

# Shoalhaven City Council 2008 Financial Report



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# 2008 in Perspective

- Financial market turmoil
  - International
  - Local
- Implementation of Fair Value
  - Operational land and buildings
  - Plant & equipment
- AASB 7 – Financial Instruments: Disclosures
- Significant burden on Council's finance team – numerous technical and practical challenges

# 2008 Audit Conclusion

- Qualified audit opinion
- Basis for qualification
  - Limitation of scope
  - Related to CDO valuation issues
- NOT
  - Non-compliance with technical standards
  - Disagreement with management

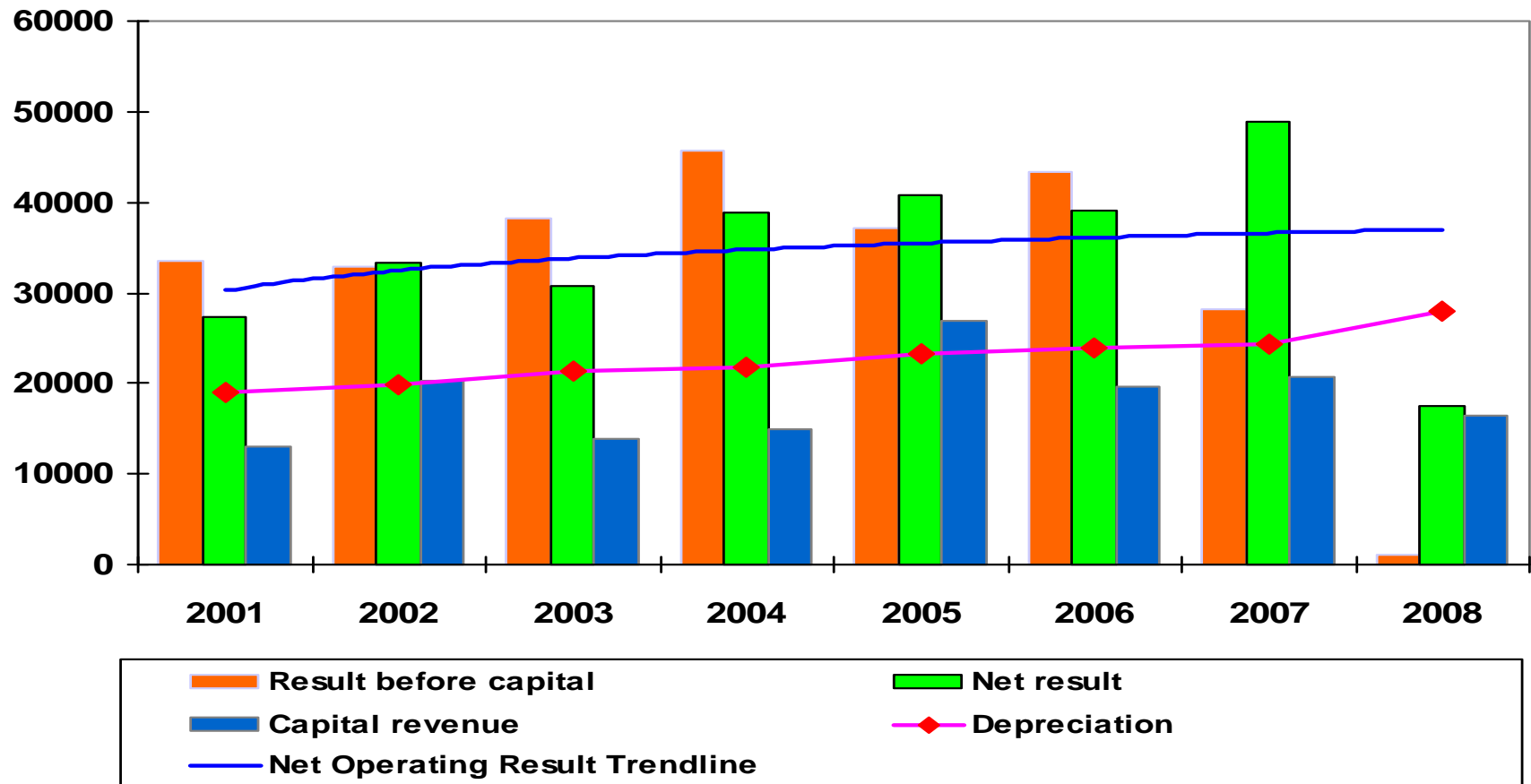
# Operating Result

- Net operating result for 2008
  - 2008 - surplus \$17.591M
  - 2007 – surplus \$48.879M
  - Budget – surplus \$26.304M
- After allowing for
  - Depreciation - \$27.996M
  - Unrealised loss on investments - \$4.603M
  - Capital grants and contributions - \$16.473M

# Operating Result

<b>2007</b> <b>\$'000</b>		<b>2008</b> <b>\$'000</b>	<b>Budget</b> <b>\$'000</b>
<b>52,539</b>	Result before capital & depreciation	29,114	35,121
<b>20,753</b>	Capital revenue	16,473	15,514
<b>73,292</b>	Operating result before depreciation	45,587	50,635
<b>24,413</b>	Depreciation	27,996	24,331
<b>48,879</b>	Net operating result	17,591	26,304

# Historical Operating Results



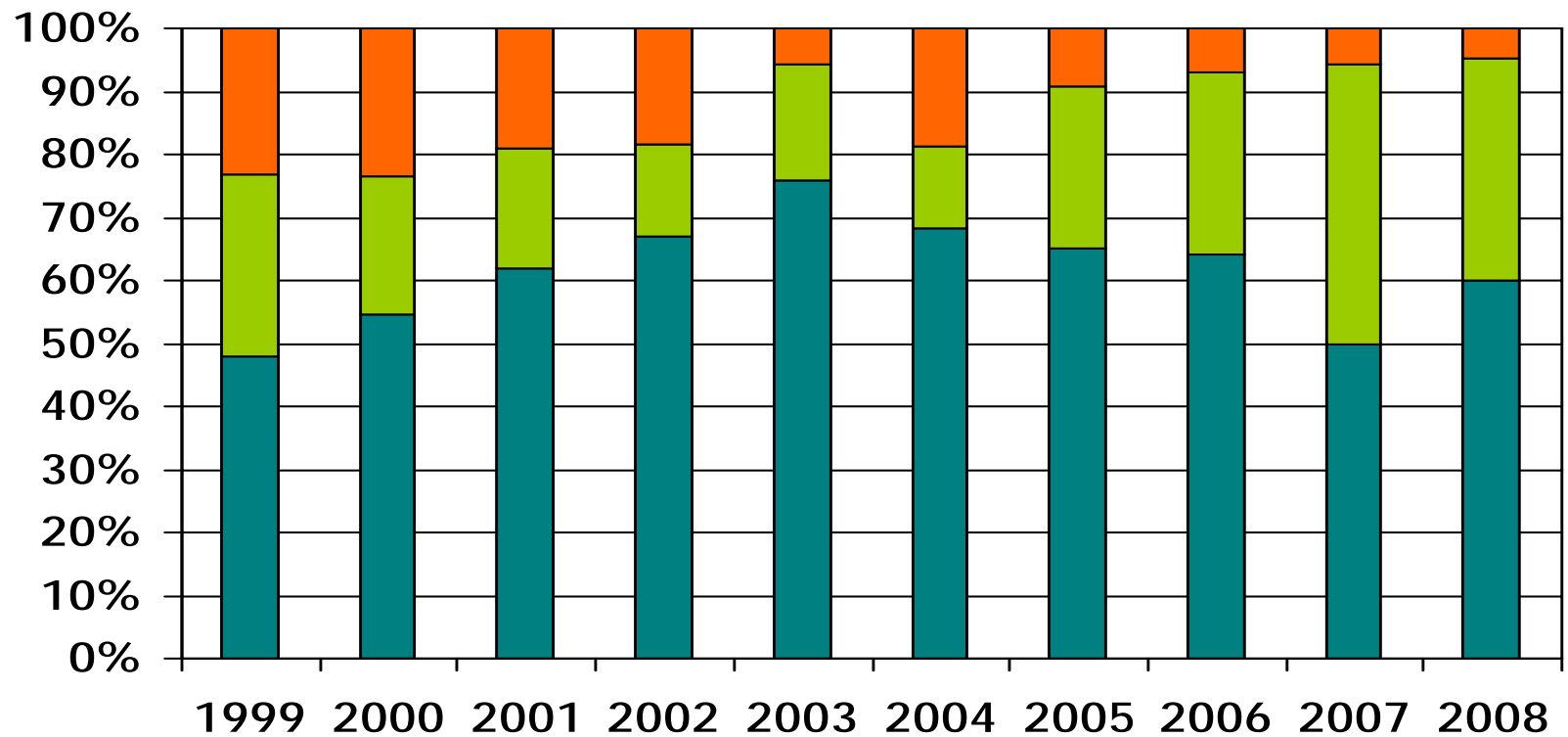
# Financial Position – 30 June 2008 Snapshot

- Total equity at year end - \$1,661M
- Increased by
  - Net operating surplus for 2008 - \$17.591M
  - Revaluation of assets - \$177.764M
- Net current assets
  - 2008 - \$66.858M
  - 2007 - \$89.559M
- Carrying Value of non-current assets
  - 2008 - \$1,667M
  - 2007 - \$1,451M

# Cash and Cash Flows

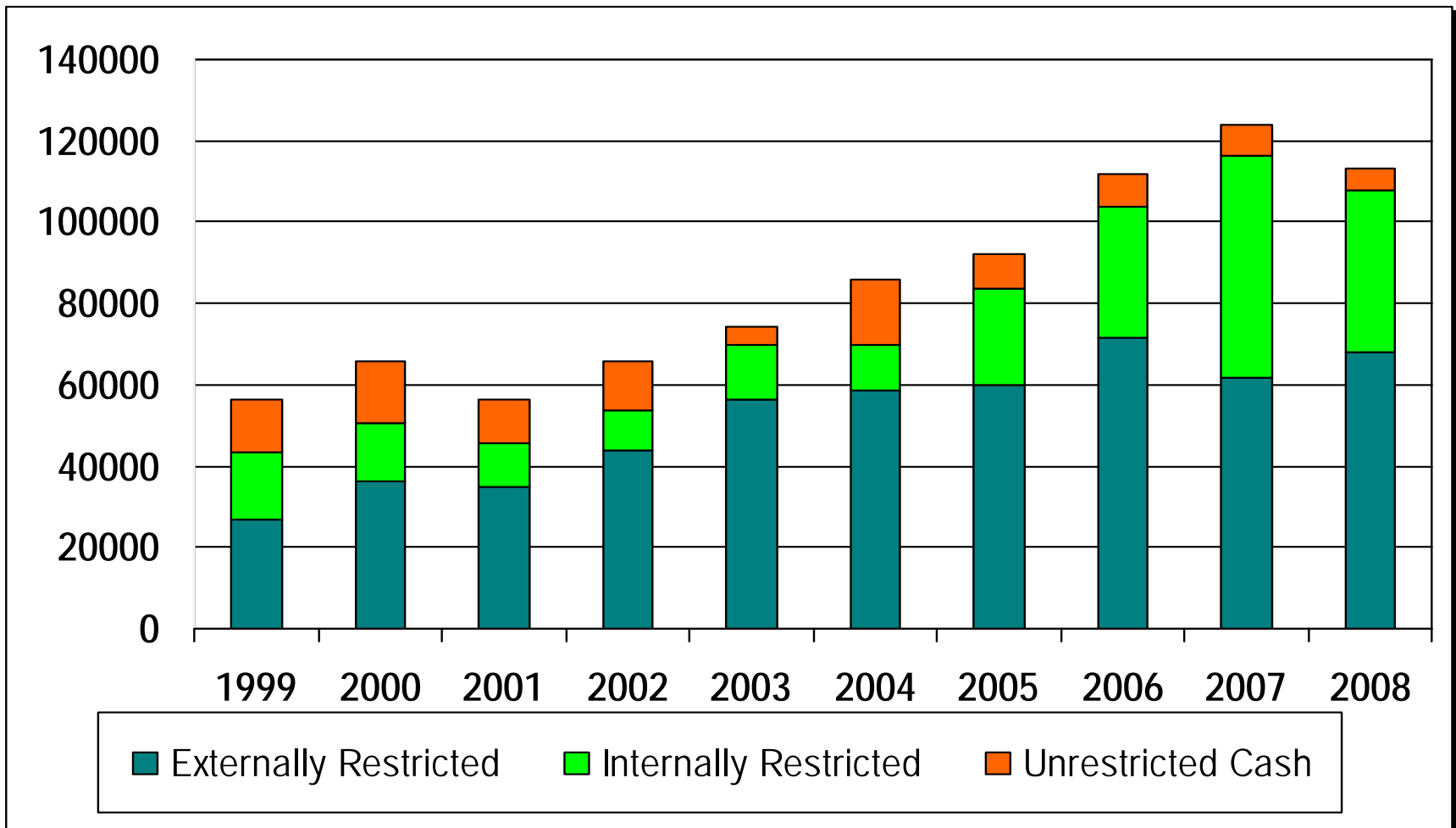
- Funding Council's Activities
  - Net cash provided from operations - \$49.842M
  - Net cash used for investing activities - \$18.024M
  - Net cash provided from financing activities - \$9.684M
- Overall movement in cash and cash equivalents
  - 2008 – increase \$41.502M
  - 2007 – decrease \$58.746M
- Balance at year end
  - 2008 - \$59.760M
  - 2007 - \$18.258M

# Cash & Investments - % Components



■ Externally Restricted   
 ■ Internally Restricted   
 ■ Unrestricted Cash

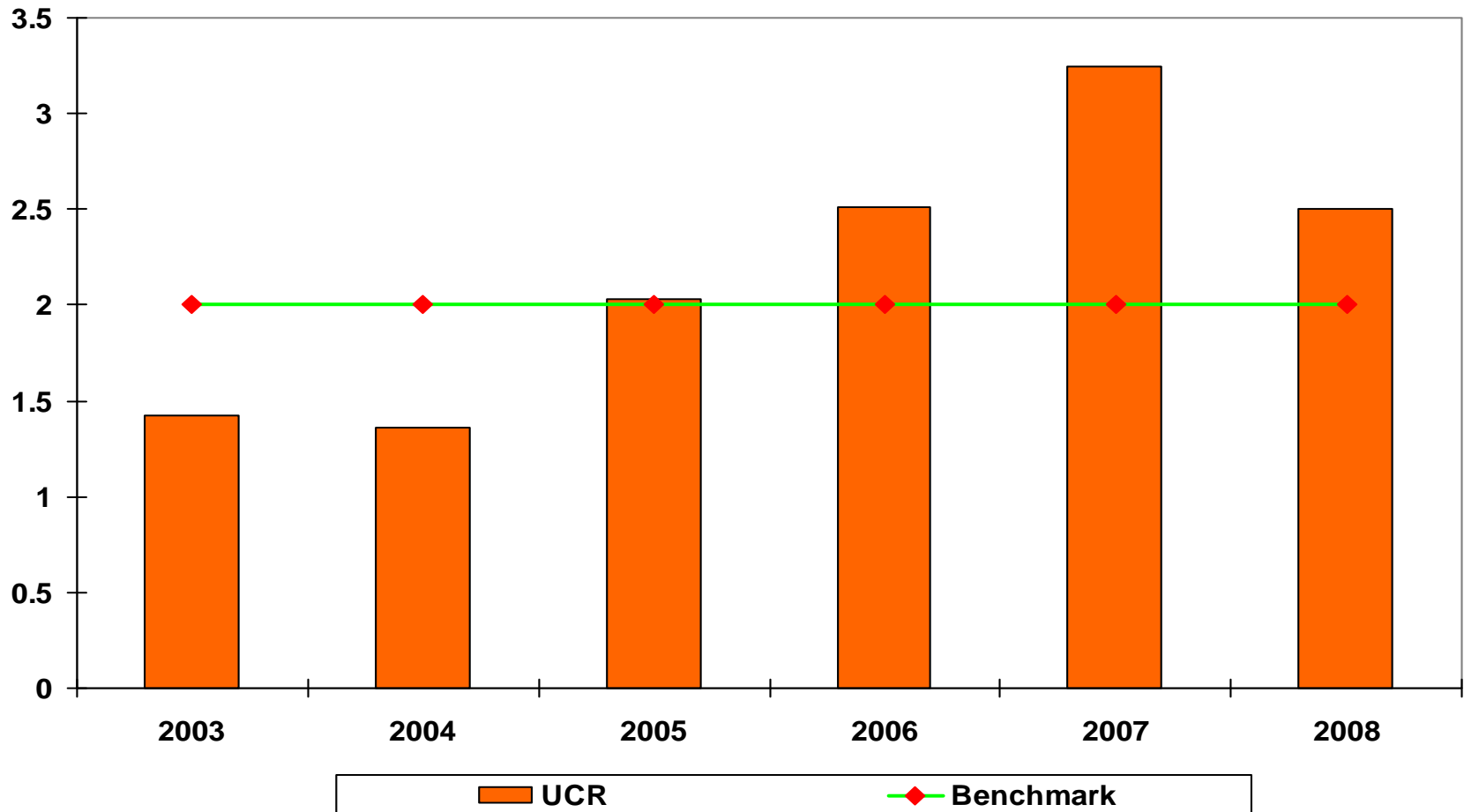
# Cash & Investments - \$ Components



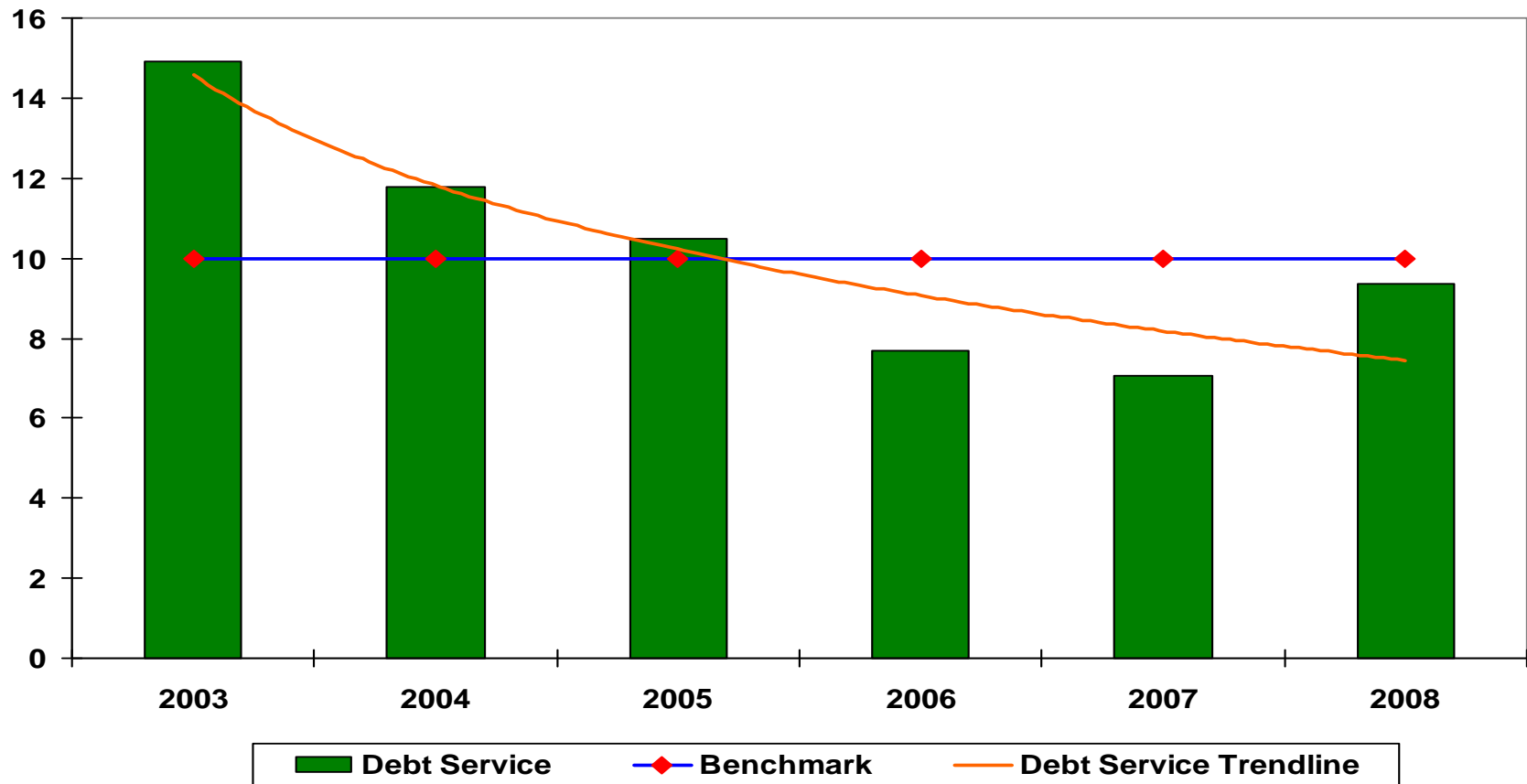
# Performance Indicators

- UCR – 2.5:1
  - Trend – regression on prior year
  - Result for 2008 – above industry guidelines
- Debt Service Ratio – 9.36%
  - Trend – increase on prior year
  - Result for 2008 – within industry guidelines
- Rate Coverage Ratio – 47%
  - Trend – increase on prior year
- Rates outstanding – 8.24%
  - Trend – slight regression on prior year
  - Result – above industry guidelines
- Asset Renewals – 45%
  - Trend – N/A – new ratio
  - Result – below industry guidelines – should be aiming for 1:1

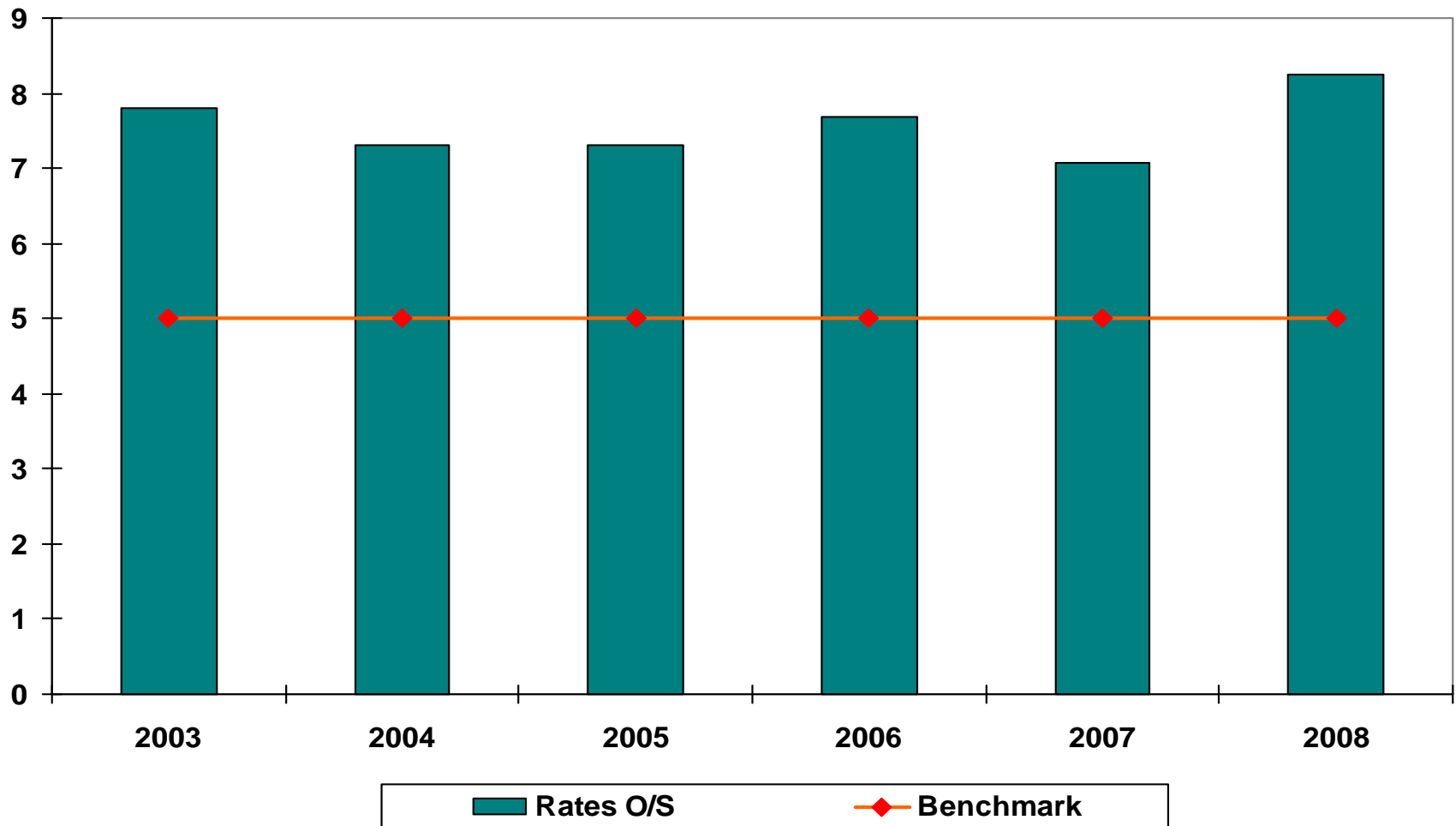
# Liquidity Ratios



# Debt Service Ratio



# Unpaid Rates %



# Audit Summary

- Key audit risks and conclusions
  - Valuation of investments - particularly CDOs
  - Fair Value of operational land and buildings
- Issues since balance date were taken into consideration in when forming our audit opinion
- Accounting policies have been consistently applied
- Council is in a sound financial position demonstrated by:
  - operating surplus for year,
  - Satisfactory level of net working capital; and
  - Most key ratios within industry guidelines
- Areas to monitor
  - Unrestricted cash balances
  - Outstanding rates
  - Asset renewals ratio and asset management

# Conclusion from audit process

- Legislative compliance
  - Complied with statutory reporting requirements of LGA 1993
- Conduct of the Audit
  - All issues attended to
  - No material matters that require mention in the audit report
  - In general, records and reports appear to be maintained and prepared in accordance with legislative requirements

# Questions and Discussion