,725)	(56,321)
Increase/(decrease) in payables		1,505,401	(571,486)
Increase/(decrease) in contract liabilities		-	-
Increase/(decrease) in other provisions		(42,896)	274,537
		<u>6,565</u>	<u>(395,592)</u>
Net cash inflow from operating activities		<u>3,784,729</u>	<u>1,705,253</u>

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

20 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.

Risk Management Framework

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.

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

The carrying amount of financial assets at the end of the reporting period represent the maximum exposure to credit risk for the Council.

Liquidity Risk

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

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

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

Sensitivity

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

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

20 Financial Instruments

The Council does not account for any fixed-rate financial assets or financial liabilities at Fair Value through Profit or Loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

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

	Net carrying \$	Effect on Net Result		Effect on Equity	
		1% increase \$	1% decrease \$	1% increase \$	1% decrease \$
2021					
Other Deposits	6,883,292	68,833	(68,833)	68,833	(68,833)
Net total	6,883,292	68,833	(68,833)	68,833	(68,833)
2020					
Other Deposits	3,860,376	38,604	(38,604)	38,604	(38,604)
Net total	3,860,376	38,604	(38,604)	38,604	(38,604)

21 Correction of Error

In preparing these financial statements, errors were identified in the preparation and presentation of the financial statements for the year ended 30 June 2020.

The errors relate to the calculation of a contract liability for a capital grant and capitalisation of restoration works to rectify damage to road infrastructure assets which should have been expensed.

The errors described above have been corrected by restating the comparative information. The impact on each item in the financial statements is shown below.

	Original balance as presented at 30 June 2020 \$	Adjustment - Capital Grants \$	Adjustment - Capital Expense \$	Restated balance at 30 June 2020 \$
Statement of Comprehensive Income				
Capital Revenue				
Grants, Subsidies and Contributions	5,270,214	686,578		5,956,792
Total Capital Revenue	5,270,214	686,578		5,956,792
Total Income	25,770,087	686,578		26,456,665
Capital Expenses	(482,171)		(2,165,694)	(2,647,865)
Net Result	1,676,761	686,578	(2,165,694)	197,645
Total comprehensive income for the year	1,676,761	686,578	(2,165,694)	197,645
Statement Financial Position				
Contract Liability	2,622,740	(686,578)		1,936,162
Total current liabilities	4,148,093	(686,578)		3,461,515
Total liabilities	5,697,909	(686,578)		5,011,331
Property, Plant and Equipment	113,274,150		(2,165,694)	111,108,456
Total non-current assets	119,473,628	-	(2,165,694)	117,307,934
Total assets	125,784,168	-	(2,165,694)	123,618,474
Net community assets	120,086,259	686,578	(2,165,694)	118,607,143
Statement of Changes in Equity				
Net operating surplus	1,676,761	686,578	(2,165,694)	197,645
Balance at 30 June 2020	120,086,259	686,578	(2,165,694)	118,607,143

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

22 Commitments for Expenditure

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.

As at 30 June 2021 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

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

The latest audited financial statements for Local Government Workcare are as at 30 June 2020 and show accumulated member funds of \$42,162,717. It is not anticipated that any liability will arise.

24 Superannuation

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

The scheme is a defined benefit plan, however Council is not able to account for it as a defined benefit plan in accordance with AASB 119 because LGIAsuper is unable to account for its proportionate share of the defined benefit obligation, plan assets and costs.

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

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

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2018. The actuary indicated that "At the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." The Council is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

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

The next triennial actuarial review is due 1 July 2021.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

24 Superannuation

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

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

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

	Note	2021 \$	2020 \$
Superannuation contributions made to the Regional Defined Benefits Fund		385,370	544,767
Other superannuation contributions for employees		<u>238,763</u>	<u>62,358</u>
Total superannuation contributions paid by Council for employees:	6	624,133	607,125
		2021 \$	2020 \$
Contributions council expects to make to the Regional Defined Benefits Fund for 2021-22		813,720	727,000

25 Events after the reporting period

There were no material adjusting events after the balance date.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

26 Transactions With Related Parties

a) Key Management Personnel Compensation

Key management personnel (KMP) 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 Executive Managers. The compensation paid to KMP for 2020/21 comprises:

	2021 \$	2020 \$
Short-term employee benefits	1,633,296	1,329,193
Post-employment benefits	62,671	136,591
Total	1,695,967	1,465,784

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

b) Transactions with other related parties

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

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

	Additional information	2021 \$	2020 \$
Employee expenses for close family members of key management personnel	b) i)	72,000	199,992
Purchase of materials and services from entities controlled by key management personnel	b) ii)	310,714	336,950
Rental income charged to related parties	b) iii)	48,299	8,500

i) 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 99 staff (2020: 84) of which 1 (2020: 5) are close family members of key management personnel.

ii) The Council purchased material and services from close family members and entities controlled by key management personnel. All purchases were at arm's length and were in the normal course of council operations.

iii) Income generated from rental and lease income provided to key management personnel, close family members of KMP and/or jointly controlled entities of KMP were on arm's length basis and commensurate with similar arrangement with independent individuals and organisations.

c) Other related entities

On the 18th of June 2019 a beneficial entity comprising three (former) KMP was registered with ASIC. The entity, Mundalbe Enterprises Limited is a public company limited by guarantee and was established as an entity to undertake a range of services in and around the Mornington Shire Council local government area. Mundalbe Enterprises Limited had not traded in the financial year ended 30 June 2021. During the ordinary council meeting held on 21 October 2020, Council resolved to de-register Mundalbe Enterprises Limited. No transactions had occurred between Council and Mundalbe Enterprises Limited during the financial year ended 30 June 2021.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

26 Transactions With Related Parties

d) Outstanding balances

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2021	2020
	\$	\$
Receivables		
Amounts owed by entities controlled by key management personnel and close family members of key management personnel		
Current	16,216	30,868
Past due 31 - 60 days	23,930	4,249
Past due 61 - 90 days	-	-
More than 90 days overdue	15,797	-
Total Owing	55,943	35,117

e) Loans and guarantees to/from related parties

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

During the previous financial year it was identified that the dissection of Councillor remuneration had not been calculated in accordance with the Remuneration Tribunal Report 2019, resulting in the overpayment of the meeting fee to former Councillors. Arrangements for repayment have been entered into with each of the individuals affected and continued throughout the current financial year.

f) Commitments to/ from other related parties

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

g) 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.

Mornington Shire Council
Notes to the Financial Statements
For the year ended 30 June 2021

27 Impacts of Novel Coronavirus (COVID-19) Pandemic on the financial statements as at 30 June 2021

The global COVID-19 pandemic and the subsequent restrictions imposed by the Commonwealth and Queensland governments caused disruption to business and economic activity in both the 2019-20 and 2020-21 financial years. The Commonwealth and Queensland governments implemented bio-security and specific access restrictions for remote communities, including Mornington Island.

The bio-security restrictions were lifted by the Commonwealth Government from 12 June 2020 and all travel restrictions including entry and quarantine requirements were lifted by the Queensland government from 3 July 2020, the latter removing and applying the same provisions as other areas of Queensland.

Revenue items which had, or were likely to have direct impact from the COVID-19 pandemic were identified as follows:

Accommodation Revenue

From 3 July 2020, restrictions were lifted whereby eliminating the need to forego accommodation revenue to meeting quarantining requirements. No further changes were announced during the period to the date of this report which would directly impact this revenue.

Airport Landing Fees

Airport landing fees were significantly reduced during the previous financial year as a direct result of the general travel restrictions and the specific access restrictions to remote communities. All travel restrictions directly impacting Mornington Island were lifted from 3 July 2020 with no further travel restrictions in place during the period to the date of this report.

Expenditure items which had, or were likely to have direct impact from the COVID-19 pandemic were identified as follows:

General construction sector movement has resulted in increases in various wood, electrical and plumbing products, which have been passed along through recoverable and capital works. The industry-wide expenditure, whilst general in nature, cannot be readily quantified for the financial year ended 30 June 2021.

There have not been any other significant adverse operational or financial impacts as a result of the COVID-19 pandemic to date and it is confirmed that any known impacts have been reflected in the financial statements.

**Mornington Shire Council
Financial Statements
For the year ended 30 June 2021**

**Management Certificate
For the year ended 30 June 2021**

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

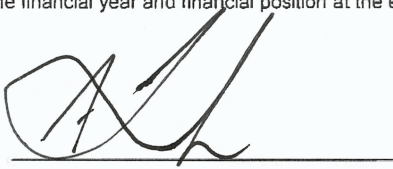
In accordance with section 212(5) of the Regulation we certify that:

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements as set out on pages 1 to 33 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
Kyle Yanner

Date: 16 / 12 / 2021



Chief Executive Officer
Adam Seiler

Date: 16 / 12 / 2021

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 2021, 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 2021, 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 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 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 financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Mornington Shire Council's annual report for the year ended 30 June 2021 was the current year financial sustainability statement and long-term financial sustainability statement.

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the financial report

The councillors are 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 councillors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The councillors are 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 of the council.

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 2021:

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

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Local Government Act 2009*, any other Act and the Local Government Regulation 2012. The applicable requirements include those for keeping financial records that correctly record and explain the council's transactions and account balances to enable the preparation of a true and fair financial report.



17 December 2021

Sri Narasimhan
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Mornington Shire Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2021

Measures of Financial Sustainability

Council's performance at 30 June 2021 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)	-10.7%	0% to 10%
Asset Sustainability Ratio	Capital expenditure on replacement of assets (renewals) divided by depreciation expense.	92.6%	> 90%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-16.0%	< 60%

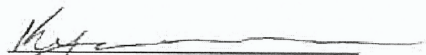
Note 1 - Basis of Preparation

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 2021.

**Mornington Shire Council
Certificate of Accuracy
For the year ended 30 June 2021**

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

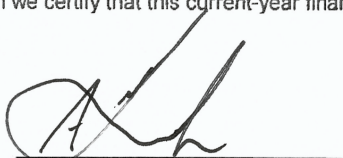
In accordance with Section 212(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.



Mayor

Kyle Yanner

Date: 16 / 12 / 2021



Chief Executive Officer

Adam Sellar

Date: 16 / 12 / 2021

INDEPENDENT AUDITOR'S REPORT

To the councillors of Mornington Shire Council

Report on the current-year financial sustainability statement

Opinion

I have audited the accompanying current-year financial sustainability statement of Mornington Shire Council for the year ended 30 June 2021, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with s.212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current-year financial sustainability statement of Mornington Shire Council for the year ended 30 June 2021 has been accurately calculated.

Basis of opinion

I conducted my audit in accordance with the *Auditor-General 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 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 financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Mornington Shire Council's annual report for the year ended 30 June 2021 was the general purpose financial statements and long-term financial sustainability statement.

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the current-year financial sustainability statement

The councillors are responsible for the preparation and fair presentation of the current-year financial sustainability statement in accordance with the Local Government Regulation 2012. The councillors' responsibility also includes such internal control as the councillors determine 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.



17 December 2021

Sri Narasimhan
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Mornington Shire Council
Long-Term Financial Sustainability Statement (Un-Audited)
Prepared as at 30 June 2021

Projected for the years ended

Measures of Financial Sustainability Council	Measure	Target	Actuals									
			30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029	30 June 2030
Operating Surplus Ratio	Net result divided by total operating revenue	0% to 10%	-10.7%	-5.3%	-5.3%	-5.3%	-4.9%	-4.5%	-4.1%	-3.7%	-3.3%	-2.9%
Asset Sustainability Ratio	Capital expenditure on renewals divided by depreciation expense.	> 90%	92.6%	136.6%	124.5%	123.0%	106.9%	106.4%	105.9%	112.6%	112.0%	111.4%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue	< 60%	-16.0%	-17.2%	-17.7%	-18.3%	-18.7%	-19.1%	-19.6%	-19.9%	-20.3%	-20.6%

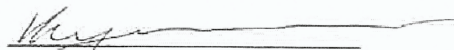
Mornington Shire Council's Financial Management Strategy

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 2021

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
Kyle Yanner

Date: 16, 12, 2021



Chief Executive Officer
Adam Seiler

Date: 16, 12, 2021

