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LATE REPORTS

Oberon Council Ordinary Meeting
Tuesday 15 November 2016

Commencing at 5.30pm
at the Council Chambers

14.08 AUDITED FINANCIAL STATEMENTS FOR 2015/16

File No: File No: Financial Management/Financial Reporting/Annual Financial Reports 2015-16
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Summary

The 2015/16 Audited Financial Statements are provided for Council's consideration and to be made available for public comment. The audit reports clearly show that Council is in a strong financial position. The 2015/16 Financial Statements are showing a surplus of \$3.985 million, inclusive of Capital Grants. Council capitalised \$7m; which is made up in part of \$4.8m roads, \$1.4m plant, and \$200k swimming pool. This capitalisation was funded by the above surplus. The Statement of Cash Flows on page 8 of the Financial Statements shows the movement in Cash and Cash Equivalents leading to a surplus of \$114k.

Recommendation:

That the Audited Financial Statements for the year ended 30 June 2016 and the Auditors Reports be noted and made available for public comment.

Comment

A copy of the Audited Financial Statements is included as a separate ATTACHMENT.

Council's audited Financial Statements were endorsed by Council at an Extraordinary Meeting on 4 November 2016 prior to lodgement of the statements on the same day to the Office of Local Government (OLG). Council's Audit Reports and Financial Statements were subsequently submitted to the OLG prior to close of business on Thursday 10 November 2016.

While we acknowledge the statements were lodged a few days late, on 11 October 2016 Council applied for an extension with the OLG. This was refused by the Acting CEO of the OLG and notification of that refusal was received at Council on 3 November 2016, after the deadline for lodgement being 31 October 2016.

Council's Finance & Community Services Director was in contact with OLG finance staff as to the progress of the lodgement of the statements and was receiving advice from them which now appears to be incorrect.

Crowe Horwath's audit report states:

- the Council's account records have been kept in accordance with the requirements of the Local Government Act 1993 Chapter 13, Part 3, Division 2
- the Council's financial statements:
 - have been properly prepared in accordance with the requirements of the Division;
 - are consistent with the Council's accounting records;
 - present fairly the Council's financial position and result of its operations; and
 - are in accordance with applicable Accounting Standards
- all information relevant to the conduct of the audit has been obtained, and
- there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

The net operating surplus for the year before Grants and Contributions provided for Capital Purposes of \$3,751,000 was significantly higher than original budget expectations which anticipated a surplus of \$128,000 (refer to Note 16 on pages 60, 61 details of variances).

The table below is a summary of the 2015/16 Financial Statements. It clearly illustrates how Council has developed a strong financial position through effective fiscal management.

	2016	2015
	(\$000)	(\$000)
Income Statement		
Total Income from Continuing Operations	17,579	14,114
Total Expenses from Continuing Operations	<u>13,594</u>	<u>13,287</u>
Operating Result from Continuing Operations	3,985	827
Statement of Financial Position		
Total Current Assets	13,687	10,165
Total Current Liabilities	(2,473)	(2,229)
Total Non Current Assets	278,122	274,580
Total Non Current Liabilities	<u>(4,481)</u>	<u>(1,709)</u>
Total Equity	284,856	280,807
Other Financial Information		
Unrestricted Current Ratio (times)	3.33x	3.86x
Operating Performance Ratio (%)	20.55%	-0.3%
Debt Service Cover Ratio (times)	12.49x	24.06x
Rates & Annual Charges Outstanding Ratio (%)	6.29%	7.5%
Building, Infrastructure & Other Structures Renewals Ratio (%)	214.45%	165.9%
Infrastructure Backlog Ratio (%)	4.32%	3.6%
Own Source Operating Revenue Ratio (%)	61.99%	64.0%
Cash Expense Cover Ratio (months)	12.57mths	9.2mths

Council achieved a surplus Operating Performance Ratio of 20.55% (2015: 0.27%) which is above the benchmark of 0%. Council managed to achieve this result with additional revenue from the special rate variation and additional grants for Roads.

The Own Source Operating Revenue ratio measures the fiscal flexibility of Council and its degree of reliance on external funding sources. The ratio of 61.99% (2015: 63.99%) is above the benchmark of 60% and indicates Council is not reliant on government grants and contribution to provide services to the community. This is a good position.

The Debt Service ratio measures the availability of operating cash to service debt including interest, principal and lease payments. Council's ratio of 12.49:1 (2015 24.06:1) is considered sound, as the benchmark is a minimum of 2.00:1. This result indicates that Council has the ability to borrow further if required.

The Auditors *Report on the Conduct of the Audit* in the Financial Statements provides a summary of the Financial Statements. Clare Wagner, Partner Audit & Assurance, will be at the Council Meeting on 20 December 2016 to present their findings.

The Audited Financial Statements are available for viewing by the public on Council's website at www.oberon.nsw.gov.au and Council's Administration Centre, 137-139 Oberon Street, Oberon, with written submissions open until Tuesday 24 November 2016.