

DOUGLAS SHIRE COUNCIL

A **SPECIAL MEETING** of the Douglas Shire Council will be held on Thursday, 24 September 2015 at 9.00am at the Council Chambers, 64-66 Front Street, Mossman, and the attendance of each Councillor is requested.

AGENDA

‘ACKNOWLEDGEMENT OF COUNTRY’

‘I would like to acknowledge the Kuku Yalanji people who are the Traditional Custodians of the Land. I would also like to pay respect to their Elders both past and present and extend that respect to other Indigenous Australians who are present’.

1. *Attendance & Apologies*
2. *Conflict of Interest/Material Personal Interest*
3. *Agenda Items as Listed*



CHIEF EXECUTIVE OFFICER

DOUGLAS SHIRE COUNCIL

SPECIAL MEETING

THURSDAY, 4 SEPTEMBER 2015

9:00AM

TABLE OF CONTENTS

AGENDA ITEM 3 – AGENDA ITEMS AS LISTED

3.1 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 3

SPECIAL MEETING

24 SEPTEMBER 2015

3.1**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

Darryl Crees – General Manager Corporate Services

RECOMMENDATION:

That Council adopts the Financial Statements for the Year Ended 30 June 2015 and that the Mayor and Chief Executive Officer be authorised to execute the Management Certificate and Financial Sustainability Statements accordingly.

EXECUTIVE SUMMARY:

The financial statements for the year ended 30 June 2015 have been finalised and are submitted to Council for adoption. Key points to note include the following:

- the operating deficit for the year is \$1.1m compared to a revised budgeted operating deficit of \$3.8m.
- the cash position at the end of the year is \$26.8m.
- no material changes to Council's overall financial position resulted from the audit process.

BACKGROUND:

Council's Financial Statements have been prepared in accordance with the requirements of sections 176 to 178 of the *Local Government Regulation 2012* (the Regulation) and have been audited by the Queensland Audit Office (QAO) in accordance with the requirements of section 212 of the Regulation. QAO have indicated that based on the information that has been assessed as part of the audit, it is expected that they will issue Council with an unmodified audit opinion. They will also be providing a management letter in due course.

Council's Audit Committee reviewed a draft set of financial statements prior to audit and will be reviewing the finalised statements prior to their adoption by Council. QAO have advised that there is nothing that has come to their attention that would require further significant changes to the financial statements. They have also advised that audit clearance will be provided on the day of the Audit Committee meeting.

COMMENT:

The following comments are provided in relation to some of the key components of the financial statements:

Statement of Comprehensive Income

Includes Council's operating and capital revenue, operating expenses, capital income and capital expenses for the financial year. The comparative figures for the previous financial period also include the gain on restructure from de-amalgamation.

Operating Result

Council’s operating result is determined by deducting operating expenditure from operating revenue and shows an operating deficit of \$1.1m compared to an original budgeted operating deficit of \$5.1m and a revised budgeted operating deficit of \$3.8m.

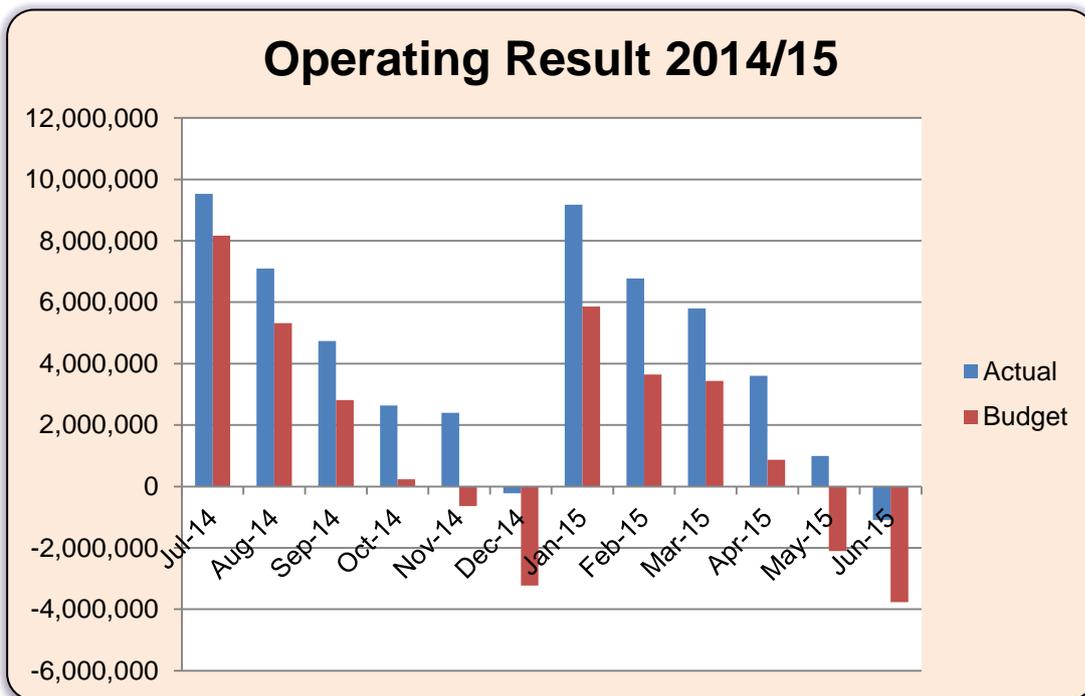
The detail is as follows:

Original Budgeted Operating Result - Adopted Budget June 2014	\$5,068,447
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Revised Budgeted Operating Result - Adopted March 2015	\$3,764,931
Actual Operating Result - 30 June 2015	
<u>\$1,099,455</u>	
Improvement over revised budget	
<u>\$2,665,476</u>	

This result can be attributed to:

- operating revenue \$1.3m over budget (mainly rates & utility charges and fees & charges)
- operating expenditure \$1.3m under budget (mainly materials & services).

The following graph which is presented to Council as part of the monthly financial report has been updated accordingly.



Capital Income

Includes a revaluation up of property, plant and equipment (sewerage assets) reversing a previous revaluation down (\$2m).

Capital Expenses

Includes a revaluation decrement to property, plant and equipment (transport assets \$18.6m) and a discount rate adjustment to Council’s landfill restoration provision (\$780k).

Statement of Financial Position

Provides details of Council's Current and Non-current Assets and Liabilities.

Statement of Changes in Equity

Identifies movements in Council's Equity balance.

Statement of Cashflows

Shows the movement in Council's cash position during the financial year and excludes all non-cash items such as depreciation. Council's cash position at the end of the reporting period consisted of the following:

Cash and cash equivalents	\$21,835,031
Short term deposits (deposits exceeding 3 months)	<u>\$5,000,000</u>
	<u>\$26,835,031</u>

This represents an increase of approximately \$9m compared to June 2014, due to an improved operating result and the underspend / carryover of capital expenditure.

Notes to the Financial Statements

Provide details of significant accounting policies and supporting information relating to the major statements, including a detailed breakdown of property, plant and equipment.

Financial Sustainability Ratios

Council's financial sustainability ratios for the financial year are as follows:

Measures of Financial Sustainability	How the measure is calculated	Actual	Target	2013/14
Council's performance at 30 June 2015 against key financial ratios and targets:				
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-3%	between 0% and 10%	-32%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	67%	greater than 90%	28%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-37%	not greater than 60%	-56%

It is important to note that the 2013/14 comparative ratios were for a six month period and were impacted by the de-amalgamation process and therefore did not necessarily provide a meaningful indication of Council's sustainability position.

For the 2014/15 financial year the Operating surplus ratio is a considerable improvement over the original anticipated ratio of -15% and the revised budget ratio of -11%. The Asset sustainability ratio is improving but is still below the target range (this ratio should improve during the 2015/16 financial year as a result of the NDRRA asset restoration work that is being undertaken by Council). The Net financial liabilities ratio indicates a healthy balance sheet.

Community Financial Report

Information relating to the financial statements will also be provided in the Community Financial Report to be included within Council's Annual Report.

PROPOSAL:

That Council adopts the financial statements and authorises the Mayor and Chief Executive Officer to execute the Management Certificate and Financial Sustainability Statements.

CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE:

The preparation of the Financial Statements aligns with Council's Corporate Plan –

Theme 5 Governance, Goal 1 "To develop a financially sustainable organisation through sound strategic planning" 5.1.1 "Establish and develop long term financial, resource and infrastructure planning to ensure ongoing capacity to fund operations and capital works programs".

Theme 5 Governance, Goal 2 "To demonstrate leadership in local government through sound, transparent, accountable and equitable decision making" 5.2.1 "Provide Councillors and community with accurate, unbiased and factual reporting to enable accountable and transparent decision-making".

FINANCIAL/RESOURCE IMPLICATIONS:

This report summarises the key financial/resource implications relating to the reporting period covered by the Financial Statements.

RISK MANAGEMENT IMPLICATIONS:

Ongoing operating deficits have the potential to negatively impact upon Council's future financial sustainability. Council's long term financial sustainability statement projects a move towards a balanced operating position by 2019/20, in accordance with Council's Corporate Plan.

INTERNAL/EXTERNAL CONSULTATION:

Consultation occurred with a number of key staff in relation to various aspects of the preparation and auditing of the financial statements, including the verification and endorsement of various assumptions and processes and the provision of supporting documentation. Considerable consultation also occurred with the Queensland Audit Office.

ATTACHMENTS:

Financial Statements for the Year Ended 30 June 2015 – are provided as a separate attachment.