



CHARTERS TOWERS
REGIONAL COUNCIL

COMMUNITY
FINANCIAL REPORT

For the year ended

30 June 2014



CHARTERS TOWERS REGIONAL COUNCIL
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For the year ended 30 June 2014

CONTENTS	PAGE
Statement of Comprehensive Income	
Revenue	2-3
Expenditure	4-5
Statement of Financial Position	
Assets	6
Liabilities	7
Equity	8
Statement of Cash Flows	9
Council Reserves	9
Financial Sustainability Ratios.....	10



CHARTERS TOWERS REGIONAL COUNCIL COMMUNITY FINANCIAL REPORT For the year ended 30 June 2014

STATEMENT OF COMPREHENSIVE INCOME

The Statement of Comprehensive Income is often referred to as a Revenue & Expenditure Statement and shows how Council has performed throughout the period.

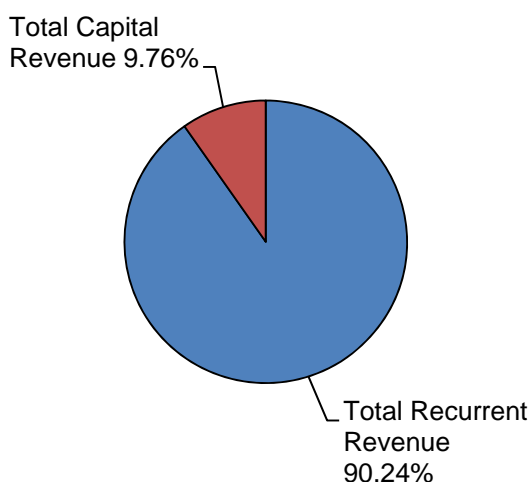
This Statement shows the annual movement between Council's 'incoming funds', referred to as Revenue plus 'outgoing operational funds', referred to as Expenditure.

The net result of these two figures represents money that is directed to Loan repayments; Reimbursement to Reserves for pre-spent subsidy; New community assets; or, allocation to a reserve for pending replacement of existing assets.

Revenue

There are two main categories of revenue for the financial year, Recurrent Revenue and Capital Revenue.

Revenue Categories 2013-2014



Council's Recurrent Revenue is income which Council can rely on being available every year for funding the operations of Council. Council raises Recurrent Revenue from sources such as rate levies, fees and charges, grants, subsidies, contributions, donations, contract and recoverable works and interest. Council continues to be heavily reliant on grants and subsidies and the Recurrent Revenue for 2013-2014 includes Flood Damage Subsidies of over **\$13.6 million**. Although Flood Damage Subsidies are included in Council's Recurrent Revenue, **these subsidies are outside of Council's normal operating revenues**, due to the occurrence of disaster events. Therefore, these funds cannot be relied upon for Council's operations from year to year. Recurrent Revenue during 2013-2014 also included over **\$6 million** of income received through contracts with the Department of Transport and Main Roads plus over **\$4.7million** of income received through contract works for 2012 Flood Event Day Labour. These are also beyond the standard contractual income Council expects to receive from the department on an annual basis, due to works related to disaster events.

Council's Capital Revenue is sourced for the purpose of constructing Council's assets now and in the future. Council's Capital Revenue consists of capital grants, subsidies, contributions and donations and any gain on sale of non-current assets. Flood Damage Subsidies of **\$2 million** are included in Capital Revenue.



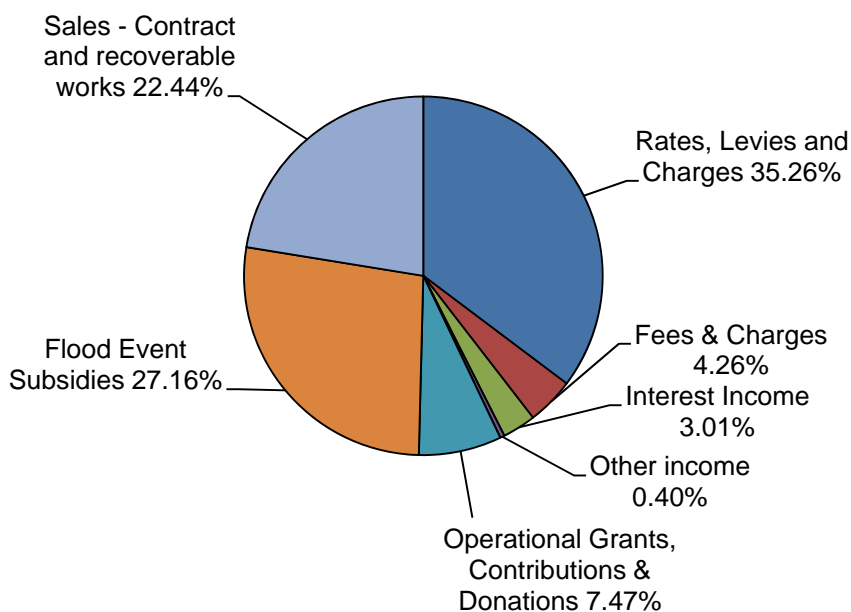
CHARTERS TOWERS REGIONAL COUNCIL

COMMUNITY FINANCIAL REPORT

For the year ended 30 June 2014

INCOME	\$	\$
Recurrent Revenue		
Rates, Levies and Charges		17,699,347
Fees & Charges		2,140,106
Interest Income		1,510,904
Other income		199,214
Grants, Subsidies, Contributions & Donations		17,380,209
Operational Grants	3,749,706	
Flood Events Subsidies	13,630,503	
Sales - Contract and recoverable works		11,264,409
Total Recurrent Revenue		50,194,189
Capital Revenue		
Gain on sale of non-current assets		226,945
Grants, Subsidies, Contributions & Donations		3,149,255
Flood Events Subsidies		2,051,267
Total Capital Revenue		5,427,467
TOTAL INCOME		55,621,656

Recurrent Revenue 2013-2014





CHARTERS TOWERS REGIONAL COUNCIL

COMMUNITY FINANCIAL REPORT

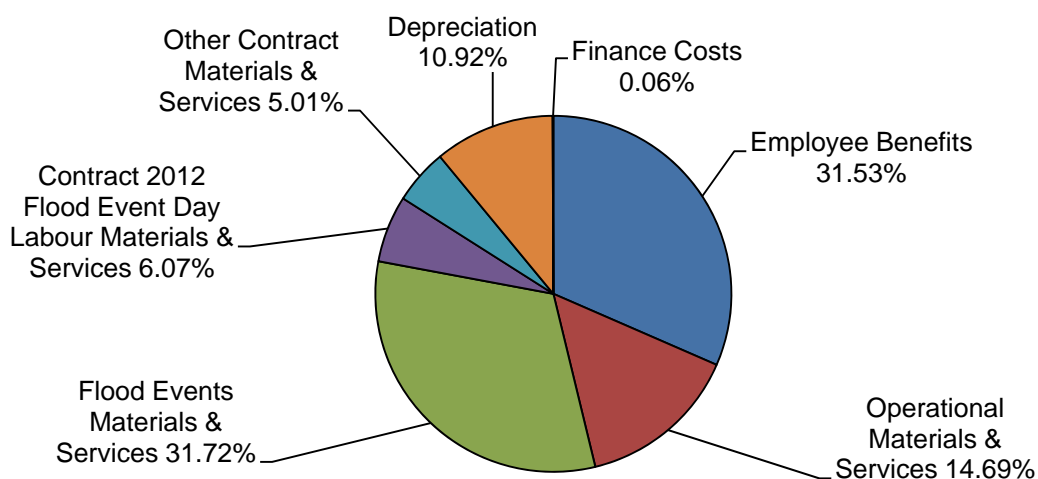
For the year ended 30 June 2014

Expenditure

Council incurs both Recurrent Expense and Capital Expense. Recurrent Expenses include employee benefits, made up of wages (*excluding wages for building or replacing assets*) and other employee entitlements, plus the cost of materials, services, depreciation and finance costs required to deliver services, operate facilities and maintain assets.

Recurrent Expense	\$	\$
Employee Benefits		19,790,585
Materials and Services		36,085,286
Operational	9,219,323	
Flood Events	19,913,002	
Contracts and Recoverable Works	6,952,961	
Depreciation		6,856,044
Finance Costs		40,086
Total Recurrent Expenses		62,772,001

Recurrent Expense 2013-2014



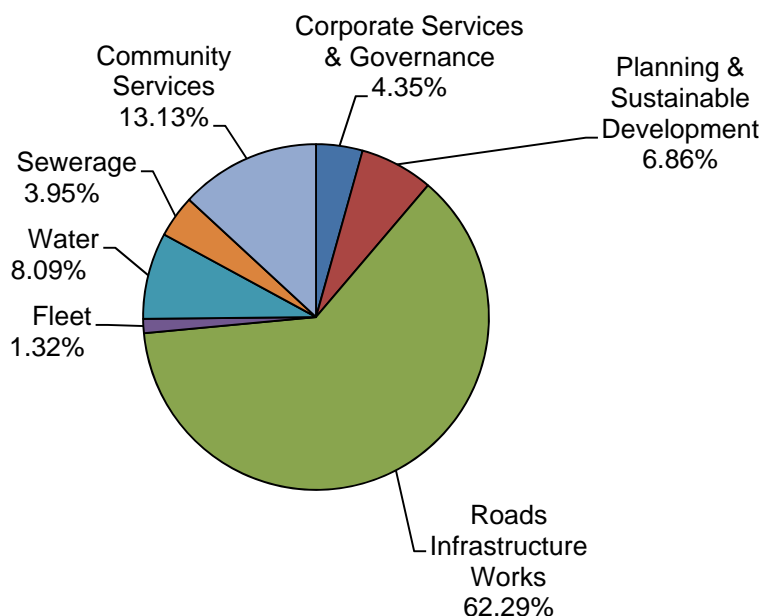


CHARTERS TOWERS REGIONAL COUNCIL COMMUNITY FINANCIAL REPORT For the year ended 30 June 2014

Expenditure Cont.

Funds raised through Recurrent Revenue are used to provide services such as corporate services and governance functions, planning and sustainable development functions, roads infrastructure works, fleet, water, sewerage and community services. These funds were consumed across the functions in the proportions shown. Expenditure on Council roads infrastructure works was just over 62% of Council's total Recurrent Expense, which amounted to \$39.1 million of the total \$62.7 million.

Expenditure by Function 2013/2014



Significant Revenue and Expenditure

There has been a decrease in the amount of Recurrent Grants, Subsidies, Contributions and Donations (\$17.3 million in 2013-2014 down from \$38.1 million in 2012-2013). There has been an increase in expenditure on Materials and Services (\$36.0 million in 2013-2014 up from \$31.3 million in 2012-2013). These movements are largely a result of the activities associated with Flood Event 2012 Restoration Works, which had a completion date of 30 June 2014. Grants received as a result of Flood Restoration Works amounted to \$15.6 million during 2013-2014 (\$34.6 million in 2012-2013), making up almost 70% of total Grants, Subsidies, Contributions and Donations. The expenditure on Flood Restoration works was over \$19.9 million in 2013-2014, which accounted for 55% of Materials and Services.

In addition Council did not receive the prepayment portion of the Financial Assistance Grant, funded by the Commonwealth Government, in the 2013-2014 year. Resulting in a reduction of \$3 million against 2012-2013 recurrent revenue.



CHARTERS TOWERS REGIONAL COUNCIL COMMUNITY FINANCIAL REPORT For the year ended 30 June 2014

STATEMENT OF FINANCIAL POSITION

This statement is often referred to as the Balance Sheet and summarises the financial position of the Council at the end of the financial year.

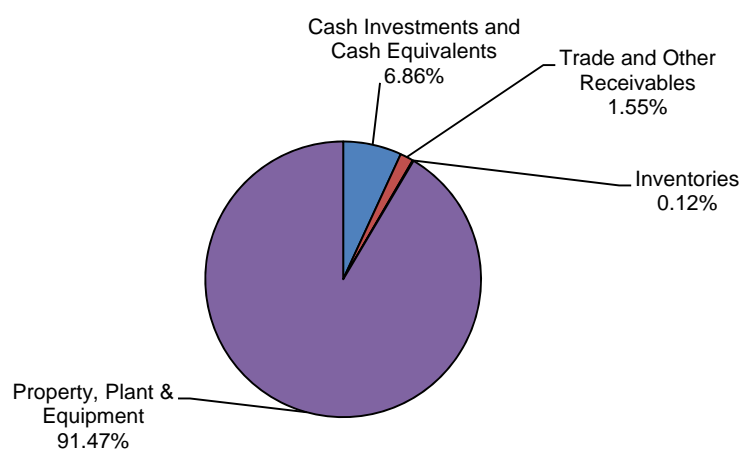
The statement measures what Council owns (referred to as assets) and what Council owes (referred to as liabilities) at the end of the financial year, with the difference between these two components being the net community wealth (referred to as equity) of the Council.

Current Assets consist primarily of cash and cash equivalents, while it also represents monies owing to Council.

Non Current Assets are primarily in the form of fixed assets or property, plant and equipment. These assets make up 91.4% of the assets on Council's Statement of Financial Position. Infrastructure assets such as roads, drainage and the water and sewerage network, make up the bulk of the property, plant and equipment.

CURRENT ASSETS	\$
Cash Investments and Cash Equivalents	35,478,452
Trade and Other Receivables	7,911,880
Inventories	632,087
TOTAL CURRENT ASSETS	44,022,419
NON-CURRENT ASSETS	
Property, Plant & Equipment	473,132,786
Trade and other Receivables	80,490
TOTAL NON-CURRENT ASSETS	473,213,276
TOTAL ASSETS	517,235,695

Asset Types 2013/2014





CHARTERS TOWERS REGIONAL COUNCIL COMMUNITY FINANCIAL REPORT For the year ended 30 June 2014

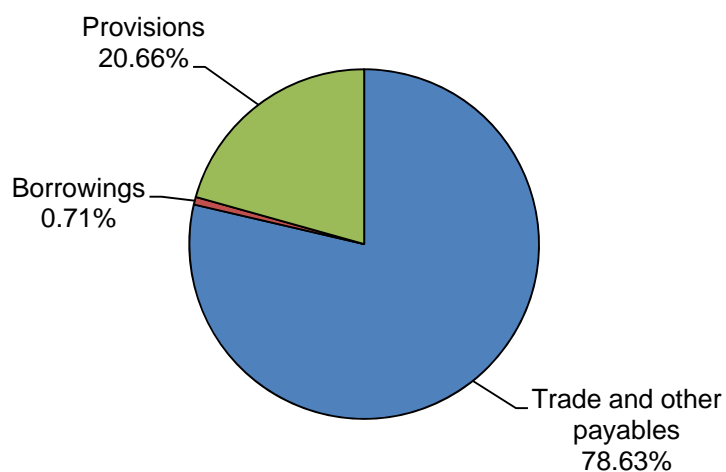
Liabilities

Liabilities are the amounts that Council owes to suppliers, employees and lenders both now and in the future.

Provisions for future entitlements relate to money Council owes its employees.

CURRENT LIABILITIES	\$
Trade and other payables	9,319,395
Borrowings	84,243
Provisions	1,706,968
TOTAL CURRENT LIABILITIES	11,110,606
NON-CURRENT LIABILITIES	
Borrowings	-
Provisions	741,236
TOTAL NON-CURRENT LIABILITIES	741,236
TOTAL LIABILITIES	11,851,842

Liabilities 2013/2014





CHARTERS TOWERS REGIONAL COUNCIL COMMUNITY FINANCIAL REPORT For the year ended 30 June 2014

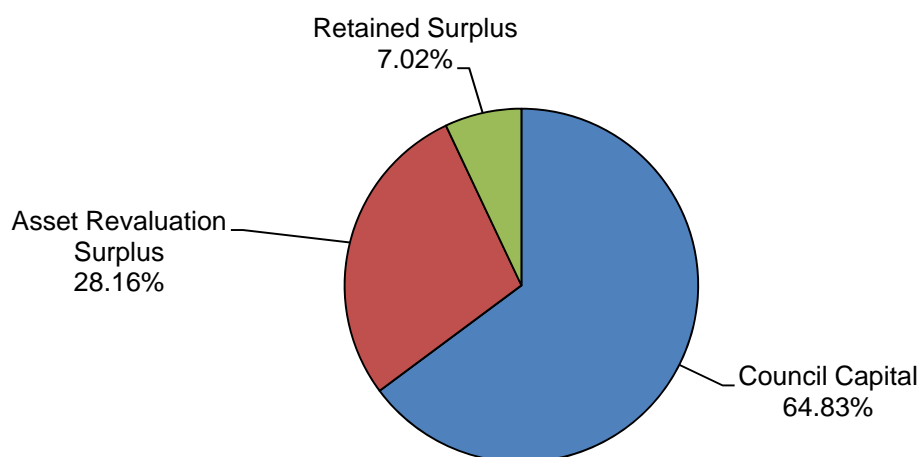
Equity

The difference between assets and liabilities is the total community equity or the net worth of Community Assets.

At 30 June 2014 this was an amount of \$505 million.

The Equity consists of Council Capital, Asset Revaluation Surplus and Retained Surplus.

Equity 2013/2014





CHARTERS TOWERS REGIONAL COUNCIL COMMUNITY FINANCIAL REPORT For the year ended 30 June 2014

STATEMENT CASH FLOWS

The Statement of Cash Flows identifies the cash received and the cash spent throughout the year.

2014	\$
Cash and Investments Opening Balance	44,023,531
Net Decrease in Cash Held	(9,545,079)
Cash and Investments Available at end of year	34,478,452

The net decrease in cash can be attributed to:

- The discontinuation of the prepaid portion of the Financial Assistance Grants for the following financial year, (\$ 3.5m)
- The opening cash figure contained prepaid NDRRA Flood Subsidy, drawn down on during the year. (\$ 4.2m)
- Operating deficit resulting from reduced funding compared to increased costs. (\$ 1.8m)

COUNCIL RESERVES

Outside of the Projects and Sustainability Reserves, all Council Reserves are monies already relied upon for the replacement of existing assets, or relied upon for planned operational activity.

Asset Replacement Reserves	\$
Roads and General Works	8,276,980
Plant Fleet	2,270,446
Water Infrastructure	6,470,570
Sewerage Infrastructure	8,612,904
Long Service Leave due to employees	1,200,000
Information Technology Replacements - Hardware and network	741,020
Sustainability Reserve	4,800,000
Available Project Funds	3,100,000
TOTAL RESERVES	\$35,471,920
Add cash floats utilised across council	6,532
CLOSING CASH	\$35,478,452



CHARTERS TOWERS REGIONAL COUNCIL COMMUNITY FINANCIAL REPORT For the year ended 30 June 2014

MEASURES OF COUNCIL'S FINANCIAL SUSTAINABILITY

The audited financial statements which precede this Community Financial Report, indicate that the Council has finished the 2013-2014 financial year in an overall positive financial position, although, over the next couple of years, Council must find service delivery savings to prevent the reduction of cash reserves from continuing to decline.

Towards this aim, considerable work has commenced to undertake the necessary reviews and implement more cost effective process and reduce the cost of services, where possible.

Charters Towers Regional Council will continue a commitment to sound financial management through long term financial planning to ensure the success and stability of the region.

FINANCIAL SUSTAINABILITY RATIOS

INDICATOR	COUNCIL'S CALCULATED RATIO		STATE GOVERNMENT TARGET ¹
	2012/2013	2013/2014	
Asset sustainability ratio	125.09%	117.39%	Greater than 90%
Operating surplus ratio	14.45%	(25.06)% ²	Between 0% and 10%
Net financial liabilities ratio	(62.13)% ³	(64.09)% ³	Not greater than 60%

¹ Target data has been sourced from the Financial Management (Sustainability) Guideline 2013 prepared by the Department of Local Government, Community Recovery and Resilience.

² Operating deficits can indicate that the local government is expecting to not be able to generate sufficient revenues to cover operating expenses and offset past or future operating deficits or act as a funding source for proposed capital expenditure and/or debt repayments. While \$7.7million (16.33%) of the operating deficit is a direct reflection of the drawing down of prepaid grant funds, \$1.8 million (3.82%) is a direct reflection of shortfalls in required 13/14 revenue to cover 13/14 operating expenses.

³ The Financial Management (Sustainability) Guideline 2013 states that a ratio less than zero (negative) indicates that current assets exceed total liabilities and therefore the local government appears to have significant financial capacity and the ability to increase its loan borrowings if necessary.