

COUNCIL MEETING 24 January 2014

23 JANUARY 2014

Special Purpose Separate Financial Statements as at 30 June 2013 – Statement of Financial Position

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Background

1. At the meeting held 14th January 2014, Council members discussed the available cash position as contained in Special Purpose Separate Statement of Financial Position as at 30 June 2013.
2. Attached is a table setting out a description for each component, together with the potential for that component to directly impact the cash position in 2013/14 year.

Interim Cash Balance

3. It is important to restate that the Douglas cash position shown in the special purpose financial statements as at 30 June 2013 is an interim opening balance only. It will be adjusted to reflect the financial outcomes of Douglas operating and capital activities for the period July-December 2013.
4. Work has commenced on the attribution process for July-December 2013 transactions between Cairns and Douglas and it is anticipated that the special purpose financial statements as at 31 December 2013 will be available by the end of March this year. It is presently not possible to determine a reliable estimate of the likely Douglas cash position.

Liquidity

5. There was also some discussion regarding our ability to meet our short term financial commitments.
6. At June 2013 current assets amount to \$24.26 million and comprise cash and cash equivalents of \$15.76m together with receivables of \$8.50m. There are current liabilities of \$5.18M and there are longer term liabilities set out in the attached table totaling \$14.36M.
7. A tool commonly applied to provide an indication of an organization's liquidity and ability to meet creditor's demands in the short term is the current ratio... Acceptable current ratios vary from industry to industry and are generally not less than 1.5 for an organization that is financially healthy. The current ratio is determined by dividing current assets by current liabilities. The Douglas current ratio is 4.7

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Douglas Shire Council
 Separate Special Financial Statements at 30 June 2013
 Statement of Financial Position

ITEM	AMOUNT \$	AMOUNT \$	DESCRIPTION	Will there be a direct impact on cash in 2013/14?
ASSETS				
Current Assets				
Cash & Cash Equivalent		10,066,053	Includes cash at bank, investments with QTC.	Yes - forms part of opening cash balance post adjustment for de-amalgamation costs to December 2013 of \$1.92m.
ShortTerm Deposits		5,690,713	Current fixed short term investments.	See above.
Trade & Other Receivables		8,434,155	Includes outstanding rates, fees and charges, accrued capital grants, accrued interest and prepaid expenditure.	Yes - will be largely converted to cash or cash equivalent over the financial year (except for pre paid expenditures).
Inventories		67,105	Stores and raw materials are valued at the lower of cost and net realisable value.	No
Total Current Assets		24,258,026		
Non Current Assets - Property, Plant & Equipment		316,407,982	Includes water treatment and reticulation assets, waste water collection and treatment assets, roads, bridges and drainage assets, buildings, plant and equipment. Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation.	No
TOTAL ASSETS		340,666,008		
LIABILITIES				
Current Liabilities				
Trade & Other Payables Trade Creditors	2,630,286		Trade creditors are recognised upon receipt and measured at the agreed purchase/contract price net of applicable discounts .	Yes - Trade creditors are generally paid within 30 days.
Other Accrued Expenses	777,982		Represents expenses that have been incurred but not yet recognised through trade creditors.	Yes - same impact of Trade Creditors.
Employee Expenses	<u>1,233,353</u>	<u>4,641,621</u>	A/L and RDO are treated as short term liabilities reflecting their character. However a component may be treated as a longer term matter in some circumstances; it should be noted that longer serving employees have built up significant levels of A/L which will have to be managed going forward.	Yes - primarily impact of redundancy packages. It should be noted that June 13 amount was attributed on gross employee driver basis. But Dec 13 attribution will be based on actual individual employees and is expected to vary slightly.
Current Provisions				
Provision for Long Service Leave	132,777		See non current LSL item below.	Yes - primarily impact of redundancy packages - see non current LSL item below.
Provision for Refuse Site Restoration	<u>100,000</u>	<u>232,777</u>	See non current refuse site provision below.	No - No expenditure planned in 2013/14.
Borrowings		250,398	Represents amount of long term borrowings (principal) to be repaid in 2013/14.	Yes
Unearned Revenue		52,164	Represents amounts paid in advance by customers.	Yes - will be fully recognised in 2013/14.
Total Current Liabilities		5,176,960		

Douglas Shire Council
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Non Current Liabilities				
Trade & Other Payables		410,900	A/L that is expected to be taken in 2014/15 and beyond.	No
Provisions				
Provision for Long Service Leave	1,665,566		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. Where it is expected that the leave will be paid in the next twelve months the liability is treated as a current.	No - June 13 amount was attributed on gross employee driver basis. Dec 13 attribution will be based on actual individual employees and is expected to vary from the June 13 balance - will be managed through future operational plan.
Provision for Refuse Site Restoration	<u>10,203,064</u>	<u>11,868,630</u>	A provision is made for the cost of restoration of assets and other future restoration costs where it is probable the Council will be liable, or required, to incur such a cost on the cessation of use of the facility.	No - Provisions are liabilities of uncertain timing/quantum. Accordingly future expenditures are a charge against the cash balance but will be programmed in a managed way through the annual operational plan. No expenditure programmed for 2013/14.
Borrowings		2,080,494	Unsecured long term borrowings provided by the Queensland Treasury Corporation and applied to fund capital works.	No - scheduled repayments are shown as a current liability above
Total Non Current Liabilities		14,360,024		
TOTAL LIABILITIES		19,536,984		
NET COMMUNITY ASSETS		321,129,024		
TOTAL COMMUNITY EQUITY				
Constrained Works Reserve		5,880,000	Represents developer contributions attributable to Douglas in CRC accounts at 30 June 2013, for infrastructure the Council will be required to provide. Establishment of specific reserves are a future Council decision.	No - regarded as a constraint only, represents cash available to fund future capital works, including roadways, drainage and parks. The intention is these works will form part of the annual capital works program.
Daintree Ferry Reserve		2,362,582	Represents revenue attributable to Daintree ferry activity, identified as constrained in CRC accounts at 30 June 2013. Establishment of specific reserves are a future Council decision.	No - regarded as a constraint only, represents cash available to fund future Ferry specific capital requirements.
Council Equity		312,886,442		
TOTAL COMMUNITY EQUITY		321,129,024		