



MINUTES OF THE EXTRA-ORDINARY MEETING OF KEMPSEY SHIRE COUNCIL

Wednesday 8th December 2004 commencing at 3.22pm.

PRESENT:

Councillors J A C Hayes, (Mayor and Chairman), J H Howell, E A Green, J C Gribbin, T L Hunt, R H McWilliam, D F Saul, B R Sowter and E R Walker.

General Manager, A V Burgess; Director Corporate Services Bruce Snape; Tony Curtin, and Pat Hanrahan.



PRESENTATION BY COUNCIL'S AUDITOR

At this stage 3.25pm Mr Wayne Russell of Price Waterhouse Coopers, Council's Auditors addressed Council on the 2003/2004 financial statements and auditor's report.

Councillor Howell retired from the Chambers at 4.05pm and apologised for non-attendance at the remainder of the meeting.

The Mayor thanked Mr Russell at the conclusion of his presentation.

2004. 846 RESOLVED:

*Moved: Cl. Hunt
Seconded: Cl. Green*

That the General Manager and staff be commended for the improving financial trends of Council as shown in the Auditor's presentation.

The Mayor noted that the above resolution was passed unanimously.

DIRECTOR CORPORATE SERVICES REPORT

DCS 1	PRESENTATION OF THE 2003/2004 FINANCIAL STATEMENTS AND AUDITORS REPORT FILE: A2-22 APC
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SUMMARY:

THIS IS PAGE 1 OF THE FULL TEXT MINUTES OF THE EXTRAORDINARY MEETING OF KEMPSEY SHIRE COUNCIL HELD WEDNESDAY 8TH DECEMBER 2004.

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MAYOR

Submission of the 2003/2004 financial statements and auditor's report



Council's financial statements for the 2003/04-year have been audited. A copy of the Auditors report dated 30 October 2004 is attached at [\(Appendix A\)](#). Copies of the financial statements are included with the Councillor's business paper.

The Local Government Act and Regulations provide that the general purpose financial reports were required to be lodged with the Department of Local Government by 8 November 2004; Council's reports were lodged on the 5 November 2004.

The regulations further provide the Financial Statements and Auditors Report must be presented at a public meeting within five weeks of the receipt of the auditors report.

The following comment is provided in respect of the financial statements:

Audit Report

The audit report for 2003/04 is unqualified.

Statement of Financial Performance

The operational surplus for the year is \$8.110m as compared to \$5.039m in the previous year. The principal factor contributing to the improvement was the recognition of sewerage infrastructure assets of \$4.480m as a result of a review carried out during the year.

It is noted that the Statewide Mutual Liability Scheme had achieved a surplus as at 30 June 2004, this resulted in Council writing off its share of the Statewide Operational Liability which had previously been assessed at \$167,668.

Statement of Financial Position

Council's total equity as at 30 June 2004 is \$367,023m (\$358,913 as at 30 June 2003).

Working Funds

Working funds refer to the level of uncommitted funds held by Council, which by nature are convertible to cash in the short term. Working funds consists of current assets including unrestricted cash and investments, debtors and stock on hand less current liabilities, principally current creditors.

Whilst the concept of working funds are not directly addressed in the Statements an analysis reveals that working funds as at 30 June 2004 total \$2.093m made up as follows:

Current Assets

Cash & Investments unrestricted	Note 6	\$1.410m	
Receivables	Note 7	\$4.807m	
Less: Deferred Debtors	Note 7	\$0.080m	
PWD Debtors Subsidised			
Scheme	Note 7	\$0.659m	\$4.068m
Stores and Materials	Note 8	\$0.501m	
Work in Progress & Repayments	Note 8	\$0.029m	

Less: Current Liabilities

Current Creditors	Note 10a	\$5.943m	
Less: Advances (PWD and RTA)	Note 10a	\$2.028m	\$3.915m

Total Working Funds \$2.093m

Working Funds by Fund:

General Fund	\$0.552m
Water Fund	\$0.555m
Sewer Fund	\$0.986m

In addition to the General Fund Working Fund balance of \$552,192 Council has set aside \$125,000 as a provision for doubtful debt in respect of monies due to Council by Civicview. Payments of \$40,000 were received during the 2003 / 2004 year whilst a further \$20,000 paid in July 2004, the current balance due is \$202,755.

The audit report provides comment on the major component of working funds i.e. unrestricted cash and investments, which are disclosed in Note 6 at \$1410,000 at 30 June 2004.

Reserves

In addition to the above working fund balances, Council has set aside in reserve \$6.989m for specific future works and commitments at 30 June. The reserve balances are shown in Notes 6 and 6a, the reserves comprise:

General Fund

Employee Leave Entitlements Reserve	\$800k
Land Development Reserves	\$223k
Co-op Library Computer Reserve	\$30k
Computer Reserves	\$80k
Bridge Construction Reserve	\$61k

On Site Sewerage Reserve	\$27k
Homes for Aged Maintenance Reserve	\$6k
Sports Development Reserve	\$43k
DWM Reserve	\$373k
Loan Sinking Funds	\$100k
Quarry Restoration Reserve	\$41k
Equipment Reserves	\$85k
Caravan Park Reserve	\$514k
SWR Reserve	\$28K
Environmental Levy Reserve	\$329k
Uncompleted Works Reserve	\$1175k

Water Fund

Water Augmentation Reserve	\$844k
Water Tariff Equalisation Reserve	\$165k
Loan Sinking Fund	\$100k
Uncompleted Works Reserve	\$372k

Sewer Fund

Augmentation Reserve	\$1418k
Uncompleted Works Reserve	\$175k

The balance of funds in the Employees Leave Entitlements Reserve (ELE) at 30 June is \$799,861 which represents some 11% of the assessed liability of \$7,293,281. The accepted level of funding in respect of ELE is 20%.

Council's 2004/05 Budget provides for a transfer to the ELE Reserve of \$368,000.

Debt Service Ratio

The debt service ratio as disclosed in Note 13 of the Financial Statements is calculated by determining the total interest and principal loan repayments as a percentage of total operating revenue excluding capital and specific purpose operating grants and contributions.

Council's consolidated debt service ratio is 13.68% at 30 June 2004. A comparison of the consolidated and individual fund ratios is set out below:

	2003/04	2002/03	2001/02	2000/01	1999/00
Consolidated	13.68%	18.11%	21.92%	22.89%	21.41%
General Fund	10.46%	10.52%	13.58%	13.12%	12.82%
Water Fund	32.17%	37.46%	42.03%	45.59%	39.31%
Sewer Fund	8.81%	23.39%	28.55%	33.77%	32.77%

The Auditor notes in his report that by excluding the revenue of \$4.480m in respect of the recognition of the sewerage assets, the consolidated ratio would have been 15.72% and the ratio for the sewerage fund would be 16.86%.

Rates & Annual Charges Outstanding

The percentage of rates and charges outstanding as at 30 June 2004 is 7.51%.

A comparison of the percentage over the preceding four years is set out below:

	2003/04	2002/03	2001/02	2000/01
Consolidated	7.51%	8.01%	8.77%	9.58%

The continuation of the downwards trend is pleasing to note, it is proposed to continue to vigorously pursue outstanding debtors during the current year.

Rates & Annual Charges Coverage Ratio

The ratio is essentially a measure of the extent to which Council is dependent upon revenue from rates and annual charges as compared to its total revenue.

A comparison of the percentage over the preceding four years is set out below:

	2003/04	2002/03	2001/02	2000/01
Consolidated	38.42%	41.63%	44.35%	45.47%

The Audit Report contains the recommendation "That Council continue to investigate options available to increase its revenue base from sources other than rates and annual charges".

The challenge to increase the revenue base is one faced by the whole of Local Government.

Auditors Council Presentation

Mr. Wayne Russell from Council's auditors Pricewaterhouse Coopers will provide a presentation to the Council in respect of the audited financial accounts.

REPORT IMPLICATIONS

- ***Environmental***

Nil

- **Social Implications**

Council's ability to provide services and infrastructure to the community is restricted by the availability of financial resources; the financial limitations imposed upon Local Government have an adverse impact on the social environment of the Kempsey Shire community. The 2003/2004 Financial Reports do not address the social implications arising from budgetary restrictions faced by Council.

- **Economic**

The 2003 / 2004 Financial Reports reaffirms Council's financial position as previously reported in the June budget review.

- **Policy or Statutory**

The 2003/04 Financial Reports have been prepared in accordance with relevant statutory requirements.

2004. 847 **RESOLVED:**

*Moved: Cl. Hunt
Seconded: Cl. Green*

That the Auditors Report for the year ended 30th June 2004 be received.

CONCLUSION:

The meeting concluded at 4.40pm.

